

Oil Refineries Ltd.

Second Quarter 2008 Results



November 2007

August 2008

ORL

Oil Refineries Ltd.

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Oil Refineries Ltd.

One of Israel's Largest Energy Groups

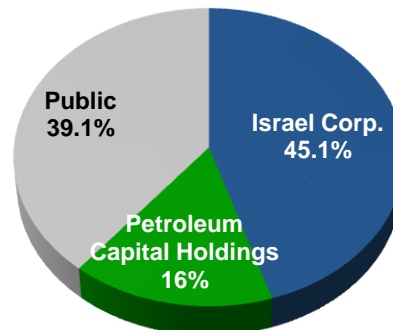
Israel's Largest Integrated Refining and Petrochemical Group

- Listed on TASE (ORL); Mkt. Cap.: NIS 4.8 bn (\$1.4 bn) [Aug 13, 08]
- Major Shareholders: Israel Corp. (TASE: ILCO, 45.1%)

Launched 5-Year, \$1.1 bn, Strategic Plan

- Substantially improve refining and petrochemical manufacturing capacity (\$850m)
- Improve environmental responsibility, credibility, safety and product quality (\$270m)

Shareholder Structure



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Vision

To be a leading, regional and international, energy and petrochemical company

To be an efficient, profitable and growing company, generating shareholders return

To be prepared to implement aggressive investment and growth plans

To be an environmentally responsible company, through investment, community activities and training

Oil Refineries

Segments

Refining

- One of largest (180,000 bbl/d) and most complex refineries (7.4 NCI) in East Med.
- 1H 08 EBITDA \$107m, 72% of consolidated
- Access to crude supply and attractive markets
- Export ~25%-30% of revenues

Petrochemicals

- Integrated petrochemical business increases consolidated margins and reduces volatility
- 1H 08 EBITDA \$42m, 28% of consolidated
- **Gadiv Petrochemical (100%)**
 - Produces aromatics and aliphatic solvents
- **Carmel Olefins (50%)**
 - Two main products: Polyethylene and Polypropylene

Trade

- Purchase of raw materials and marketing products for refining and petrochemicals segments
- International trade of fuel and petrochemical products
- Maritime & continental logistics activity for transport of fuel and petrochemical products

In addition, Oil Refineries invests in other businesses providing products and services to oil industry

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Implementing Strategic Plan

Refining Segment

- Completed organization and manning of segment
- Main Projects:
 - **Increasing flexibility of crude unit 4** – underway
 - **Converting HVGO 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** (~\$70m) - approved & underway
 - **Constructing an electricity co-generation plant** – configuration review stage completed, will be brought before BOD for approval soon

Trade Segment

- Established modern and advanced trade center; initiated implementation of an information system to manage trade in fuel products
- Segment launched trade activities in Q1 2008

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Implementing Strategic Plan

Petrochemicals Segment

- Increasing Paraxylene and Benzene manufacturing - project approved and underway
- Increasing Phthalic Anhydride manufacturing - underway
- M&A's in the manufacturing and logistic areas
 - Purchased a share of Domo, a Netherland-based Polypropylene manufacturer.
 - In advanced stages of reviewing additional European regions, the Mediterranean basin and the Far East

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Rational Behind Acquisition of Carmel Olefins



Enables leveraging potential synergies between the refining, polymer and aromatic segments

Strengthens core businesses as platform for continued growth

Reduces long term business risk by having balanced 'basket' of margins

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Benefits of Carmel Olefins' Acquisition

Enhance optimization when utilizing various feedstocks

Increase efficient utilization of intermediate products driving higher added value

