

# Oil Refineries Ltd.

## Fourth Quarter and Full Year 2008 Results



March 2009

November 2007

ORL

Oil Refineries Ltd.

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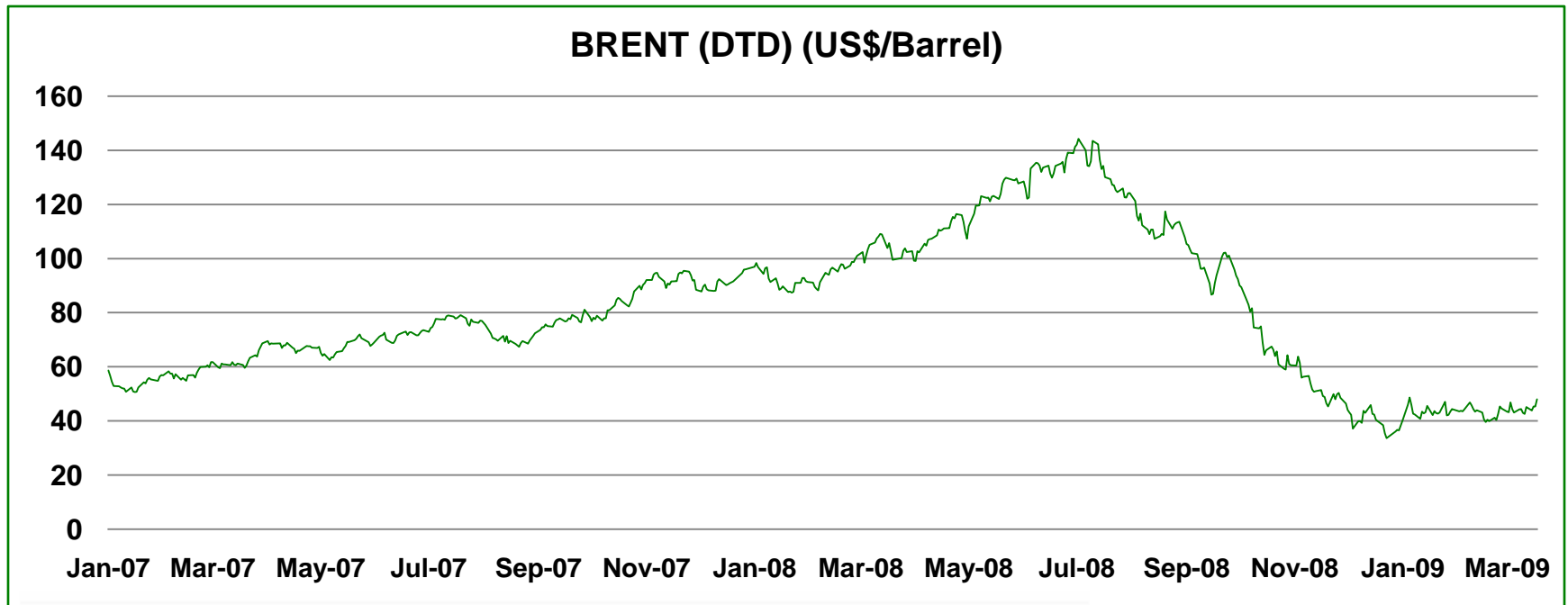
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# Agenda

- Review of Operating Environment
- 2008 In Summary
  - Full Year and Fourth Quarter 2008 Consolidated Results
  - Review of Main Segments' Performance
- Implementation of Strategic Plan
  - Hydrocracker investment update
  - Projects planned to be completed in 2009
- Looking Ahead

# Operating Environment

## Crude Oil Prices

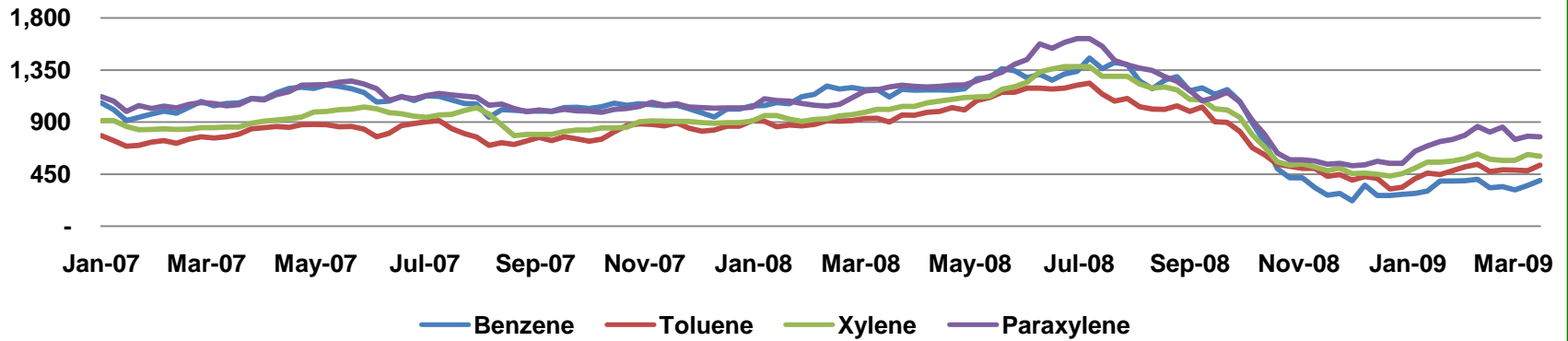


- Highly volatile operating market
- In 2008 crude oil prices dropped from USD/bbl 96 to USD/bbl 36.5
- Drew substantial [non-cash] sector-wide decline in inventory prices
- Since end-08 crude oil prices up 37% to USD/bbl 50

