



## OIL REFINERIES ANNOUNCES FINANCIAL RESULTS FOR FIRST QUARTER 2008

**Haifa, Israel, May 21, 2008 - Oil Refineries Ltd. (TASE: ORL.TA)** ("Oil Refineries" or the "Company") announced today its financial results for three months ending March 31, 2008.

**The following reports are accounted for under IFRS in US dollars. During the first quarter of 2008 the Company expanded its segment reporting and, in addition to the segments reported, the Company added a Trade sector. The Company is implementing its strategic plan in all areas of activity.**

### **FIRST QUARTER HIGHLIGHTS**

- Refining margin USD/bbl 3.7, compared to USD/bbl 6.8 in 2007; decline primarily follows industry-wide margin erosions
- Average Mediterranean Ural Cracking Margin USD/bbl 3.7
- Expanded segment reporting during the quarter, added new reporting segment - Trade
- Under new strategic plan expanding trade activities; includes trade in crude oil, products and derivatives
- Under the strategic plan seeking additional areas for expansion
- Announced progressing in joint review, with Israel Petrochemical Industries, Company's acquisition of 50% balance of shares of Carmel Olefins

**Refining margin** for the first quarter 2008 totaled USD/bbl 3.7, compared to a USD/bbl 6.8 refining margin in the first quarter 2007. The decline in refining margins year over year follows the industry-wide refining margin erosion. The quarterly Mediterranean Ural Cracking Margin average quoted by Reuters totaled USD/bbl 3.7 during the reported period.

**Consolidated EBITDA** for the first quarter 2008 totaled \$33 million, compared to \$72 million consolidated EBITDA in the first quarter last year.

**Consolidated Operating Profit** for the first quarter 2008 totaled \$16 million, compared to a consolidated operating profit \$51 million in the first quarter last year.

Operating profit from the **Refining Segment** totaled \$5 million, compared to \$41 million in the first quarter last year. The decrease in the Refining Segment's operating profit is mainly due to a \$66 million decline in refining margins. Following the implementation of IFRS accounting standards the Company recorded, during the quarter, an accounting loss of approximately \$11 million, compared to \$33 million in the first quarter last year, resulting from the reporting treatment of prices of open positions products and refining margin derivative transactions. The decline in refining operating income was partially offset by the \$22 million decline in the derivative losses, an increase in sales and refining quantities, as well as an increase in other revenues net, of higher operational expenses.

Operating profit from the newly established and manned **Trade Segment** totaled \$2 million. Operating profit for the **Petrochemicals Segment** totaled \$9 million, compared to \$10 million in the first quarter last year. The Petrochemicals Segment includes the results of the **Polymers Section**, which generated an operating loss of \$1 million compared to an operating profit of \$5 million in the first quarter last year. The decline primarily follows an increase in manufacturing expenses associated with the activation of the new units, which are due to increase manufactured quantities, as well as a decline in product margins. This segment also includes the results of the **Aromatics Section**, which contributed a \$10 million during the quarter, compared to \$5 million in the first quarter last year. The increase in the aromatics' operating profit is primarily due to the increase in product margins compared to the first quarter last year.

**Consolidated net income** for the first quarter totaled \$2 million, compared to \$11 million in the first quarter last year. The decline in the net income is primarily driven by the above noted decline in the operating income.

**Mr. Yashar Ben-Mordechai, Oil Refineries' CEO said** "during the first quarter refining margins remained at low levels mainly resulting from the demand, some of which speculative, in the oil market which drove an increase in the oil prices. This increase was not accompanied by a similar increase in prices of oil products. On the other hand, during the first quarter there was an increase in demand for fuels and refined products in the local market. Oil Refineries' flexibility and broad knowledge, enables for the maximization and efficiency of the refining processes, while the revenues from the various segments enables for margin stabilization in volatile times."

**Mr. Yossi Rosen, Oil Refineries Chairman of the Board noted,** "The next stage in the strategic plan includes several parallel processes. As part of its implementation, the Company has set in motion an additional stage in several of the segments - we intend to continue and increase the trade segment, leveraging our accumulated knowledge and network of contacts to drive this area. Furthermore, this week we announced that we are ready to supply transportation fuel and diesel at Euro 5 standards, a step which will contribute to increased use of environmentally friendly fuels."

