



OIL REFINERIES ANNOUNCES FINANCIAL RESULTS FOR FULL YEAR 2007

- Annual net income NIS 693 million, up 29% over 2006
- Company to distribute NIS 240 million dividend, in addition to NIS 280 million distributed in October 2007
- Annual refining margin 57% higher than regional benchmark; Annual EBITDA up 21% over 2006
- Successfully completed \$474 million bond issue in December 2007 to finance strategic plan

Haifa, Israel, March 20, 2008 - Oil Refineries Ltd. (TASE: ORL) ("Oil Refineries" or the "Company") announced today its financial results for three and twelve-month periods ending December 31, 2007.

The reported results for the fourth quarter and full year 2007 exclude the results of Ashdod Refineries, which was sold at the end of the third quarter 2006, and which generated a substantial capital gain in the said third quarter. The results for the comparable period, the fourth quarter and full year of 2006, are pro-forma figures and refer to the consolidated pro-forma statements.

FULL YEAR HIGHLIGHTS

- Refining margin USD/bbl 8.3, compared to USD/bbl 7.1 in 2006
- Company refining margin 57% higher than Mediterranean Ural Cracking Margin average of USD/bbl 5.3
- Consolidated EBITDA totaled NIS 1,428 million, up 21% compared to NIS 1,179 million in 2006
- Consolidated net income totaled NIS 693 million, up 29% compared to 538 million in 2006
- Raised \$474 million in successful debenture offering in fourth quarter, primarily to fund strategic investment plan
- Declared dividend of NIS 240 million, in addition to NIS 280 million distributed in October 2007; annual dividend totals NIS 520 million

FULL YEAR RESULTS

Refining margin for the full year 2007 totaled USD/bbl 8.3 (USD/MT 60.3), compared to annual average Mediterranean¹ Ural Cracking Margin average of USD/bbl 5.3 (USD/MT 38.7). Refining margin for the full year was also higher than the USD/bbl 7.1 (USD/MT 51.1) refining margin in 2006.

Consolidated EBITDA for the full year 2007 totaled NIS 1,428 million, an increase of 21% compared to NIS 1,179 million pro-forma consolidated EBITDA last year.

Consolidated Operating Profit for the full year 2007 totaled NIS 1,082 million, an increase of 30% compared to a pro-forma consolidated operating profit NIS 834 million last year.

Operating profit from the **Refining segment** totaled NIS 848 million, an increase of 17% compared to NIS 724 million last year. The higher refining margins as well as the increase in quantities sold, contributed to an increase of NIS 267 million and NIS 160 million, respectively, compared to full year 2006. This increase was offset by NIS 202 million year-over-year decline resulting from fluctuations in the US Dollar exchange rate against the Israeli Shekel throughout the year, as well as NIS 54 million resulting from a decline in operating income and manufacturing expenses. A substantial component of the currency impact was offset by a substantial decline in the financing expenses, as the Company's credit facility is primarily dollar-based. The transition to dollar based accounting under IFRS starting January 2008 will mitigate part of the impact in the future.

Operating profit from the **Polymers segment** (conducted through Carmel Olefins) totaled NIS 129 million, an increase of 119% compared to NIS 59 million last year. During 2007, the Company commissioned new plants following a \$350 million investment. Operating profit from the **Aromatics segment** (conducted through Gadiv Petrochemical Industries Ltd.) totaled NIS 105 million, an increase of 106% compared to NIS 51 million in 2006.

Consolidated net income for the full year, excluding a one-time charge totaling NIS 106 million in the first quarter 2007, totaled NIS 799 million, compared to a pro-forma consolidated net income of NIS 538 million in 2006. The one-time charge, net after tax, resulted from the accounting treatment of a privatization grant paid in the first quarter 2007, by the Israeli government to the employees of Oil Refineries and its subsidiaries, following the successful privatization in February 2007. Net income for the full year 2007, including this one-time privatization expense, totaled NIS 693 million.

The Company's Board of Directors announced a **Dividend** of NIS 240 million. This payment is in addition to the NIS 280 million distributed by the Company in October 2007.

FOURTH QUARTER RESULTS

Refining margin for the fourth quarter totaled USD/bbl 8.0 (USD/MT 58.1), compared to the fourth quarter Mediterranean Ural Cracking Marginⁱ average of USD/bbl 4.6 (USD/MT 33.6). Refining margin for the fourth quarter 2006 totaled USD/bbl 4.3 (USD/MT 30.9).

Consolidated EBITDA for the fourth quarter 2007 reached NIS 234 million, an increase of 14% compared to NIS 206 million pro-forma consolidated EBITDA in the fourth quarter of 2006.

