



## OIL REFINERIES ANNOUNCES FINANCIAL RESULTS FOR FIRST QUARTER 2007

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*Impressive results for the first quarter of 2007  
Refining margins higher than Mediterranean average  
Net income, excluding one time accounting charge, reached NIS 256 million*

**Haifa, Israel, May 29, 2007 - Oil Refineries Ltd. (TASE: ORL.TA)** ("Oil Refineries" or the "Company") announced today its financial results for first quarter ended March 31, 2007.

The reported results for the first quarter 2007 exclude the results of Ashdod Refineries Ltd. ("ORA"), which was sold at the end of the third quarter 2006. The results for the comparable period, the first quarter of 2006, are pro-forma figures and refer to the consolidated pro-forma statements as set out in Note 7 of the Company's financial statements, as well as the pro-forma tables at the end of this press release.

### FIRST QUARTER 2007 HIGHLIGHTS

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- Substantial increase in refining margin to USD/bbl 9.2, compared to USD/bbl 7.3 in first quarter 2006
- Higher refining margin than Mediterranean<sup>i</sup> quarterly average of USD/bbl 5.7
- Net income impacted by a net NIS 106 million accounting charge resulting from privatization grant paid by Government to employees
- Consolidated net income, excluding one time expenses, totaled NIS 256 million

**Refining margin** for the first quarter totaled USD/bbl 9.2 (USD/MT 67.5), compared to the Mediterranean first quarter average of USD/bbl 5.7<sup>i</sup> (USD/MT 41.6). Refining margin for the quarter was also substantially higher than the USD/bbl 7.3 (USD/MT 53.1) refining margin in the first quarter 2006, and the USD/bbl 4.3 (USD/MT 30.9) refining margin in the fourth quarter 2006.

**Consolidated EBITDA** for the first quarter totaled NIS 435 million, compared to NIS 428 million pro-forma EBITDA in the first quarter 2006, and compared to NIS 205 million pro-forma EBITDA in the fourth quarter 2006.

**Consolidated Operating Profit** for the first quarter totaled NIS 347 million, compared to a pro-forma operating profit NIS 346 million in the first quarter 2006, and compared to NIS 114 million pro-forma operating profit in the fourth quarter 2006. The high refining margins and increased product sales contributed to a NIS 141 million increase in the operating profit over the first quarter last year. This strong increase was offset by the ongoing depreciation of the US dollar, 14% weaker this quarter over the first quarter last year, which contributed to a NIS 82 million decline in the operating profit, and by a NIS 55 million increase in operating expenses, primarily following an increase in depreciation of renovations, insurances, levies and fees.

For further details, please refer to the tables included at the end of the press release.

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<sup>i</sup> Source: Reuters – Refining Margin of European Urals Cracking Refineries in Mediterranean

**Consolidated net income** for the quarter included an additional one time charge totaling NIS 106 million, net after tax, resulting from the accounting treatment of a privatization grant paid, by the government to the employees of Oil Refineries and its subsidiaries, following the successful privatization in February 2007. Net Income for the first quarter 2007, excluding the said grant, totaled NIS 256 million, compared to a pro-forma consolidated net income of NIS 236 million in the first quarter last year, and a NIS 69 million pro-forma net income in the fourth quarter last year. Net income for the quarter, including this one time expense, totaled NIS 150 million.

**In his review, CEO Mr. Yashar Ben-Mordechai said "We are very encouraged with our strong increase in refining margins this quarter - 27% higher than the first quarter last year and 118% higher than the fourth quarter of 2006, while continuing to steadily generate substantially higher refining margins than the Mediterranean average. This achievement is the result of the Company's technological capabilities, close proximity to diverse crude oil resources and the Company's ability to optimize activities."**

**Mr. Ben-Mordechai added that "This quarter we presented impressive operating performance, primarily in the refining segment. However, external factors, such as the accounting treatment of the government privatization grant and the weaker dollar, partially offset by the finance income on our dollar loans, limited the impact of the impressive performance on the net income. We will continue to leverage on our strong human resources, technology and capabilities to promote performance moving ahead."**

**Mr. Ben-Mordechai concluded "Looking ahead, the US, China and India continue to generate substantial demand for fuel and fuel related products, despite supply levels remaining fixed following ongoing uncertainties potentially affecting production in certain countries. We continue to seek and identify opportunities to increase our market position and product mix to best meet market demands while driving performance and growth"**

**Chairman of the Board, Mr. Ohad Marani commented saying "This is the first full quarter in which the Haifa Refinery operated as a stand alone unit, separate from the recently sold Ashdod Refinery, and we see many opportunities emanating from the newly evolving domestic fuel market. We believe that Oil Refineries is currently well positioned to benefit from the diverse business opportunities that lie ahead, by identifying new complementary growth areas, while further enhancing leadership in the refining area by leveraging on the strong core technology and dedicated employees."**

**Mr. Marani concluded that "We are very satisfied with the recent successful privatization of the Company, which culminated in a diverse shareholder base of leading financial institutions, domestic and international, general public and new strategic investors, and look forward to continuing to present strong performance for our shareholders."**

#### **CONFERENCE CALL**

The Company will also be hosting a conference call on Tuesday, May 29, at 09:00am EDT. On the call, management will present a presentation reviewing the first quarter 2007 quarterly highlights and industry trends. The presentation can be downloaded from the Company's website at [www.orl.co.il](http://www.orl.co.il) : Investor Relations > Financial Reports, from 02:00 am EDT (07:00 am UK time, 09:00 am Israel time).

