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**FOR IMMEDIATE RELEASE**

## OIL REFINERIES ANNOUNCES RESULTS FOR FOURTH QUARTER AND FULL YEAR 2010

2010 Net Income totals \$77 million  
2010 Adjusted consolidated EBITDA totals \$170 million  
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- *Adjusted consolidated EBITDA of \$170 million in 2010, compared with \$188 million in 2009*
- *Adjusted consolidated EBITDA in Petrochemical segment- Polymers (CAOL) of \$109 million in 2010, compared with \$36 million in 2009<sup>1</sup>*
- *Adjusted refining margin USD/bbl 3.2, compared to USD/bbl 2.9 average Reuter's quoted Mediterranean Ural Cracking Margin*
- *Facility shutdown in fourth quarter resulted in a relatively lower refining quantity of 7,603 thousand tons and a utilization rate of 78.2% for 2010, compared with 7,534 thousand tons and a utilization rate of 81.8% in 2009.*

**Haifa, Israel, March 21, 2010 – Oil Refineries Ltd. (TASE: ORL.TA) (hereinafter “the Company,” “ORL”),** Israel's largest integrated refining and petrochemical group, announced today its financial results for the fourth quarter and full year ending December 31, 2010. Results are reported in US Dollars and under International Financial Reporting Standards (IFRS).

- Consolidated net income totaled \$24 million for the fourth quarter 2010, compared with \$182 million in the same quarter in the previous year.
- EBITDA in the Petrochemicals (CAOL Polymers) segment totaled \$18 million for the fourth quarter 2010, compared with \$8 million in the same quarter in the previous year. In 2009, 50% of CAOL's results were consolidated.
- Adjusted EBITDA for the Refining & Trade segments totaled \$29 million in 2010, compared with \$120 million in 2009. For the fourth quarter 2010 EBITDA totaled a loss of \$15 million, compared with a profit of \$25 million in the same quarter in the previous year.

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<sup>1</sup> In 2009, 50% of CAOL's results were consolidated

Note: Volatility in crude oil prices continued during the reporting period, with April seeing the highest prices since the collapse at the end of 2008, during which Brent crude oil traded at a price of about \$85 a barrel.

The rise in oil prices was supported by the expectation that growth would return as well strong demand for crude oil futures contracts, which are also used as an investment instrument. In May 2010, with the development of the debt crisis in the Euro-Zone and decline in the financial markets, crude oil prices were sharply pushed down to a level of \$68/barrel. Prices rose again towards the end of 2010, reaching about \$92/barrel. Meanwhile, the global demand for crude oil has increased reaching 87 million barrels a day, with an increase in demand also coming from developed countries (OECD) for the first time since 2004.

*As accepted by major leading international refiners and marketers of oil and its products, the results are presented as reported as well as net of the accounting provision for inventory gains or write offs, in addition to buying and selling timing and derivative accounting methods under IFRS. This is in order to enable a common base for comparison of the Company's ongoing operations.*

#### **YEAR END RESULTS 2010** (\$ millions)

	Operating Profit		EBITDA	
	2010	2009	2010	2009
Refining Segment Adjusted	6	82	47	127
Trade Segment	(18)	(7)	(18)	(7)
Petrochemicals Segment - Polymers	65	8	109	36
Petrochemicals Segment - Aromatics	23	27	27	34
Petrochemicals Segment - Lube-Oils	7	-	8	-

The utilization rate in 2010 was 78.2% compared with 81.8% in 2009. Quantity refined totaled 7,603 thousand tons, compared with 7,534 thousand tons in 2009. Quantity refined for the fourth quarter totaled 800 thousand tons with a utilization rate of 32.7%, compared with 1,998 thousand tons and a utilization rate of 81.6% in the same quarter last year. The Company shut down some its facilities in the fourth quarter of 2010 in order to carry out periodic maintenance and this impacted the Company's operations and profitability during this reporting period. The Company went back to full production during the first quarter of 2011.

Adjusted refining margin for 2010 totaled USD/bbl 3.2, compared with the average Mediterranean Ural Cracking Margin quoted by Reuters of USD/bbl 2.9. Adjusted refining margin for 2009 totaled USD/bbl 4.9, compared with the average margin of USD/bbl 1.9.

Adjusted consolidated EBITDA for 2010 totaled \$170 million, compared with \$188 million in 2009.

Financing expenses totaled \$51 million, compared with \$26 million in 2009.

Consolidated net income for 2010 was \$77 million, compared with \$349 million in 2009.

