



OIL REFINERIES ANNOUNCES FINANCIAL RESULTS FOR SECOND QUARTER AND FIRST SIX MONTHS 2007

*Refining margins continue to beat Mediterranean Ural Cracking Margin average
Second quarter net income up 9% year-over-year reaching NIS 228 million
Board recommends NIS 280 million dividend, subject to general shareholders approval
Board resolved to develop growth strategy, emphasizing customer relationships in a competitive market*

Haifa, Israel, August 20, 2007 - Oil Refineries Ltd. (TASE: ORL) ("Oil Refineries" or the "Company") announced today its financial results for three and six-month periods ending June 30, 2007.

(The reported results for the second quarter and first six months 2007 exclude the results of Ashdod Refineries, which was sold at the end of the third quarter 2006. The results for the comparable period, the second quarter and first six months of 2006, are pro-forma figures and refer to the consolidated pro-forma statements.)

SECOND QUARTER HIGHLIGHTS

- Second quarter refining margin up 18% year-over-year reaching USD/bbl 10.0
- Refining margin 39% higher than second quarter Mediterranean Ural Cracking Margin average of USD/bbl 7.2
- Profit from higher refining margin, primarily offset by fluctuations in US dollar exchange rate
- Consolidated net income up 9% year-over-year reaching NIS 228 million
- Strong growth in operating profit of Gadiv Petrochemical Industries (212% YoY) and Carmel Olefins (93% YoY)

SECOND QUARTER RESULTS

Refining margin for the second quarter totaled USD/bbl 10.0 (USD/MT 73.0), compared to the second quarter Mediterranean Ural Cracking Marginⁱ average of USD/bbl 7.2ⁱ (USD/MT 53.0). Refining margin for the second quarter also remained substantially higher than the USD/bbl 8.6 (USD/MT 61.7) refining margin, in the second quarter 2006.

Consolidated EBITDA for the second quarter 2007 increased 8% reaching NIS 433 million, compared to NIS 401 million pro-forma consolidated EBITDA in the second quarter of 2006.

Consolidated Operating Profit for the second quarter increased 11% reaching NIS 352 million, compared to a pro-forma consolidated operating profit NIS 318 million in the second quarter of 2006.

Operating profit from the **Refining segment** totaled NIS 270 million, compared to NIS 286 million last year. The high refining margins and increased product sales contributed to a higher operating profit of NIS 96 million over the second quarter last year. This strong increase was offset primarily by the US dollar exchange rate fluctuations between this quarter over the second quarter last year, which contributed to a NIS 87 million decline in operating profit, as well as an increase in operating expenses.

Operating profit from the **Aromatics segment** (conducted through Gadiv Petrochemical Industries Ltd.) increased 212% reaching NIS 53 million, compared to NIS 17 million last year. Operating profit from the **Polymers segment** (conducted through Carmel Olefins) increased 93% reaching NIS 29 million, compared to NIS 15 million last year.

Consolidated net income for the second quarter of 2007 increased 9% reaching NIS 228 million, compared to a pro-forma consolidated net income of NIS 209 million in the second quarter last year.

ⁱ Source: Reuters – Refining Margin of European Urals Cracking Refineries in Mediterranean

SIX-MONTH RESULTS

Refining margin for the first six months totaled USD/bbl 9.6 (USD/MT 70.4), compared to the first six months Mediterranean¹ Ural Cracking Margin average of USD/bbl 6.5 (USD/MT 47.1). Refining margin for the first six months was also substantially higher than the USD/bbl 8.0 (USD/MT 57.3) refining margin in the first six months 2006.

Consolidated EBITDA for the first six months increased 4% reaching NIS 865 million, compared to NIS 828 million pro-forma consolidated EBITDA in the same period last year. **Consolidated Operating Profit** for the first six months increased 5% reaching NIS 699 million, compared to a pro-forma consolidated operating profit NIS 664 million in the same period last year. For further details, please refer to the tables included at the end of the press release.

Consolidated net income for the first six months included a one-time charge totaling NIS 106 million, net after tax, resulting from the accounting treatment of a privatization grant paid in the first quarter 2007, by the government to the employees of Oil Refineries and its subsidiaries, following the successful privatization in February 2007. Net Income for the first six months 2007, excluding the said grant, totaled NIS 483 million, compared to a pro-forma consolidated net income of NIS 446 million in the first six months last year. Net income for the first six months, including this one-time privatization expense, totaled NIS 377 million.