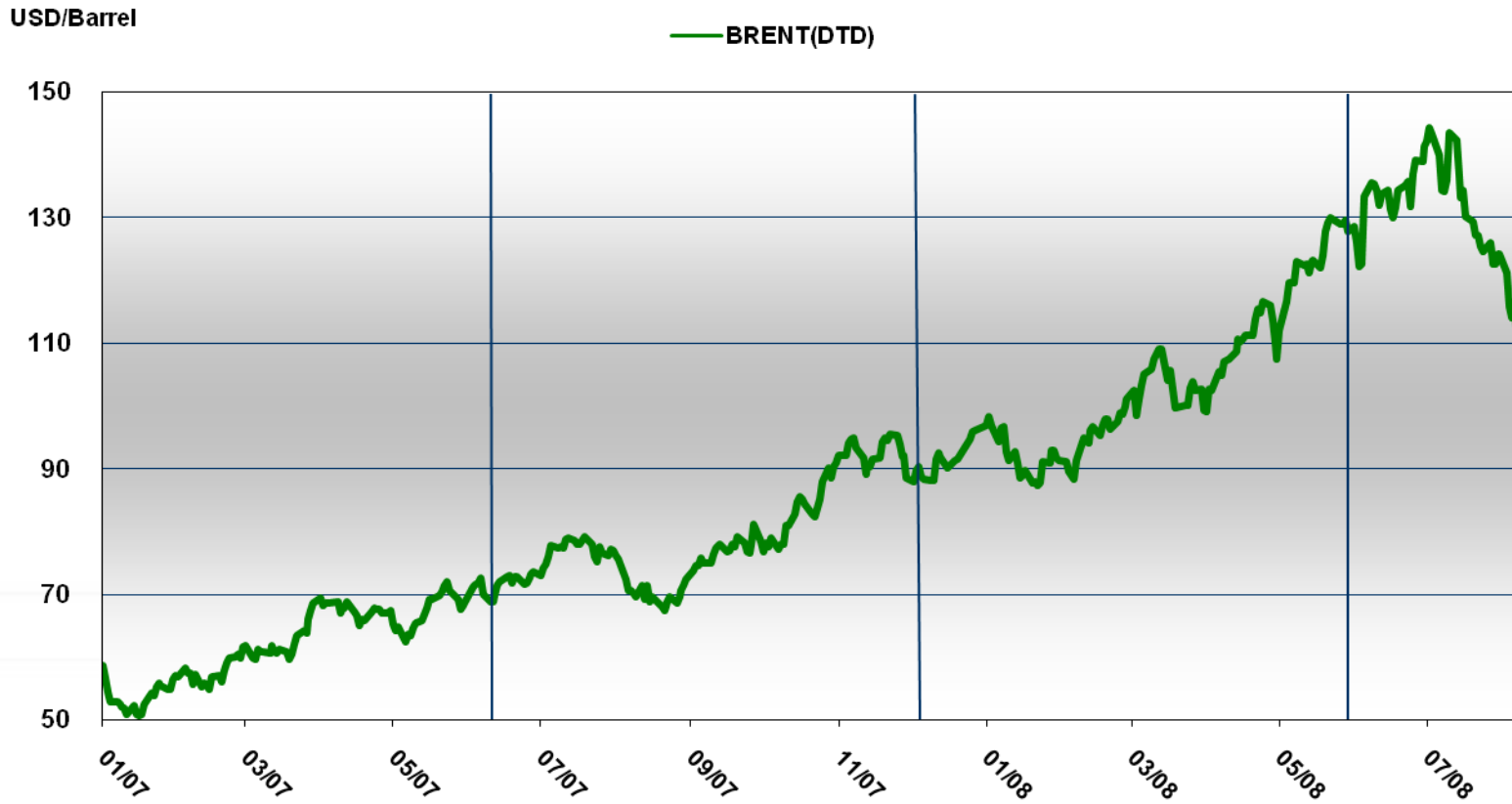
Enable mutual brainstorming to identify technical and operational opportunities

Combine corporate HQs to achieve operating efficiency

Achieve optimal investment planning in order to realize maximum added value in the areas of crude oil, fuel products, aromatics and polymers