### **Key Developments in 2010**

- In June 2010, the company activated the second and final stage of upgrading the HVGO desulphurization plant. Activation of Stage 2 is expected to increase the Company's production of diesel fuel by an additional 3-4%.
- The Company also worked in the past year to create synergies through its merger with CAOL by consolidating the headquarters and operational activities of CAOL with ORL and is pursuing a rapid achievement of the merger benefits between the companies. The Company estimates that leveraging the integration and synergy of the Company's various segments results in greater total margins and reduces the overall volatility impacting the Company's profitability over time, particularly as the Company's subsidiaries do not necessarily overlap. Likewise, the single management team creates efficiencies by optimizing operations and reducing costs.
- In order to leverage potential synergies, the Company decided to invest about \$45 million for the production of polymers using existing raw materials already available in the refinery. The expected return of this investment is estimated at \$ 30 million per year. Likewise, the Company decided also to invest \$60 million for expanding the production capacity of propylene, which is expected to yield a return of about \$50 million a year.
- Construction began this year on the hydrocracker and is going as planned, according to the established timetable. The facility, whose main products are diesel and jet fuel, is expected to be completed by mid 2012.
- Significant progress was made during the period in completing the natural gas pipeline connection to the Company's facilities. In anticipation of this project's completion in first quarter of 2011, the Company entered into an agreement in December 2010 with EMG to supply natural gas to the Company's plants for a period of 20 years, starting from the first delivery. Accordingly, this will enable all of the Company's production facilities to run on natural gas instead of oil. The Company's management expects this transition to yield operational efficiencies, while playing an essential role in enabling the Group plants to meet future environmental requirements.
- According to reports issued by the gas supplier EMG and Ampal, the latter of which holds 12.5% of the former, an explosion occurred on February 5, 2011 on the gas line leading to Jordan, and consequently, this line was damaged and closed in order to carry out inspections and repairs. On March 15<sup>th</sup>, 2011, the gas flow was renewed by EMG to its Israeli customers and will gradually be returned to its expected flow.
- The Company shut down one of its facilities in the fourth quarter of 2010 in order to carry out periodic maintenance, as required every five years, and this impacted the

Company's operations and profitability during this reporting period. The Company went back to full production during the first quarter of 2011.

- During the shutdown, a work accident occurred, resulting in an investigation for which the Company is still waiting to receive results.
- The company completed a financing agreement designated to provide for the credit needs of the company until the end of 2012 with a consortium of local financial institutions led by Bank Hapoalim (totaling up to \$600 million) and an American financial institution, with financing guaranteed by the U.S. Export Credit Agency (totaling up to \$300 million). The Company has drawn \$207 million of this credit towards during 2010 for investments.

#### **FOURTH QUARTER 2010 RESULTS** (*\$ millions*)

	Operating Profit		EBITDA	
	Q4/10	Q4/09	Q4/10	Q4/09
Refining Segment Adjusted	(19)	19	(10)	32
Trade Segment	(5)	(7)	(5)	(7)
Petrochemicals Segment - Polymers	8	1	18	8
Petrochemicals Segment - Aromatics	3	5	3	7
Petrochemicals Segment - Lube-Oils	-	-	-	-

Adjusted refining margin for Q4 2010 totaled USD/bbl 3.6, compared with the average Mediterranean Ural Cracking quoted by Reuters of USD/bbl 2.8. Adjusted refining margin for Q4 2009 totaled USD/bbl 3.1, compared with the average margin of USD/bbl 2.9.

Adjusted consolidated EBITDA totaled \$8 million for the fourth quarter 2010, compared with \$39 million in the same quarter in 2009.

Financing expenses totaled \$23 million in Q4 2010, compared with \$18 million in Q4 2009.

Consolidated net income for Q4 2010 was \$24 million, compared \$182 million in Q4 2009.

**Mr. Yashar Ben Mordechai, CEO of Oil Refineries:** "During the course of 2010, ORL outperformed Reuter's average Mediterranean Ural Cracking margin. However, the increase in world crude oil prices accompanied by the tighter petroleum product prices, reduced the Company's refining margin and eroded our profitability. Despite the weakness in the fuel markets, there is an impressive strengthening of the petrochemical markets, particularly in the area of polymers. As such, the Company decided this past year to make two related investments in the amount of \$105 million with expected combined returns of about \$80 million a year. The first is a \$45 million

investment for the production of polymers using existing raw materials already available in the refinery. The expected return of this investment is estimated at \$30 million per year. Likewise, the Company decided also to invest \$60 million for expanding the production capacity of propylene, which is expected to yield a return of about \$50 million a year. The facility shutdown in the fourth quarter also impacted the Company's operations and profitability during this reporting period, though the Company went back to full production during the first quarter of 2011. During the course of 2010, ORL merged CAOL's and the Company's headquarters, operations and sales team, creating a management system that could realize a rapid achievement of the merger benefits between the companies. Maximizing this value has led to improved combined margins, resulting in the more efficient management of the Company's subsidiaries and the elimination of overlapping expenses."