“We are very pleased with our refining margin in the second quarter, which reached USD/bbl \$10” **commented Mr. Yashar Ben-Mordechai, Oil Refineries' CEO.** “This quarter, our advanced infrastructure and resources, including facilities, technology, as well as professional and experienced manpower, enabled us to take advantage of global market conditions, serving as key performance facilitators. These global conditions included especially high demand for gasoline due to a warm winter in the first quarter, as well as rigid production and refining supply.”

Mr. Ben-Mordechai added: “Subsequent to the end of the quarter, the increase in global refinery utilization rates and crude oil market pressures drove a decrease in refining margins. At this time we cannot estimate how refining margins will develop in the near future; however, international energy agencies estimate the continued increase in oil product consumption, as well as the continued rigid supply of these products.”

Mr. Yossi Rosen, Oil Refineries Chairman of the Board, added: “The new Board of Directors, recently instated following the granting of control to the Israel Corporation, is focusing on compiling a broad scale strategic plan guaranteeing the Company’s ongoing technological leadership, and ability to swiftly adapt to changing market conditions. The strategic plan will also contribute to optimizing Oil Refineries’, and its subsidiaries’, capabilities as a combined group, contributing to stronger consolidated financial profit, while driving accelerated growth.” Mr. Rosen added, “The new Board of Directors will strive to increase Company value by developing a local and global, growth and expansion strategy, in the energy area. This month alone, the Board of Directors approved a total of NIS 400 million for investments in two large scale projects, as well as in areas geared at improving the environment.”

Mr. Rosen further commented “We are very pleased with the manufacturing process at Carmel Olefins, following the commissioning of the new plant. Together, Oil Refineries and Carmel Olefins will move to maximize return on the investment, fully leveraging production capabilities.” Mr. Rosen added, “In coming months, Oil Refineries management will put in place a new business and organizational strategy, adapting operations to the new, evolving, energy market and the separation of the two refineries, Haifa and Ashdod. The Company will also seek to improve its relationship with its main customers, the local fuel marketing companies.”

Mr. Rosen concluded, “Oil Refineries’ Board of Directors will operate based on the Corporate Governance guidelines proposed by the Israeli Goshen Committee. The Board has also established a special committee responsible for all environmental and security matters. This committee will work together with management, to develop a policy of cooperation with the Ministry of Environment, local municipalities and communities, using both cooperation and understanding, to drive improvement. In keeping with this policy, the Board of Directors has already approved a \$30 million investment in a project aimed at bringing natural gas, and activating units based on it, by end 2008.”

CONFERENCE CALL

The Company will also be hosting a conference call later today at 09:00am EDT. On the call, management will present a **presentation** reviewing the second quarter and first six months 2007 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:	1-888-642-5032	UK dial-in:	0-800-051-8913
Israel dial-in:	03-918-0650	International dial-in:	+972-3-918-0650

A replay of the call will be available, after the call, on the Company's website at www.orl.co.il. Alternatively, for two days following the end of the call, investors will be able to dial a replay number to listen to the call. The dial-in numbers are: 1-888-295-2634 (US); 0-800-917-1246 (UK); +972-3-925-5929 (Israel and International).

ABOUT OIL REFINERIES LTD.

Oil Refineries Ltd. (ORL), located in the bay area of the city of Haifa, is 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 Aromatics and Polymers through wholly-owned Gadiv Petrochemical Industries Ltd and 50% owned Carmel Olefins Ltd. 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

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Oil Refineries Ltd.

Consolidated Pro-Forma Balance Sheet

In thousands of reported NIS

	June 30, 2007 Actual Unaudited	December 31, 2006 Pro forma Audited
Current assets		
Cash and cash equivalents	48,571	141,570
Trade accounts receivable	1,855,135	1,604,299
Receivables and debit balances	493,159	454,701
Inventory	<u>3,370,580</u>	<u>2,791,167^(*)</u>
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	5,767,445	4,991,737
Long-term investments and loans		
Investee companies	190,848	191,002
Loan to Haifa Early Pensions Ltd.	299,592	300,000
Long-term loans and other debit balances	16,641	7,409
Excess of funded amounts over the liability for severance pay, net	<u>50,906</u>	<u>45,458</u>
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	557,987	543,869
Fixed assets		
Property, plant and equipment	3,728,025	3,701,744
Materials and spare parts	174,604	147,526 ^(*)
Fund for investment in fixed assets	<u>432,442</u>	<u>414,749</u>
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	4,335,071	4,264,019
Other assets and deferred expenses	<u>49,630</u>	<u>48,100</u>
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	<u>10,710,133</u>	<u>9,847,725</u>
Current liabilities		
Credit from banking institutions and other credit providers	1,205,988	899,142
Suppliers and service providers	1,828,342	1,561,723
Payables and credit balances	556,340	785,309
Declared dividend	-	20,000
	<u>3,590,670</u>	<u>3,266,174</u>
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Long-term liabilities		
Debentures	974,717	854,799
Bank loans	2,120,019	2,205,647
Deferred taxes	517,057	498,352
Liability in respect of financing lease	29,217	29,275
Liability for severance pay, net	<u>272,017</u>	<u>278,801</u>
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	3,913,027	3,866,874
Total liabilities	<u>7,503,697</u>	<u>7,133,048</u>
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Shareholders' equity	<u>3,206,436</u>	<u>2,714,677</u>
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	<u>10,710,133</u>	<u>9,847,725</u>
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(*) Reclassified.