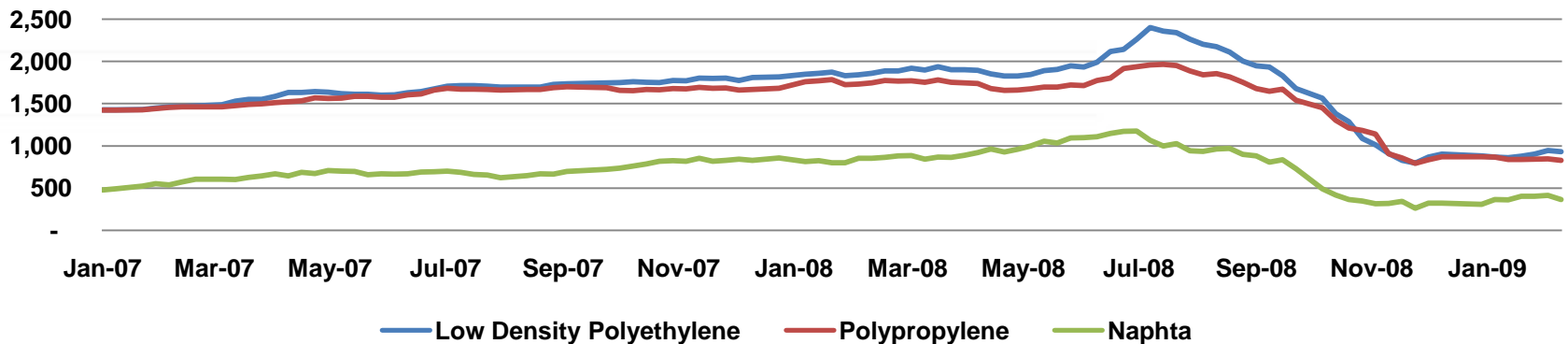
# Operating Environment Petrochemical Product Prices



### Aromatic Product Prices

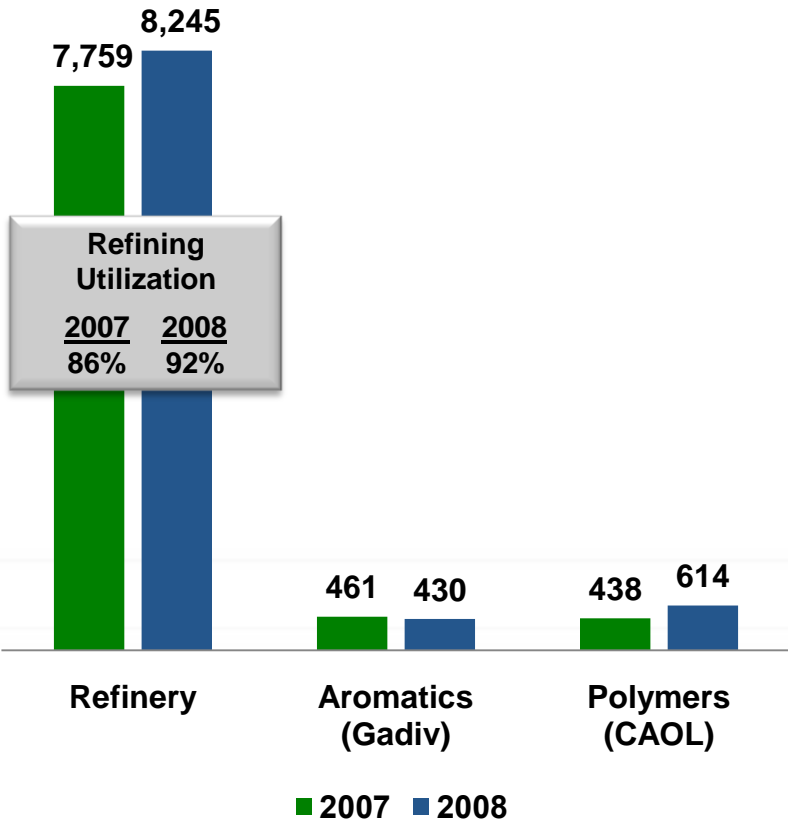


### Polymer Product Prices

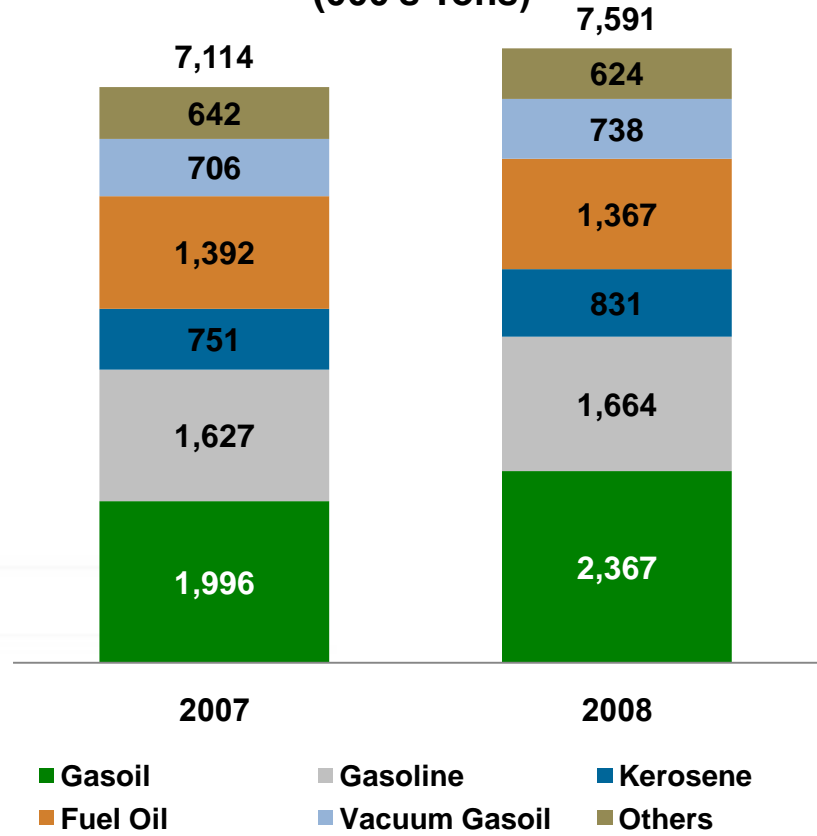


# Production and Refining Capacity

Refining & Production (000s Tons)