**Mr. Ben Mordechai added:** "The Company has completed this past year a number of facility upgrades which have already contribute to improved utilization rates and increased quantities refined. Likewise, construction began on the hydrocracker and is going as planned, according to the established timetable. The facility, whose main products are diesel and jet fuel, is expected to be completed by mid 2012. This project will strengthen ORL's position as the leading refinery in the area. At the start of this year, the gas pipeline connection to the Company's facilities was completed and we are at present waiting for authorization from the gas authorities to transition to the use of natural gas."

**Mr. Yossi Rosen, Chairman of the Board of Oil Refineries:** "This year, the Company implemented its strategic plan which included, among others, the consolidation of headquarters, raising the flexibility and diversity among the various production facilities centers, increasing the production volumes of high value products such as petrochemicals (i.e.; polymers and aromatics), and leveraging company synergies following our merger. These measures, along with reducing the volume of fuel oil production, reduced our exposure to oil price fluctuations throughout the year, and allowed us to maximize the benefits of other revenue drivers. Since the beginning of 2011, the Company changed its hedging policy for crude oil prices by reducing the exposure of un-hedged inventory from 600 thousand tons to 350 thousand tons. This is expected to protect the Company from such fluctuations in the long term. The Company also entered into in an agreement with EMG to supply natural gas to the Company's plants for a period of 20 years, starting from the first delivery. Accordingly, this will enable all of the Company's production facilities to run on natural gas instead of oil. The Company's management expects this transition to yield operational efficiencies while playing an essential role in enabling the Group plants to meet future environmental requirements. This will make ORL one of the more environmentally responsible oil refinery and petrochemical companies in the Mediterranean basin.

**Mr. Rosen further added:** "In addition to the investment activities undertaken to strengthen the Company, ORL is making many efforts to improve its environmental footprint such as the transition to natural gas, as well as other day-to-day operational activities. The completion of the hydrocracker will allow us to begin the production and sale of vastly improved diesel fuel which will result in decreased pollutant

emissions from vehicles throughout the country. This process is compatible with company policies, which is to continually strive to improve the fuel quality it produces. The Israeli government's decision to permit tax breaks and grants to encourage export is a welcome step in helping to strengthen the competitive standing of Israeli industries on a global level. "

## **CONFERENCE CALL**

The Company will also be hosting a conference call today, March 21, 2011, at 13:30 GMT, 9:30 ET, 6:30 PST and 15:30 Israeli Time.

On the call, management will present a **presentation** reviewing the fourth quarter and full year 2010 highlights and industry trends. The presentation is available for download from the Company's website [www.orl.co.il](http://www.orl.co.il): Investor Relations > Financial Reports.

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 number.

**US Dial-in Numbers:** 1-888-407-2553

**UK Dial-in Number:** 0-800-917-5108

**Israel Dial-in Number:** 03-918-0644

**International Dial-in Number:** +972-3-918-0644

at: 13:30 GMT, 9:30 ET, 6:30 PT, 15:30 Israel time. 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).

*The conference call will be accompanied by a presentation available for download from the Company's website, [www.orl.co.il](http://www.orl.co.il), under investor relations on March 21, 2011.*

## **ABOUT OIL REFINERIES LTD.**

Oil Refineries Ltd. (ORL), located in the bay area of the city of Haifa, operates Israel's largest integrated refining and petrochemical group. It is one of the leading refineries in the Eastern Mediterranean area and integrates, on-site, petrochemical businesses. ORL runs sophisticated and state-of-the-art industrial facilities with a refining capacity of 9.8 million tons of crude oil per year and 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's petrochemical sector produces Polymers (through its ownership of Carmel Olefins Ltd), Aromatics (through its ownership of Gadiv Petrochemical Industries Ltd), and Lube-Oils (through its ownership of Haifa Basic Oils Ltd). 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).

ORL is controlled by the Israel Corporation Ltd. and Israel Petrochemical Enterprises Ltd., both public companies whose shares are traded on the Tel Aviv Stock Exchange.

*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.*