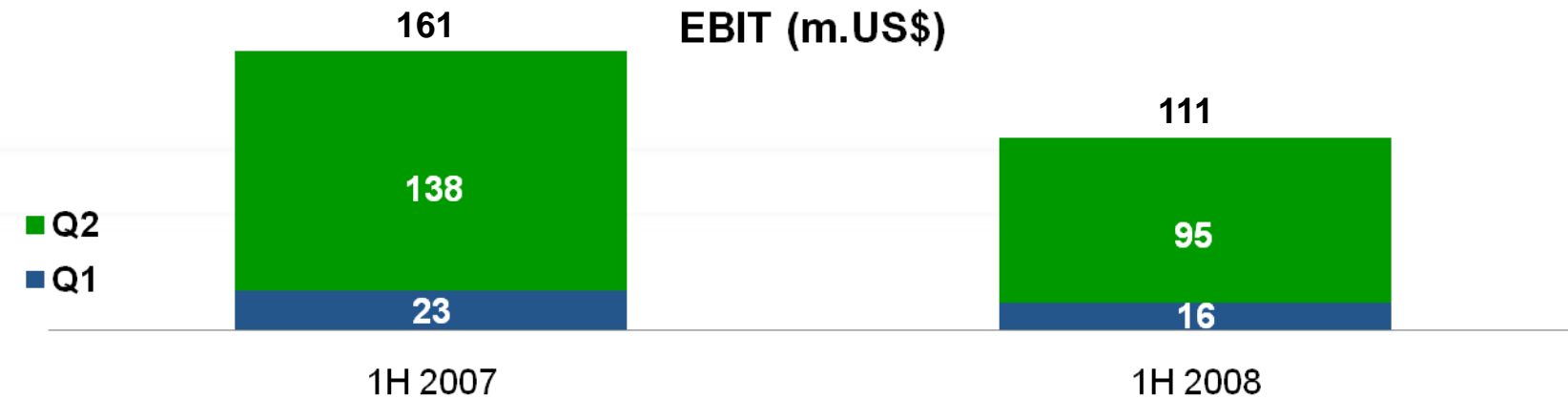
Brent Crude Oil Prices

Jan 2007 - August 2008



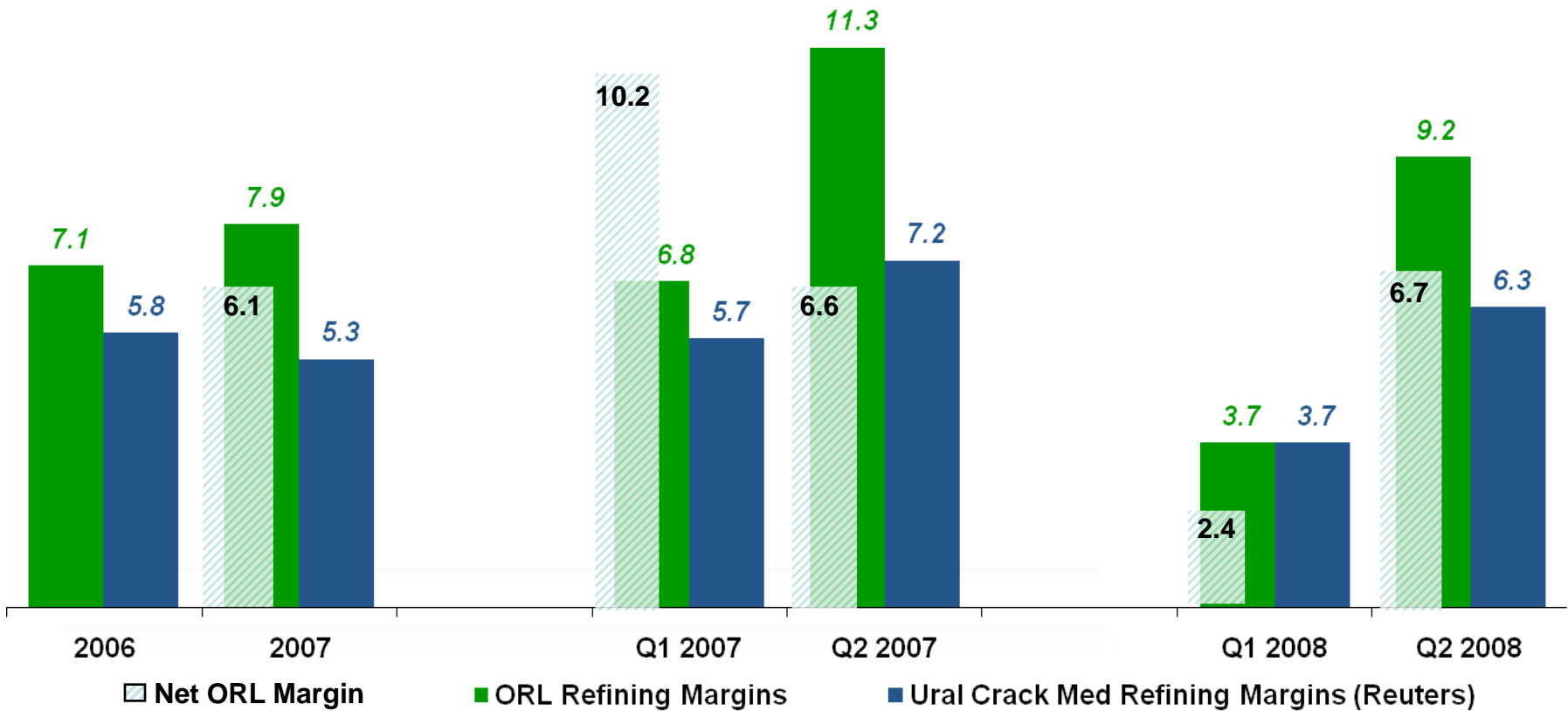
Oil Refineries

Consolidated Results



Refining Margins

USD/bbl



Note: 'Net' margin is ORL's refining margin calculated for comparison purposes and excludes impact of IFRS and inventory gains

Consolidated P&L by Segments

Second Quarter 2008 - (m. US\$)

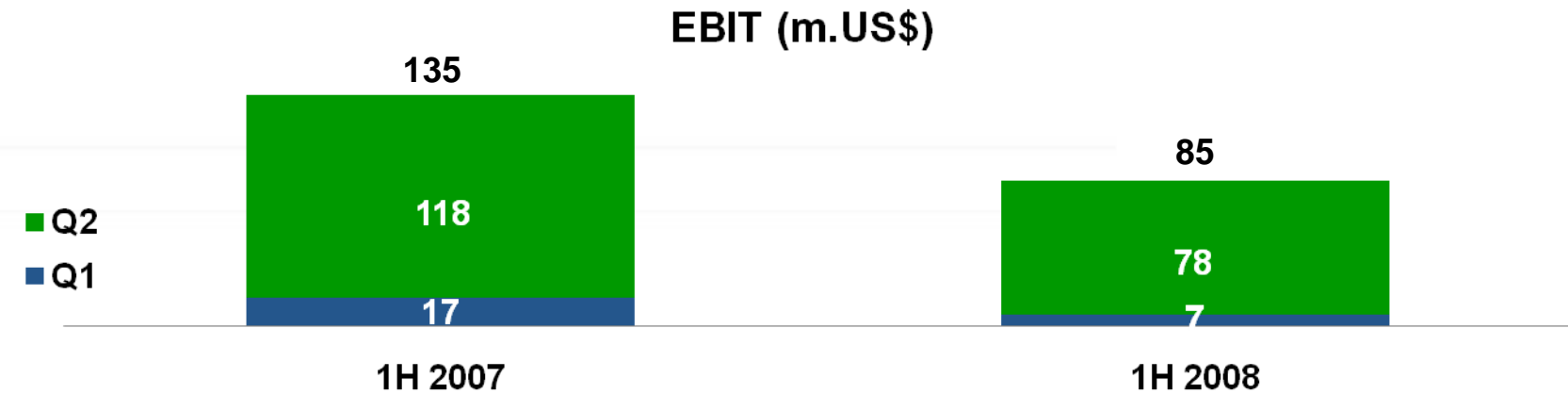
| | Refining Segment | Trade Segment | Petrochemical Segment Polymers | Petrochemical Segment Aromatics | Cancellation of inter-company Transactions | Consolidated |
|-------------------------|------------------|---------------|-----------------------------------|------------------------------------|--|--------------|
| Revenues | 2,153 | 232 | 134 | 161 | (209) | 2,471 |
| COGS | <u>2,056</u> | <u>230</u> | <u>131</u> | <u>142</u> | <u>(206)</u> | <u>2,353</u> |
| Gross Profit | 97 | 2 | 3 | 19 | (3) | 118 |
| SG&A | (21) | - | 5 | (9) | 2 | (23) |
| Operating Profit | 76 | 2 | 8 | 10 | (1) | 95 |
| Finance Expenses | | | | | | (21) |
| Pre-tax Income | | | | | | 74 |
| Tax | | | | | | (12) |
| Equity | | | | | | 9 |
| Net Income | | | | | | 71 |
| EBITDA | 87 | 2 | 15 | 12 | - | 114 |