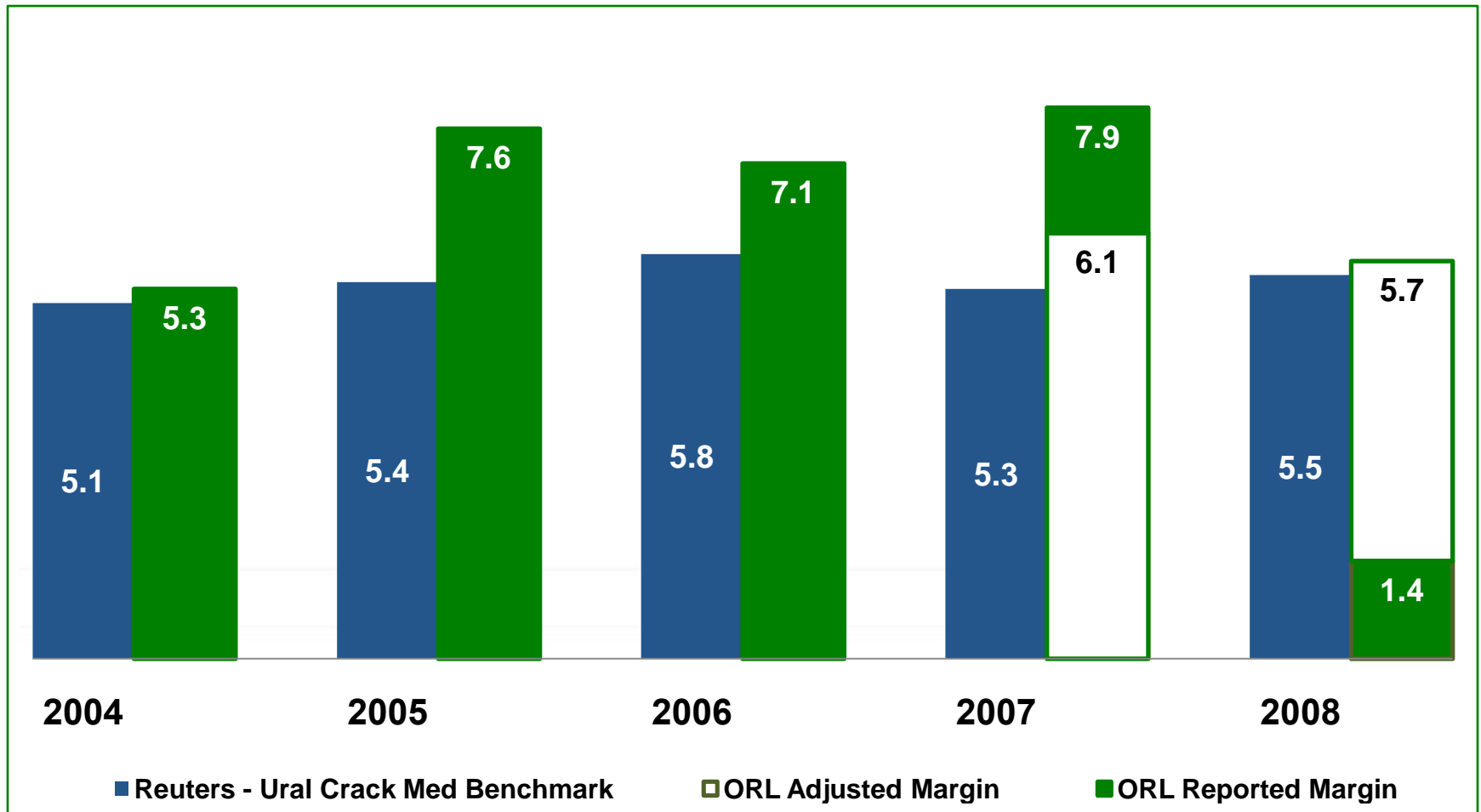


Refined Production Breakdown (000's Tons)