Consolidated Operating Profit for the fourth quarter totaled NIS 144 million, an increase 26% compared to a pro-forma consolidated operating profit NIS 114 million in the fourth quarter of 2006.

Operating profit from the **Refining segment** totaled NIS 97 million, an increase of 73% compared to NIS 56 million in the fourth quarter. Operating profit from the **Polymers segment** (conducted through Carmel Olefins) totaled NIS 29 million, compared to NIS 31 million in the fourth quarter last year. Operating profit from the **Aromatics segment** (conducted through Gadiv Petrochemical Industries Ltd.) totaled NIS 19 million, compared to NIS 27 million in the fourth quarter last year.

Consolidated net income for the fourth quarter of 2007 totaled NIS 137 million, an increase of 98% compared to a pro-forma consolidated net income of NIS 69 million in the fourth quarter last year.

During the fourth quarter, Carmel Olefins continued its expansion plan and started operating its new Polypropylene plant. The new plant is expected to more than double the polypropylene production capacity once it reaches full production capacity during the coming year. In addition, Carmel Olefins recently announced that it has signed an agreement to acquire 49% of Netherlands-based Domo Polypropylene.

Mr. Yashar Ben-Mordechai, Oil Refineries' CEO expressed his satisfaction with regards to the Company's refining margins for 2007, which were, once again, higher than the average refining margin for the Mediterranean "Ural", adding "The Company's impressive results stem mainly from its diversified and flexible refining capabilities, enabling the refining of a broad variety of crude oils, the composition and quality of the Company's refined products, as well as the differences created between the daily-quoted spot prices and the timing between the actual purchase and sale of the refined products. The continued increase in the price of crude oil, not followed by an equivalent increase in fuel products, have resulted in lower and more volatile refining margins in early 2008, compared to the fourth quarter 2007".

Mr. Ben-Mordechai added: "We have already initiated the planning and ordering of equipment in order to implement swiftly the wide spread investments approved. The new investments, under the new strategic investment plan, will increase the Company's competitive advantage and substantially enhance its standing in the changing markets."

Mr. Yossi Rosen, Oil Refineries Chairman of the Board noted, "During the last four months the Company has undertaken, under the new strategic investment plan, many measures and is currently seeking new investment opportunities in the refining, petrochemical and trade sectors. We plan to seek to expand within the Mediterranean basin as well as to the Far-East, leveraging the strong networking ties of our major shareholder, Israel Corp." Mr. Rosen noted, "the successful debenture issue, completed in the fourth quarter, will assist the Company in driving its

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

five-year strategic plan which calls for a \$1.1 billion investment. The Company will focus on developing the business core areas, as well as identifying complementary businesses such as: power generation, trade and transport activities. Of the \$1.1 billion investment framework, the Company's Board of Directors has already approved \$166 million to be invested in projects in the Company's core business areas.”

Mr. Rosen added "Oil Refineries' new shareholders place strategic emphasis on protecting the environment, both from a business and public perspective, and therefore support the investment plan. The large-scale investment plan, which is expected to drive Company growth, would be incomplete without our commitment to the employees, the public and the environment. The scope of the plan, in itself, indicates to the importance the Company places on these aspects."

The goal of the environmental component of the strategic plan is to enable the refinery to meet the Ministry of Environmental Protections' future, and more rigid, standards, as well the German emission standards, among the most rigid in the world. The Company is working in parallel on several levels to meet environmental standards such as air quality, effluent quality, odors prevention, treatment of dangerous materials, safety and security, operational reliability and product quality. The Company has allocated, of the total strategic investment of \$1.1 billion, a total investment of \$270 million for the improvement of environmental protection, safety and security, operating credibility as well as to guarantee product quality. Oil Refineries has launched this improved environmental protection investment plan and, to date, has completed the preparation for the transition to natural gas, as well as reducing particle and NOX emissions. The Company's Board of Directors has already approved \$104 million of investments in projects, of the \$270 million total investment framework, currently in different stages of development. Furthermore, the Company is ready for the supply of transportation fuel and diesel under the most advanced and environmentally friendly standards, Euro V.

Mr. Rosen concluded that the market volatility, as well as the subsequent fluctuations in fuel prices, are changing the business dynamics, driving a need to constantly monitor areas such as refining composition, purchase, trade etc. As trade margins and balance sheet are accounted for in US dollars, while part of the expenses are shekel denominated, the ongoing strengthening of the Israeli Shekel impacted the Company's results. The market volatility may drive sharp changes in the fuel prices, refining margins, interest margins and financial resources. The Company is preparing for the possibility for an increase in demand for working capital resulting from an increase in fuel prices. However, the Company holds a conservatively invested portfolio, and, with regards to raising investment resources, the Company has equipped itself in advance by raising the necessary resources to finance the planned investments in the coming year. The declining interest rates may positively affect the Company's ongoing finance expenses.

