



## OIL REFINERIES ANNOUNCES FINANCIAL RESULTS FOR SECOND QUARTER 2008

*- Substantial sequential improvement over the first quarter 2008 -*

**Haifa, Israel, August 18, 2008 - Oil Refineries Ltd. (TASE: ORL.TA)** ("Oil Refineries" or the "Company") announced today its financial results for three and six month periods ending June 30, 2008.

### **SECOND QUARTER HIGHLIGHTS** (Compared to first quarter 2008)

- Substantial increase in consolidated operating profit to \$95 million and in consolidated EBITDA to \$114 million
- Refining margin USD/bbl 9.2, compared to USD/bbl 3.7 in first quarter 2008
- Average Reuter's quoted Mediterranean Ural Cracking Margin for the quarter totaled USD/bbl 6.3
- On August 13, 2008 General Meeting approved acquisition of 50% balance of Carmel Olefins

### **SECOND QUARTER 2008**

**Refining margin** for the second quarter 2008 totaled USD/bbl 9.2 compared with USD/bbl 3.7 in the first quarter 2008. **Refining margin** for the second quarter 2008, net of both the IFRS recording method for derivative transactions and inventory gains, totaled USD/bbl 6.7, compared to USD/bbl 2.4 in the first quarter 2008. The Mediterranean Ural Cracking Margin average quoted by Reuters for the second quarter 2008 totaled USD/bbl 6.3.

**Consolidated EBITDA** for the second quarter 2008 totaled \$114 million, compared to \$35 million in the first quarter 2008.

**Consolidated Operating Profit** for the second quarter 2008 totaled \$95 million, compared to \$16 million in the first quarter 2008. Operating profit from the **Refining and Trade Segment** totaled \$78 million in the second quarter 2008, compared to \$7 million in the first quarter 2008. Operating profit from the **Petrochemicals Segment** totaled \$18 million in the second quarter 2008, compared to \$10 million in the first quarter 2008. The Petrochemicals Segment includes the results of the **Polymers Section** (through 50%-held Carmel Olefins Ltd.) and the **Aromatics Section** (through wholly owned Gadiv Petrochemical Industries Ltd.). The **Polymers Section** generated an operating profit of \$8 million in the second quarter 2008, compared to break even in the first quarter 2008. Operating profit of the **Aromatics Section** in the second quarter 2008 totaled \$10 million, similar as the \$10 million generated in the first quarter 2008.

**Consolidated net income** for the second quarter totaled \$71 million, compared to \$2 million in the first quarter 2008.

### **FIRST SIX MONTHS 2008**

**Refining margin** for the first six months 2008 totaled USD/bbl 6.5. **Refining margin** for the first six months, net of both the IFRS recording method for derivative transactions and inventory gains, totaled USD/bbl 4.6, compared to USD/bbl 8.4 in the first six months last year. The Mediterranean Ural Cracking Margin average, quoted by Reuters, for the first six months 2008 totaled USD/bbl 5.0.

**Consolidated EBITDA** for the first six months 2008 totaled \$149 million, compared to \$223 million in the same period last year.

**Consolidated Operating Profit** for the first six months 2008 totaled \$111 million, compared to \$161 million in the first six months 2007. Operating profit from the **Refining and Trade Segment** totaled \$85 million in the first six months 2008, compared to \$135 million last year. Operating profit from the **Petrochemicals Segment** totaled \$28 million in the first six months 2008, compared to \$30 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 \$8 million in the first six months 2008, compared to \$14 million in the same period last year.

Operating profit of the **Aromatics Section** in the first six months 2008 totaled \$20 million, compared to \$16 million in the first six months 2008.

**Consolidated net income** for the first six months totaled \$73 million, compared to \$103 million in the same period last year.

On August 13, 2008, the Company's general meeting approved the acquisition of the 50% balance of shares in Carmel Olefins held by Israel Petrochemical Enterprises ("IPE"). In consideration for the shares, the Company will allocate IPE 20.53% of its share capital (following the allocation). The acquisition is part of the Company's business strategy and will enable it to leverage the full synergetic potential between the refining, polymer and aromatic segments. Completion of the transaction is subject to receiving the merger approval from the Israeli anti-trust authority and IPE receiving Control Permit from the Israeli Government.