# ORL Refining Margin vs. Regional Benchmark

USD/bbl



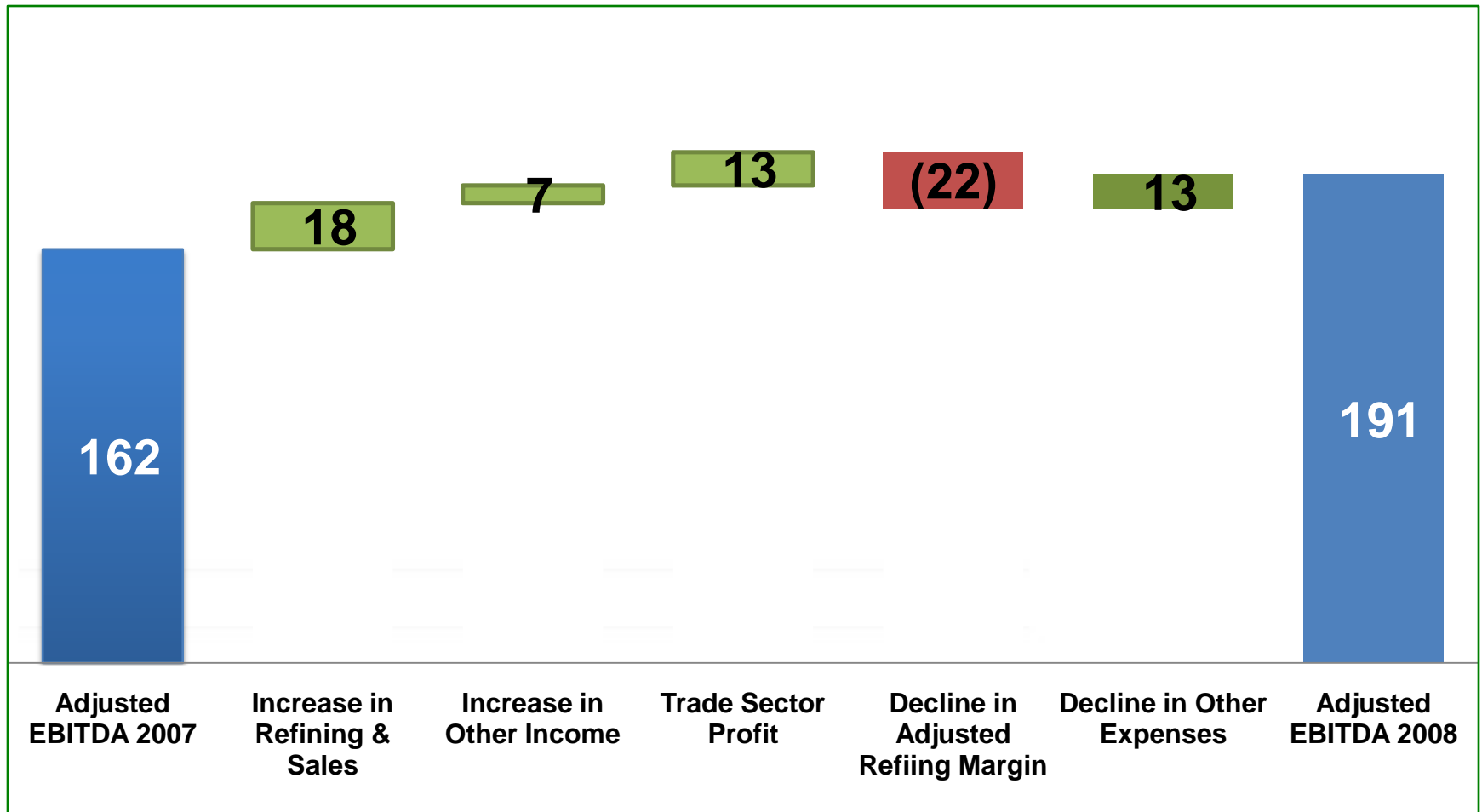
Note: Adjusted margin is ORL's refining margin calculated for comparison purposes and excludes impact of inventory w/o and gains as well as IFRS

# Adjusted Refining Margin

	2008	2007		Q4 08	Q4 07
<b>Avg. Ural Crack Med Refining Margin (USD/bbl)</b>	5.5	5.3		5.3	4.6
<b>ORL Adj. Margin USD/bbl</b>	5.7	6.1		5.5	3.6
<b>Adjusted margin per ton</b>	<b>41.4</b>	<b>44.2</b>		<b>40.3</b>	<b>26.1</b>
IFRS derivatives' impact	0.7	(2.6)		1.2	1.6
Net impact of buying\selling timing differences	(9.9)	16.1		(84.6)	32.1
Provision for decline in inventory value	(22.3)	-		(57.1)	-
<b>ORL Reported margin dollar per ton</b>	<b>9.9</b>	<b>57.7</b>		<b>(100.2)</b>	<b>59.8</b>

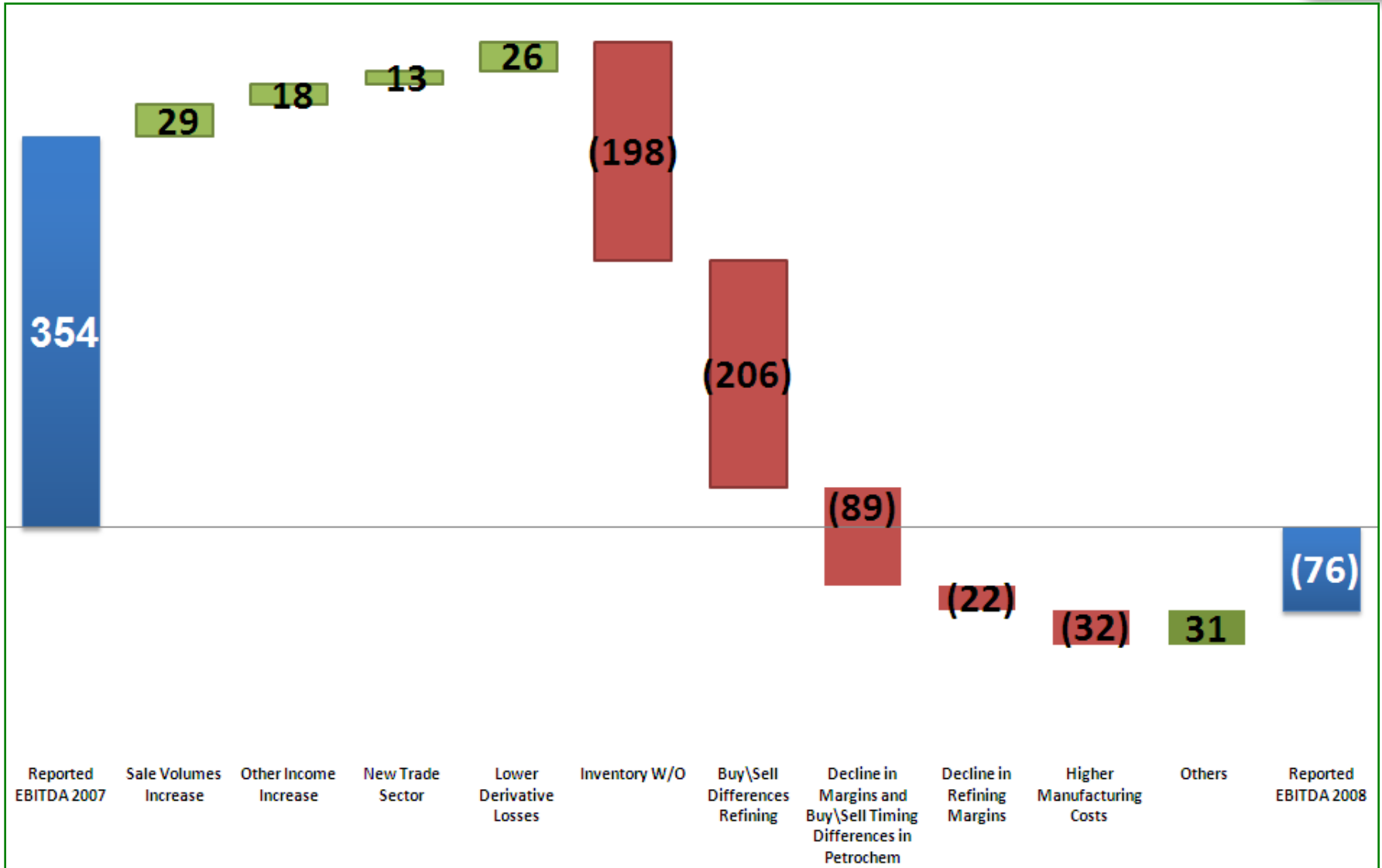
# Change in Adjusted Refining & Trade Sector EBITDA