Oil Refineries Ltd.

Consolidated Pro-Forma Profit and Loss Statements

In thousands of reported NIS, except per share amounts

	Six month period ended June 30,		Three month period ended June 30,		Year ended December 31,
	2007 Actual Unaudited	2006 Pro forma Unaudited	2007 Actual Unaudited	2006 Pro forma Unaudited	2006 Pro forma Audited
Revenues	10,440,995	11,253,237	5,644,961	6,221,680	21,734,553
Cost of sales, refining and services	<u>9,531,371</u>	<u>10,428,128</u>	<u>5,195,551</u>	<u>5,823,092</u>	<u>20,584,260</u>
Gross profit	909,624	825,109	449,410	398,588	1,150,293
Selling expenses	59,945	46,621	29,366	22,304	94,634
General and administrative expenses	<u>150,332</u>	<u>114,639</u>	<u>67,431</u>	<u>58,075</u>	<u>222,104</u>
Operating income	699,347	663,849	352,613	318,209	833,555
Financing expenses, net	<u>83,573</u>	<u>68,481</u>	<u>85,781</u>	<u>40,860</u>	<u>106,589</u>
	615,774	595,368	266,832	277,349	726,966
Privatization grant	<u>(118,529)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income before taxes on income	497,245	595,368	266,832	277,349	726,966
Taxes on income	<u>139,982</u>	<u>172,074</u>	<u>49,938</u>	<u>79,539</u>	<u>221,539</u>
	357,263	423,294	216,894	197,810	505,427
Company's share in income of investee companies	<u>20,163</u>	<u>21,630</u>	<u>11,007</u>	<u>11,032</u>	<u>32,570</u>
Net income for the period	<u><u>377,426</u></u>	<u><u>444,924</u></u>	<u><u>227,901</u></u>	<u><u>208,842</u></u>	<u><u>537,997</u></u>
Earnings per 1 ordinary share (in NIS)	<u>0.189</u>	<u>0.222</u>	<u>0.114</u>	<u>0.104</u>	<u>0.269</u>

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

In millions of reported NIS

	In millions of NIS		In millions of NIS	
	Six months ended June 30, 2007	2006	Three months ended June 30, 2007	2006
	Actual	Pro forma	Actual	Pro forma
Revenues				
Refining	9,422	10,028	5,102	5,521
Polymers	624	538	313	249
Aromatics	1,026	967	545	536
Cancellation of intercompany transactions	(631)	(280)	(315)	(84)
Total	<u>10,441</u>	<u>11,253</u>	<u>5,645</u>	<u>6,222</u>
Cost of sales, refining and services				
Refining	8,714	9,344	4,771	5,182
Polymers	536	471	271	225
Aromatics	912	893	468	500
Cancellation of intercompany transactions	(631)	(280)	(315)	(84)
Total	<u>9,531</u>	<u>10,428</u>	<u>5,195</u>	<u>5,823</u>
Gross profit				
Refining	708	684	331	339
Polymers	88	67	42	24
Aromatics	114	74	77	36
Total	<u>910</u>	<u>825</u>	<u>450</u>	<u>399</u>
Sales, general and administrative expenses				
Refining	137	103	61	53
Polymers	25	19	13	9
Aromatics	49	39	24	19
Total	<u>211</u>	<u>161</u>	<u>98</u>	<u>81</u>
Operating income				
Refining	571	581	270	286
Polymers	63	48	29	15
Aromatics	65	35	53	17
Total	<u>699</u>	<u>664</u>	<u>352</u>	<u>318</u>
Financing expenses, net	83	68	85	41
Privatization grant	119	-	-	-
Income before taxes on income	497	596	267	277
Income tax	140	172	50	79
	357	424	217	198
Company's share in earnings of investee companies	20	22	11	11
Net income for the period	<u>377</u>	<u>446</u>	<u>228</u>	<u>209</u>