CONFERENCE CALL

The Company will also be hosting a conference call later today at 08:30am EDT. On the call, management will present a **presentation** reviewing the fourth quarter and full year 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:	1-888-407-2553	UK dial-in:	0-800-917-5108
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: 1-888-782-4291 (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, 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 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

	December 31,	
	2007	2006
	Actual	Pro forma
Current assets		
Cash and cash equivalents	997,363	141,570
Investment in marketable securities	434,734	414,749*
Trade accounts receivable	1,517,130	1,604,299
Accounts receivable and debit balances	490,545	454,701
Inventory	4,148,554	2,791,167
	<u>7,588,326</u>	<u>5,406,486</u>
Long-term investments and loans		
Investee companies	160,066	191,002
Loan to Haifa Early Pensions Ltd.	307,827	300,000
Long-term loans and other debit balances	17,290	7,409
Excess of funded amounts over the liability for employee termination benefits, net	37,089	45,458
	<u>522,272</u>	<u>543,869</u>
Fixed assets, net	<u>3,870,594</u>	<u>3,849,270*</u>
Intangible assets	<u>89,814</u>	<u>48,100</u>
	<u>12,071,006</u>	<u>9,847,725</u>
Current liabilities		
Credit from banking institutions and other credit providers	830,818	899,142
Suppliers and service providers	2,158,499	1,561,723
Accounts payable and credit balances	529,641	785,309
Declared dividend	-	20,000
	<u>3,518,958</u>	<u>3,266,174</u>
Long-term liabilities		
Debentures	2,758,742	854,799
Loans from banking institutions	1,738,983	2,205,647
Deferred taxes	563,569	498,352
Liability in respect of financing lease	29,857	29,275
Liability for employee termination benefits, net	222,703	278,801
	<u>5,313,854</u>	<u>3,866,874</u>
Total liabilities	<u>8,832,812</u>	<u>7,133,048</u>
Shareholders' equity	<u>3,238,194</u>	<u>2,714,677</u>
	<u>12,071,006</u>	<u>9,847,725</u>

Oil Refineries Ltd.

Consolidated Pro-Forma Profit and Loss Statements

In thousands of reported NIS, except per share amounts

	Year ended December 31,		
	2007**	2006	2005
Revenues	21,339,364	20,794,229*	18,517,515*
Cost of sales, refining and services	19,843,713	19,643,936*	16,718,025*
Gross profit	1,495,651	1,150,293	1,799,490
Selling expenses	137,077	94,634	98,129
General and administrative expenses	276,802	222,104	201,860
Operating income	1,081,772	833,555	1,499,501
Financing expenses, net	49,553	106,589	145,173
	1,032,219	726,966	1,354,328
Privatization grant	(117,833)	-	-
Income before taxes on income	914,386	726,966	1,354,328
Taxes on income	241,653	221,539	353,694
Income after taxes on income	672,733	505,427	1,000,634
Company's share in income of investee companies	19,833	32,570	44,325
Income from continuing operations	692,566	537,997	1,044,959
Cumulative effect of change in accounting method as of the beginning of the year	-	-	(826)
Net income for the year	<u>692,566</u>	<u>537,997</u>	<u>1,044,133</u>

* Reclassified.

** Actual

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

	2007	2006
	In millions of NIS	
Revenues		
Refining	18,012	18,072
Polymers	1,400	993
Aromatics	<u>1,927</u>	<u>1,730</u>
Total	<u>21,339</u>	<u>20,795</u>
Cost of sales, refining and services		
Refining	16,914	17,146
Polymers	1,212	900
Aromatics	<u>1,718</u>	<u>1,598</u>
Total	<u>19,844</u>	<u>19,644</u>
Gross profit		
Refining	1,097	926
Polymers	188	93
Aromatics	<u>210</u>	<u>132</u>
Total	<u>1,495</u>	<u>1,151</u>
Sales, general and administrative expenses		
Refining	249	202
Polymers	59	34
Aromatics	<u>106</u>	<u>81</u>
Total	<u>414</u>	<u>317</u>
Operating income		
Refining	848	724
Polymers	129	59
Aromatics	<u>105</u>	<u>51</u>
Total	<u>1,082</u>	<u>834</u>
Financing expenses, net	<u>(50)</u>	<u>(106)</u>
Privatization grant (see paragraph 3.1.6 below)	<u>(118)</u>	<u>-</u>
Income before taxes on income	914	728
Income tax	<u>241</u>	<u>222</u>
	673	506
Company's share in earnings of investee companies	<u>20</u>	<u>32</u>
Net income for the year	<u><u>693</u></u>	<u><u>538</u></u>