(2008 vs, 2007) m. US\$



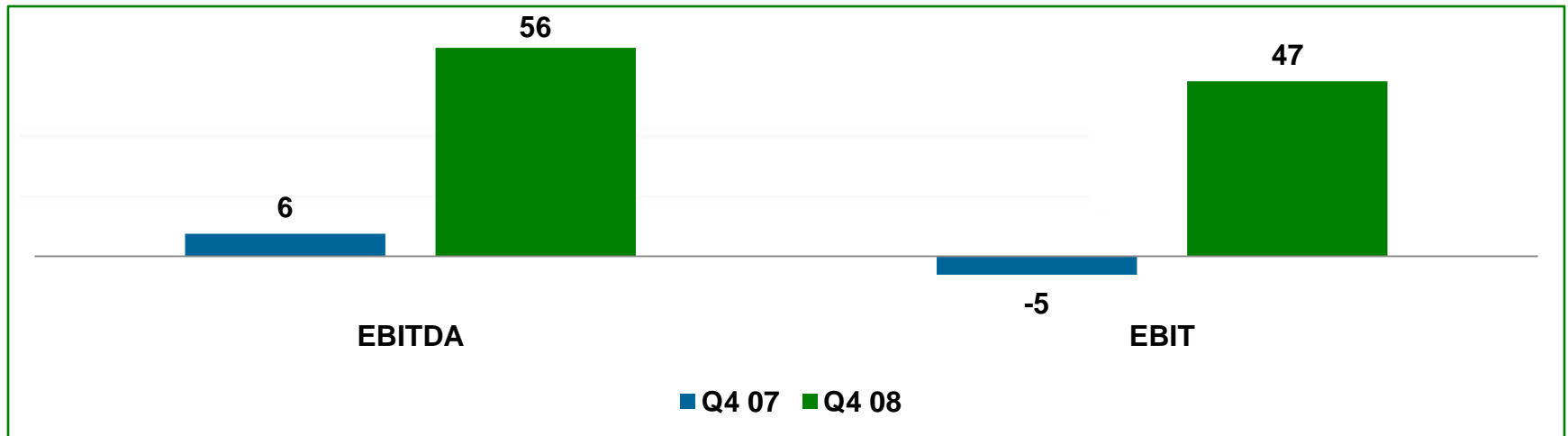
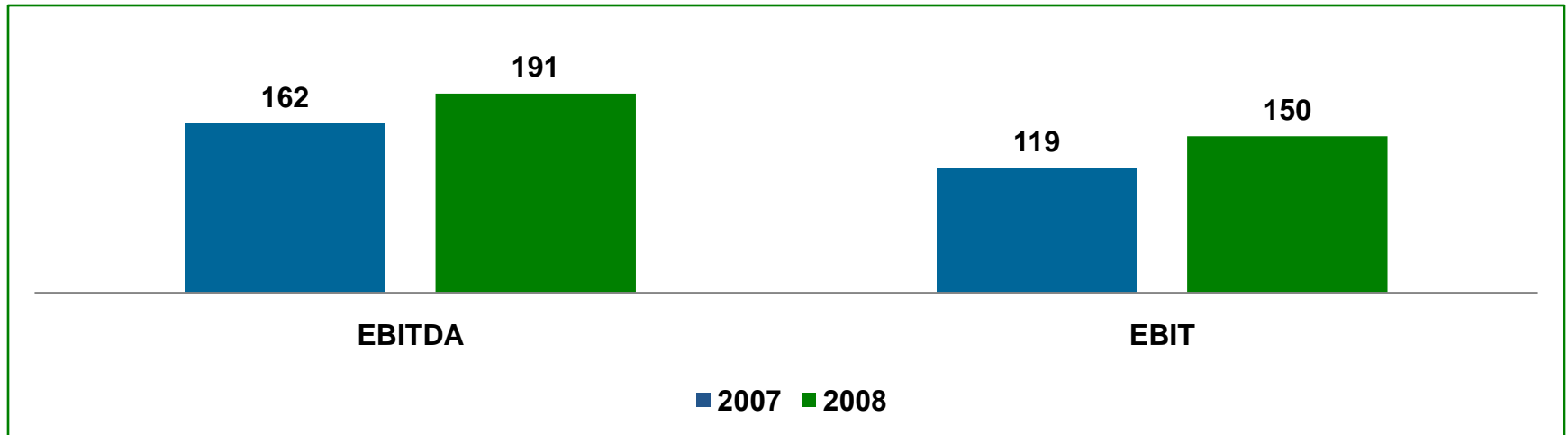
# Changes in Consolidated EBITDA