**Mr. Yashar Ben-Mordechai, Oil Refineries' CEO said "During first six months of 2008 we operated in both a volatile and unpredictable business environment. This quarter we operated with maximum flexibility in order to meet market demands. During this period we identified, and adapted ourselves, to take advantage of the rising global diesel prices. During the first six months we refined close to 4 million tons, of which 1,149 thousand tons were diesel, 17% higher than last year. Under the strategic plan, the erection of the new Hydro-Cracker will increase our utilization rate and the refined produce (especially middle distillates) turned out of each barrel of oil".**

**Mr. Yossi Rosen, Oil Refineries' Chairman of the Board noted, "We are gaining speed in the implementation of our strategic plan, which will both enable us to better meet the changing market demands as well as enable additional growth opportunities. Last week the Company's general meeting approved the acquisition of the 50% balance of shares in Carmel Olefins. This acquisition will enable us to fully maximize the synergies while enabling Oil Refineries to mitigate the fluctuations in its various markets. We continue to increase the volumes of activity in the trade segment. Furthermore, during 2008 we started to supply both fuel and transportation diesel under the new Euro 5 standard. This step is expected to draw an increase in demand for more environmentally friendly fuels".**

#### CONFERENCE CALL

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The Company will also be hosting a conference call later today at 09:00am ET. On the call, management will present a **presentation** reviewing the second quarter 2008 highlights and industry trends. The presentation can be downloaded from the Company's website [www.orl.co.il](http://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: 1-866-3455-855

UK Dial-in Number: 0800-404-8418

Israel Dial-in Number: 03-918-0610

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

at: 9:00am Eastern Time, 2:00pm UK, 4:00pm Israel

A replay of the call will be available, after the call, on the Company's website at [www.orl.co.il](http://www.orl.co.il).

#### ABOUT OIL REFINERIES LTD.

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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](http://www.orl.co.il).

#### CONTACTS

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# Oil Refineries Ltd.

## Consolidated Balance Sheet

In thousand US Dollars

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>December 31, 2007</u>
	(Unaudited)		(Audited)
<b>Assets</b>			
Cash and cash equivalents	9,092	11,431	259,325
Derivatives at fair value through profit and loss	391	8,204	6,513
Investment in other financial assets at fair value through profit and loss	223,688	101,775	113,035
Trade receivables	675,608	436,604	394,470
Receivables and debit balances	84,082	96,298	84,029
Income tax	5,894	3,036	10,153
Inventory	1,346,296	821,418	1,042,545
<b>Total current assets</b>	<u>2,345,051</u>	<u>1,478,766</u>	<u>1,910,070</u>
<b>Investments and long-term loans</b>			
Investments in investees accounted by the equity method	42,043	60,352	53,958
Loan to Haifa Early Pensions Ltd.	99,248	70,509	80,038
Long term loans and debit balances	4,990	1,709	3,631
Derivatives at fair value through profit and loss	120,891	2,208	2,571
Employee benefit plan assets	7,446	8,560	7,519
	<u>274,618</u>	<u>143,338</u>	<u>147,717</u>
<b>Fixed assets, net</b>	1,052,605	974,779	978,412
<b>Intangible assets and deferred expenses, net</b>	<u>25,700</u>	<u>13,174</u>	<u>22,924</u>
<b>Total non-current assets</b>	<u>1,352,923</u>	<u>1,131,291</u>	<u>1,149,053</u>
<b>Total assets</b>	<u>3,697,974</u>	<u>2,610,057</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

	<b>June 30, 2008</b>	<b>June 30, 2007</b>	<b>December 31, 2007</b>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
<b>Current liabilities</b>			
Credit from banking institutions and other credit providers	572,222	283,828	216,021
Trade payables	697,525	429,563	561,232
Other payables	130,341	81,754	92,253
Derivatives at fair value through profit and loss	28,309	-	-
Income tax	-	20,562	-
Provisions	31,856	18,922	19,950
<b>Total current liabilities</b>	<u>1,460,253</u>	<u>834,629</u>	<u>889,456</u>
<b>Non-current liabilities</b>			
Debentures	827,898	229,434	717,302
Bank loans	407,999	499,134	452,154
Deferred taxes	117,614	137,316	125,287
Liabilities for financing lease	9,447	6,876	7,763
Other long-term liabilities	10,372	-	-
Employee benefits	71,571	74,299	67,358
Total non-current liabilities	<u>1,444,901</u>	<u>947,059</u>	<u>1,369,864</u>
<b>Total liabilities</b>	<u>2,905,154</u>	<u>1,781,688</u>	<u>2,259,320</u>
<b>Shareholders' equity</b>			
Share capital – 2,000,000,010 ordinary shares of NIS 1 par value	472,478	472,478	472,478
Capital reserves	20,340	28,569	29,036
Retained earnings	300,002	327,322	298,289
<b>Total equity attributed to equity holders of the Company</b>	<u>792,820</u>	<u>828,369</u>	<u>799,803</u>
<b>Total liabilities and capital</b>	<u>3,697,974</u>	<u>2,610,057</u>	<u>3,059,123</u>