**Mr. Rosen added** that the Company is currently reviewing, together with Israel Petrochemical Enterprises, the possibility of merging the Company and Carmel Olefins: "the merger between the Companies, while leveraging the joint synergies, will provide Oil Refineries a competitive advantage"

## **IMPLEMENTATION AND PROGRESS IN STRATEGIC PLAN**

### **Refining Segment**

- Completed organization and manning of segment
- Launched several major projects:
  - Increasing flexibility of crude unit 4 – underway
  - Converting HVGGO hydro-treater into mild Hydrocracker – underway
  - Building a Hydrocracker – Reactors ordered, planning process underway. Will be brought before the BOD for final approval in Sept. 08
  - Various environmental protection projects (approx. \$70m) - approved and underway
  - Erecting an electricity co-generation plant – configuration review stage completed, will be soon brought before Board of Directors for approval

### **Trade Segment**

- Established advanced and modern trade center; initiated implementation of an information system to manage trade in fuel products .The segment started conducting trade activities already in the first quarter 2008.

### **Petrochemical Segments**

- Increased manufacturing of Paraxylene and Benzene; the projects were approved and initiated implementation
- Increased manufacturing of Phthalic Anhydride - under implementation
- Initiating M&A in the area of manufacturing and logistics – purchased a share of Domo, a Netherland-based Polypropylene manufacturer. Advanced stages of review in additional European regions, the Mediterranean basin and the Far East

### **Company Corporate**

- Raised \$474m in debentures at the end of 2007 to finance projects
- Company reviewing opportunities to take advantage of business opportunities overseas
- Completed establishing and manning of business development and capital market team
- Adopted and implemented internal anti-trust and securities' law enforcement plans

## **CONFERENCE CALL**

The Company will also be hosting a conference call later today at 10:00am ET. On the call, management will present a **presentation** reviewing the first 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: 1-888-281-1167 UK Dial-in Number: 0-800-917-9141  
Israel Dial-in Number: 03-918-0688 International Dial-in Number: +972-3-918-0688  
at: 10:00am Eastern Time, 3:00pm UK, 5:00pm 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). 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: The dial-in numbers are: 1-877-456-0009 (US); +972-3-925-5942 (International).

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

#### **CONTACTS**

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# Oil Refineries Ltd.

## Consolidated Balance Sheet

In thousand US Dollars

	<b>March 31, 2008</b>	<b>March 31, 2007</b>	<b>December 31, 2007</b>
	<b>(unaudited)</b>		<b>(audited)</b>
<b>Assets</b>			
Cash and cash equivalents	41,858	47,507	259,325
Derivatives at fair value through profit and loss	10,389	794	6,513
Investment in financial assets at fair value through profit and loss	275,386	101,543	113,035
Trade receivables	469,185	437,771	394,470
Receivables and debit balances	121,628	98,092	84,029
Income tax	26,004	-	10,153
Inventory	1,161,466	673,076	1,042,545
<b>Total current assets</b>	<b>2,105,916</b>	<b>1,358,783</b>	<b>1,910,070</b>
<b>Investments and long-term loans</b>			
Investees	44,552	56,017	53,958
Loan to Haifa Early Pensions Ltd.	88,833	72,104	80,038
Long term loans and debit balances	2,039	1,767	6,202
Derivatives at fair value through profit and loss	65,055	-	-
Excess of funded amounts over the liability for severance pay, net	7,397	6,924	7,519
	<u>207,876</u>	<u>136,812</u>	<u>147,717</u>
<b>Fixed assets, net</b>	<b>1,005,136</b>	<b>967,228</b>	<b>978,412</b>
<b>Intangible assets and deferred expenses, net</b>	<b>22,140</b>	<b>12,572</b>	<b>22,924</b>
<b>Total non-current assets</b>	<b>1,235,152</b>	<b>1,116,612</b>	<b>1,149,053</b>
<b>Total assets</b>	<b>3,341,068</b>	<b>2,475,395</b>	<b>3,059,123</b>