(2008 vs. 2007) m. US\$



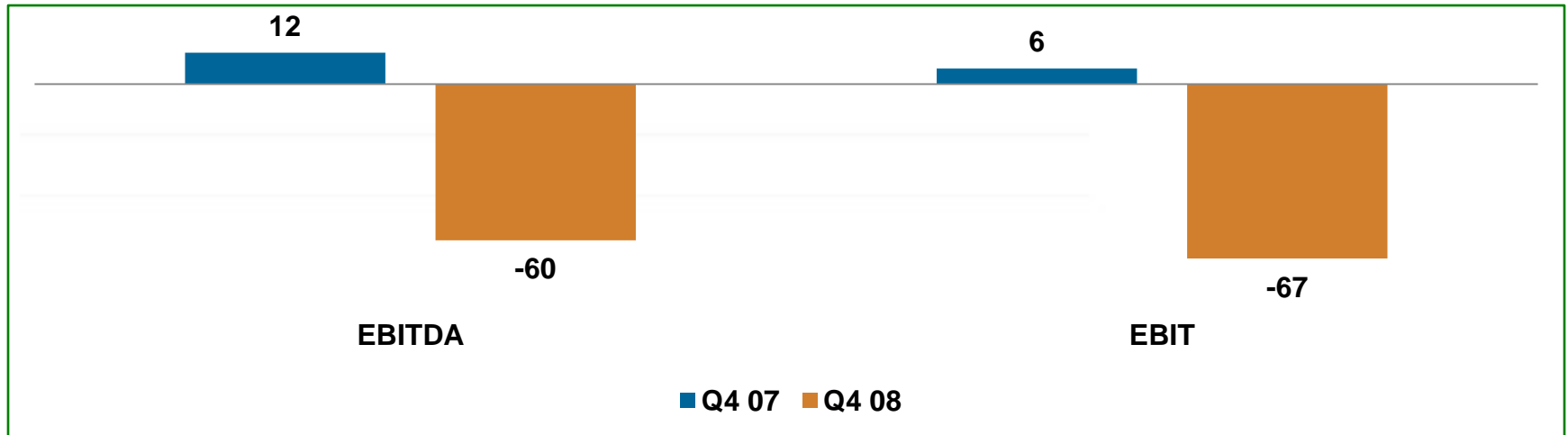
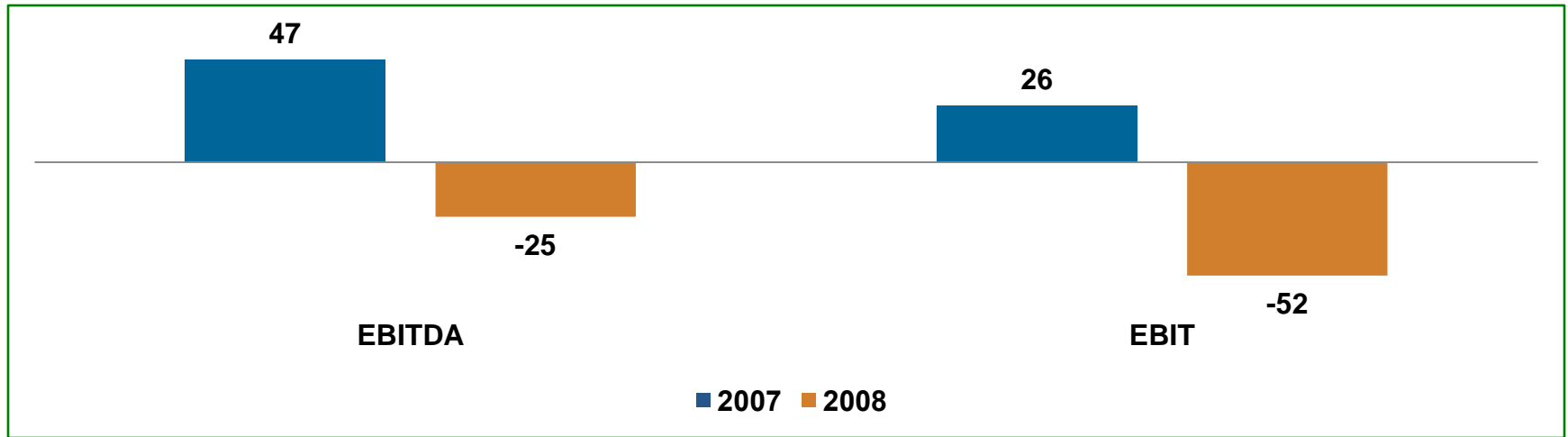
# Refining & Trade Segments

Adjusted EBITDA and EBIT (m. US\$)