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

# Oil Refineries Ltd.

## Consolidated Profit and Loss Statements

In thousand US Dollars

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2008	2007	2008	2007	2007
	(Unaudited)		(Unaudited)		(Audited)
<b>Revenues</b>	4,356,759	2,379,284	2,471,063	1,298,283	5,236,945
Cost of sales, refinery and services	4,163,743	2,154,040	2,340,206	1,184,110	4,805,066
Revaluation of open positions in derivatives on prices of goods and margins, net	33,543	(12,422)	13,056	(45,550)	20,156
Total cost of sales	4,197,286	2,141,618	2,353,262	1,138,560	4,825,222
<b>Gross profit</b>	159,473	237,666	117,801	159,723	411,723
Selling expenses	21,186	15,052	10,718	7,402	33,518
General and administrative expenses	40,651	33,510	25,918	14,346	68,027
Reduction of negative goodwill created upon acquisition	(13,843)	-	(13,843)	-	-
Privatization grant	-	28,360	-	-	28,360
<b>Operating profit</b>	111,479	160,744	95,008	137,975	281,818
Financing income	52,375	13,515	13,005	2,174	34,625
Financing expenses	(89,953)	(35,118)	(33,911)	(17,042)	(136,750)
Company's share in earnings of investees (net of tax)	3,726	7,125	8,796	5,154	6,913
<b>Earnings before taxes on income</b>	77,627	146,266	82,898	128,261	186,606
Taxes on income	4,150	39,866	11,514	33,199	44,937
<b>Net earnings for the period</b>	73,477	106,400	71,384	95,062	141,669
Earnings per ordinary share					
<b>Net basic and diluted earnings per ordinary share (in USD)</b>	0.037	0.053	0.036	0.048	0.071

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

## 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 six months ended		For the three months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	in USD millions			
<b>Revenues</b>				
Refining	3,901	2,272	2,153	1,245
Trade	311	-	232	-
Polymers	241	150	134	75
Aromatics	310	246	161	131
Cancellation of inter-company transactions	(407)	(289)	(209)	(153)
<b>Total</b>	<u>4,356</u>	<u>2,379</u>	<u>2,471</u>	<u>1,298</u>
<b>Cost of sales, refinery and services</b>				
Refining	3,785	2,084	2,056	1,114
Trade	307	-	230	-
Polymers	233	128	131	65
Aromatics	275	216	142	112
Cancellation of inter-company transactions	(403)	(287)	(206)	(153)
<b>Total</b>	<u>4,197</u>	<u>2,141</u>	<u>2,353</u>	<u>1,138</u>
<b>Gross profit</b>				
Refining	116	188	97	131
Trade	4	-	2	-
Polymers	8	22	3	10
Aromatics	35	30	19	19
Cancellation of inter-company transactions	(4)	(2)	(3)	-
<b>Total</b>	<u>159</u>	<u>238</u>	<u>118</u>	<u>160</u>
<b>Selling, general and administrative expenses</b>				
Refining	35	30	21	13
Polymers	14	8	9	4
Aromatics	15	12	9	6
Cancellation of inter-company transactions	(2)	(1)	(2)	(1)
<b>Total</b>	<u>62</u>	<u>49</u>	<u>37</u>	<u>22</u>
<b>Other (income) expenses</b>				
Refining	-	23	-	-
Polymers	(14)	-	(14)	-
Aromatics	-	2	-	-
Cancellation of inter-company transactions	-	3	-	-
	<u>(14)</u>	<u>28</u>	<u>(14)</u>	<u>-</u>
<b>Operating income</b>				
Refining	81	135	76	118
Trade	4	-	2	-
Polymers	8	14	8	6
Aromatics	20	16	10	13
Cancellation of inter-company transactions	(2)	(4)	(1)	1
<b>Total</b>	<u>111</u>	<u>161</u>	<u>95</u>	<u>138</u>
Financing expenses, net	(38)	(22)	(21)	(15)
Profit before taxes on income	73	139	74	123
Income tax	(4)	(40)	(12)	(33)
	<u>69</u>	<u>99</u>	<u>62</u>	<u>90</u>
Company's share in earnings of investees	4	7	9	5
<b>Net income for the period</b>	<u>73</u>	<u>106</u>	<u>71</u>	<u>95</u>