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

	March 31, 2008	March 31, 2007	December 31, 2007
	(unaudited)	(unaudited)	(audited)
<b>Current liabilities</b>			
Credit from banking institutions and other credit providers	282,423	329,597	216,021
Trade payables	698,994	316,195	561,232
Other payables	100,690	78,427	92,253
Derivatives at fair value through profit and loss	22,808	9,677	-
Income tax	-	15,086	-
Provisions	27,309	26,384	19,950
<b>Total current liabilities</b>	<b>1,132,224</b>	<b>775,366</b>	<b>889,456</b>
<b>Long term liabilities</b>			
Debentures	772,287	237,621	717,302
Bank loans	437,537	529,189	452,154
Deferred taxes	116,363	114,105	125,287
Liabilities for financing lease	8,403	7,039	7,763
Liabilities for severance pay, net	71,611	77,911	67,358
<b>Total non-current liabilities</b>	<b>1,406,201</b>	<b>965,865</b>	<b>1,369,864</b>
<b>Total liabilities</b>	<b>2,538,425</b>	<b>1,741,231</b>	<b>2,259,320</b>
<b>Shareholders' equity</b>			
Share capital – 2,000,000 ordinary shares of NIS 1 par value	472,478	472,478	472,478
Capital reserves	29,783	29,393	29,036
Retained earnings	300,382	232,293	298,289
<b>Total equity attributed to equity holders of the Company</b>	<b>802,643</b>	<b>734,164</b>	<b>799,803</b>
<b>Total liabilities and capital</b>	<b>3,341,068</b>	<b>2,475,395</b>	<b>3,059,123</b>

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

	<b>For the three months ended</b>		<b>For the year ended</b>
	<b>March 31, 2008</b>	<b>March 31, 2007</b>	<b>December 31, 2007</b>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(audited)</u>
Revenues	1,885,696	1,081,001	5,236,945
Cost of sales, refinery and services	1,833,520	969,930	4,805,066
Revaluation of open positions in derivatives on prices of goods and margins, net	11,141	33,128	20,156
<b>Total cost of sales</b>	<u>1,844,661</u>	<u>1,003,058</u>	<u>4,825,222</u>
<b>Gross profit</b>	41,035	77,943	411,723
Selling expenses	10,468	7,650	33,518
General and administrative expenses	14,732	19,164	68,027
Privatization grant	-	28,360	28,360
<b>Operating income</b>	<u>15,835</u>	<u>22,769</u>	<u>281,818</u>
Financing income	69,425	7,941	34,625
Financing expenses	(86,097)	(14,676)	(136,750)
Company's share in earnings (losses) of investees	(5,070)	1,971	6,913
<b>Earnings (loss) before income tax</b>	<u>(5,907)</u>	<u>18,005</u>	<u>186,606</u>
Tax benefits (taxes on income)	8,000	(6,667)	(44,937)
<b>Net earnings for the period</b>	<u>2,093</u>	<u>11,338</u>	<u>141,669</u>
<b>Earnings per ordinary share</b>			
Net basic and diluted earnings per ordinary share (in USD)	<u>0.001</u>	<u>0.006</u>	<u>0.071</u>

**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

	March 31, 2008	March 31, 2007
	In millions of USD	
	Unaudited	
<b>Revenues</b>		
Refining	1,562	902
Trade	79	-
Polymers	108	74
Aromatics	137	105
<b>Total</b>	1,886	1,081
<b>Cost of sales, refining and services</b>		
Refining	1,543	844
Trade	77	-
Polymers	104	64
Aromatics	121	94
<b>Total</b>	1,845	1,002
<b>Gross profit</b>		
Refining	19	58
Trade	2	-
Polymers	4	10
Aromatics	16	38
<b>Total</b>	41	79
<b>Sales, general and administrative expenses</b>		
Refining	14	17
Trade	-	-
Polymers	5	5
Aromatics	6	6
<b>Total</b>	25	28
<b>Profit from operations</b>		
Refining	5	41
Trade	2	-
Polymers	(1)	5
Aromatics	10	5
<b>Total</b>	16	51
Financing income (expenses), net	(17)	(17)
Privatization grant	-	(28)
Income before taxes on income	(1)	16
Income tax	8	(7)
	7	9
Company's share in earnings of investee companies	(5)	2
<b>Net income for the period</b>	2	11