# Petrochemicals - Polymers

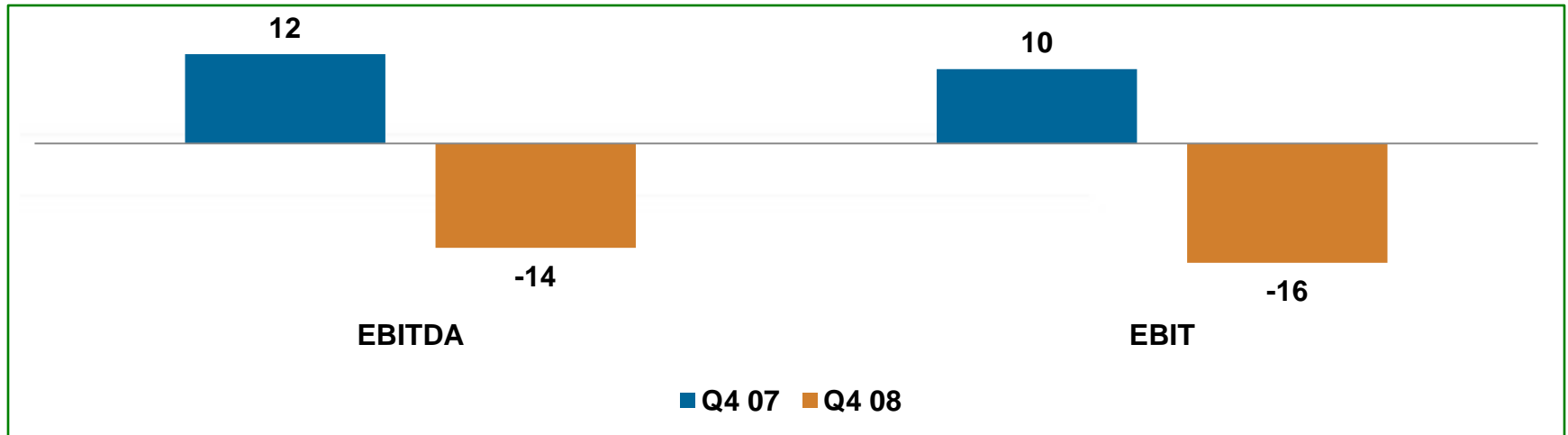
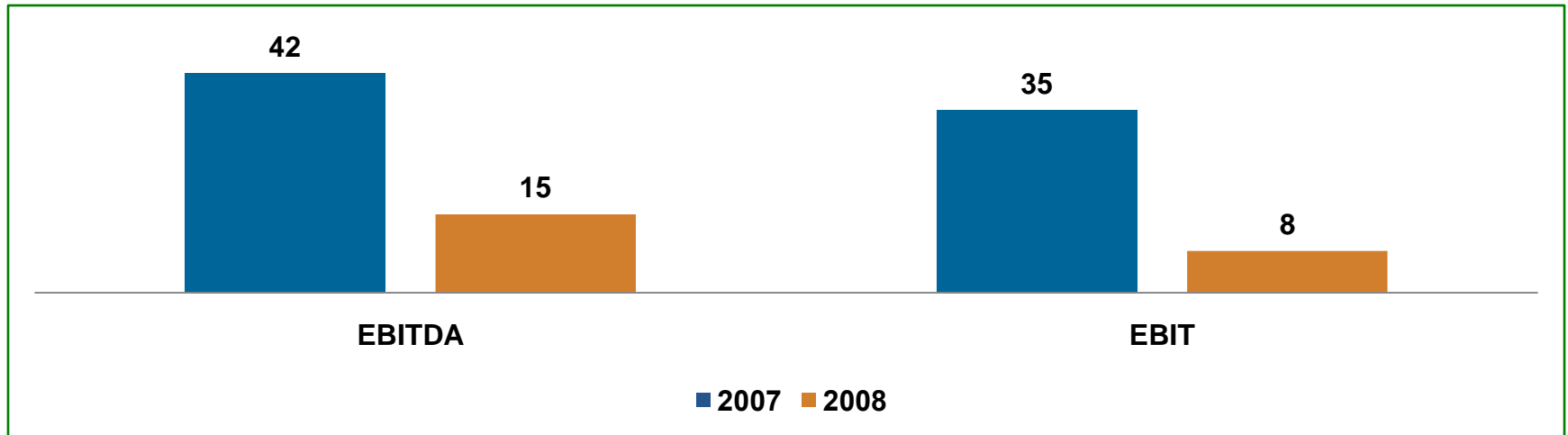
*Carmel Olefins - Results of 50% of Activity  
As Reported EBITDA and EBIT (m. US\$)*



# Petrochemicals - Aromatics

*Gadiv Petrochemicals - 100% Held by ORL*

*As Reported EBITDA and EBIT (m. US\$)*



# Consolidated P&L by Segments -

As Reported - Full Year 2008 - (m. US\$)

	Refining Segment	Trade Segment	Petrochemical Segment		Cancellation of inter- company Transactions	Consolidated
			Polymers	Aromatics		
<b>Revenues</b>	<b>7,620</b>	<b>383</b>	<b>475</b>	<b>544</b>		<b>8,258</b>
COGS	<u>7,686</u>	<u>370</u>	<u>511</u>	<u>510</u>		<u>8,316</u>
<b>Gross Profit</b>	<b>(66)</b>	<b>13</b>	<b>(36)</b>	<b>34</b>		<b>(58)</b>
SG&A	(54)	(2)	(30)	(26)	1	(108)
Other Income	-	-	14	-	-	14
<b>Op. Profit (Loss)</b>	<b>(120)</b>	<b>11</b>	<b>(52)</b>	<b>8</b>	<b>1</b>	<b>(152)</b>
Finance Expenses						(61)
Equity						(3)
<b>Pre-tax Loss</b>						<b>(216)</b>
Tax Income						107
<b>Net Loss</b>						<b>(109)</b>
<b>EBITDA</b>	<b>(79)</b>	<b>11</b>	<b>(25)</b>	<b>15</b>	<b>1</b>	<b>(76)</b>