To participate, 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: 1-888-642-5032                      UK Dial-in Number: 0-800-051-8913  
Israel Dial-in Number: 03-918-0650                      International Dial-in Number: +972-3-918-0650  
at: 09:00 am Eastern Time, 06:00 am Pacific Time, 2:00 pm UK Time, 4:00 pm 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).

## **ABOUT OIL REFINERIES LTD.**

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

## **CONTACTS**

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# Oil Refineries Ltd.

## Consolidated Pro-Forma Balance Sheet (Note 7)

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	<b>March 31, 2007 Actual Unaudited</b>	<b>December 31, 2006 Pro forma Audited</b>
	<b>In thousands of NIS</b>	
<b>Current assets</b>		
Cash and cash equivalents	197,393	141,570
Trade accounts receivable	1,821,455	1,604,299
Receivables and debit balances	498,071	454,701
Inventory	<u>2,770,426</u>	<u>2,738,321</u>
	<u>5,287,345</u>	<u>4,938,891</u>
<b>Long-term investments and loans</b>		
Investee companies	179,841	191,002
Loan to Haifa Early Pensions Ltd.	299,592	300,000
Long-term loans and other debit balances	7,343	7,409
Excess of funded amounts over the liability for severance pay, net	<u>39,641</u>	<u>45,458</u>
	<u>526,417</u>	<u>543,869</u>
<b>Fixed assets</b>		
Property, plant and equipment	3,711,566	3,701,744
Materials and spare parts	210,748	200,372
Fund for investment in fixed assets	<u>421,910</u>	<u>414,749</u>
	<u>4,344,224</u>	<u>4,316,865</u>
<b>Other assets and deferred expenses</b>	<u>47,175</u>	<u>48,100</u>
	<u>10,205,161</u>	<u>9,847,725</u>
<b>Current liabilities</b>		
Credit from banking institutions and other credit providers	1,369,470	899,142
Suppliers and service providers	1,320,640	1,561,723
Payables and credit balances	541,340	785,309
Declared dividend	-	20,000
	<u>3,231,450</u>	<u>3,266,174</u>
<b>Long-term liabilities</b>		
Debentures	987,312	854,799
Bank loans	2,197,660	2,205,647
Deferred taxes	511,917	498,352
Liability in respect of financing lease	29,247	29,275
Liability for severance pay, net	<u>268,659</u>	<u>278,801</u>
	<u>3,994,795</u>	<u>3,866,874</u>
<b>Total liabilities</b>	<u>7,226,245</u>	<u>7,133,048</u>
<b>Shareholders' equity</b>	<u>2,978,916</u>	<u>2,714,677</u>
	<u>10,205,161</u>	<u>9,847,725</u>

## Oil Refineries Ltd.

### Consolidated Pro-Forma Profit and Loss Statements (Note 7)

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	Three months ended March 31,		Year ended December 31,
	2007	2006	2006
	Actual	Pro forma	Pro forma
	Unaudited	Unaudited	Audited
	<b>In thousands of NIS</b>		
Revenues	4,796,034	5,031,557	21,734,553
Cost of sales, refining and services	<u>4,335,820</u>	<u>4,605,036</u>	<u>20,584,260</u>
Gross profit	460,214	426,521	1,150,293
Selling expenses	30,579	24,317	94,634
General and administrative expenses	<u>82,901</u>	<u>56,564</u>	<u>222,104</u>
Operating income	346,734	345,640	833,555
Financing (expenses) income, net	<u>2,208</u>	<u>(27,621)</u>	<u>106,589</u>
	348,942	318,019	726,966
Privatization grant	<u>(118,529)</u>	<u>-</u>	<u>-</u>
Income before taxes on income	203,413	318,019	726,966
Taxes on income	<u>90,044</u>	<u>92,535</u>	<u>221,539</u>
	140,369	225,484	505,427
Company's share in income of investee companies	<u>9,156</u>	<u>10,598</u>	<u>32,570</u>
Net income for the period	<u>149,525</u>	<u>236,082</u>	<u>537,997</u>
Earnings per 1 ordinary share (in NIS)	<u>0.075</u>	<u>0.118</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

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	March 31, 2007	March 31, 2006
	In millions of NIS Unaudited	
<b>Revenues</b>		
Refining	4,320	4,507
Polymers	311	289
Aromatics	481	431
Cancellation of intercompany transactions	(316)	(196)
<b>Total</b>	<u>4,796</u>	<u>5,031</u>
<b>Cost of sales, refining and services</b>		
Refining	3,943	4,162
Polymers	265	246
Aromatics	444	393
Cancellation of intercompany transactions	(316)	(196)
<b>Total</b>	<u>4,336</u>	<u>4,605</u>
<b>Gross profit</b>		
Refining	377	345
Polymers	46	43
Aromatics	37	38
<b>Total</b>	<u>460</u>	<u>426</u>
<b>Sales, general and administrative expenses</b>		
Refining	76	50
Polymers	12	10
Aromatics	25	20
<b>Total</b>	<u>113</u>	<u>80</u>
<b>Profit from operations</b>		
Refining	301	295
Polymers	34	33
Aromatics	12	18
<b>Total</b>	<u>347</u>	<u>346</u>
Financing income (expenses), net	<u>2</u>	<u>(28)</u>
	349	318
Privatization grant	<u>(119)</u>	<u>-</u>
Income before taxes on income	230	318
Income tax	<u>90</u>	<u>93</u>
	140	225
Company's share in earnings of investee companies	<u>10</u>	<u>11</u>
<b>Net income for the period</b>	<u><u>150</u></u>	<u><u>236</u></u>