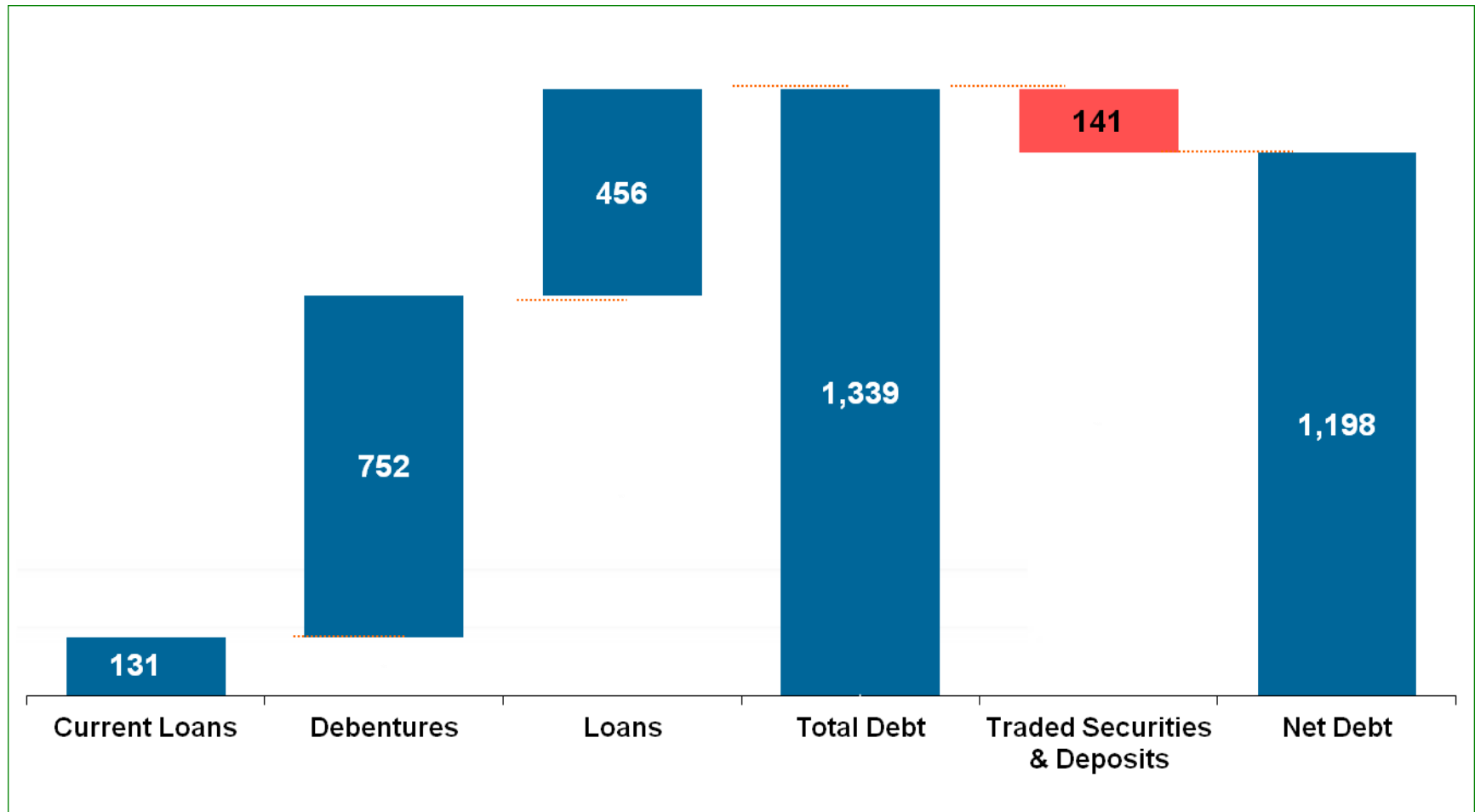
# Consolidated P&L by Segments -

As Reported - Fourth Quarter 2008 - (m. US\$)

	Refining	Trade	Petrochemical Segment		Cancellation of inter-company	Consolidated
	Segment	Segment	Polymers	Aromatics	Transactions	
<b>Revenues</b>	<b>1,223</b>	<b>14</b>	<b>92</b>	<b>70</b>		<b>1,399</b>
COGS	<u>1,459</u>	<u>10</u>	<u>149</u>	<u>81</u>		<u>1,700</u>
<b>Gross Profit</b>	<b>(236)</b>	<b>4</b>	<b>(57)</b>	<b>(11)</b>		<b>(299)</b>
SG&A	3	1	9	5		17
Other Income	-	-	1	-		1
<b>Op. Profit (Loss)</b>	<b>(239)</b>	<b>3</b>	<b>(67)</b>	<b>(16)</b>	<b>2</b>	<b>(317)</b>
Finance Expenses						29
Equity						(4)
<b>Pre-tax Loss</b>						<b>(292)</b>
Tax Income						110
<b>Net Loss</b>						<b>(182)</b>
<b>EBITDA</b>	<b>(230)</b>	<b>3</b>	<b>(60)</b>	<b>(14)</b>	<b>2</b>	<b>(299)</b>

# Consolidated Net Debt Bridge

31 Dec., 2008 (m. US\$)



Note: Loans & debentures include current maturities

# Oil Refineries

## *Hydro-Cracker Investment - Update*

Refining Margins Expected to Improve

Planning Stage Completed

Organizing Financing

- Discussions with Government Backed Export Credit Agencies (ECAs)
- Discussions with Israel Banking Sector
- Discussions with the local capital market

Activation planned during 2011

# Oil Refineries

## *Strategic Plan - Projects to become Operational in 2009*

### **Crude Unit 4 Upgrade – *July 2009***

- Ability to refine higher range of crudes and increasing utilization

### **Converting HVGO into Mild Hydrocracker**

- Phase one to be completed in Q209; Phase two mid-2010
- Increased flexibility – will drive higher refining margins

### **Increasing Phthalic Anhydride – *Q4 2009***

- Increased manufacturing capacity of high-margin product

### **Increasing Paraxylene and Benzene Manufacturing - *Q4 2009***

- Increased manufacturing capacity of high-margin product

# Oil Refineries - *Sound Foundation to Weather the Storm and Implement Strategic Plan*

## Market Leading Refinery

- One of largest and most complex refineries in E. Mediterranean
- Fully Euro V Compliant

## Unique Integration with Petrochemicals

- Fully integrated with Gadiv (100%) and Carmel Olefins (50%)
- Merger discussions with CAOL highlighted additional synergies

## Understanding of Cyclical Markets

- Steadily beating regional benchmarks
- Management and technological team with long standing experience

## Strong and Sound Balance Sheet

## Now Projects Operational in 09

- Crude Unit 4 Upgrade & Mild-Hydrocracker will contribute to increased refining flexibility driving higher margins
- Increasing production of higher margin products

# Thank You



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