Consolidated P&L by Segments

First Six Months 2008 - (m. US\$)

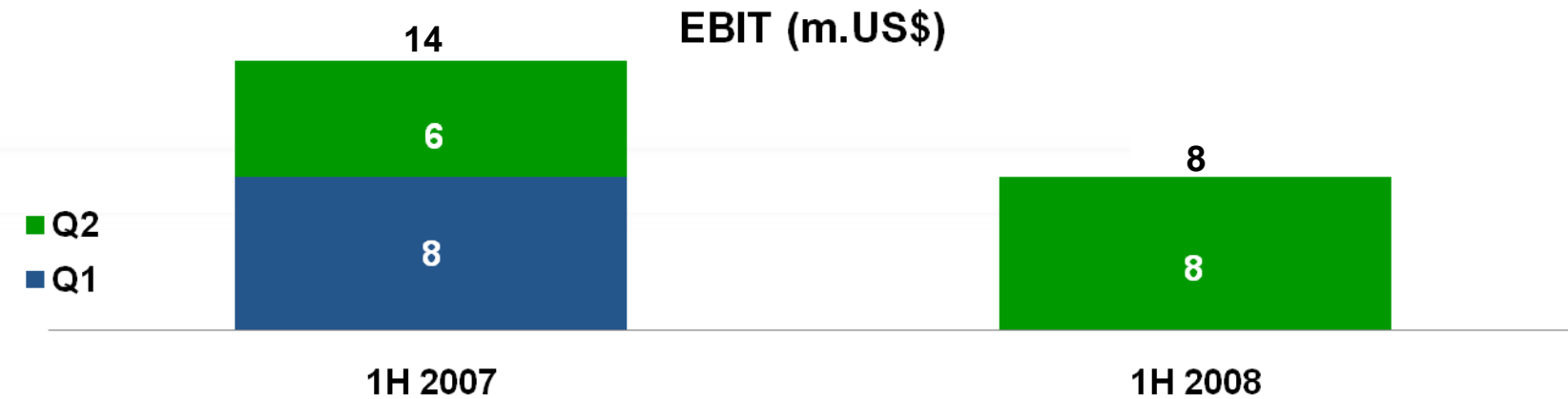
| | Refining Segment | Trade Segment | Petrochemical Polymers | Segment Aromatics | Cancellation of inter- company Transactions | Consolidated |
|-------------------------|---------------------|------------------|---------------------------|----------------------|--|--------------|
| Revenues | 3,901 | 311 | 241 | 310 | (407) | 4,356 |
| COGS | <u>3,785</u> | <u>307</u> | <u>233</u> | <u>275</u> | <u>(403)</u> | <u>4,197</u> |
| Gross Profit | 116 | 4 | 8 | 35 | (4) | 159 |
| SG&A | (35) | - | - | (15) | 2 | (48) |
| Operating Profit | 81 | 4 | 8 | 20 | (2) | 111 |
| Finance Expenses | | | | | | (38) |
| Pre-tax Income | | | | | | 73 |
| Tax | | | | | | (4) |
| Equity | | | | | | 4 |
| Net Income | | | | | | 73 |
| EBITDA | 103 | 4 | 21 | 22 | - | 149 |

Refining and Trade Segment



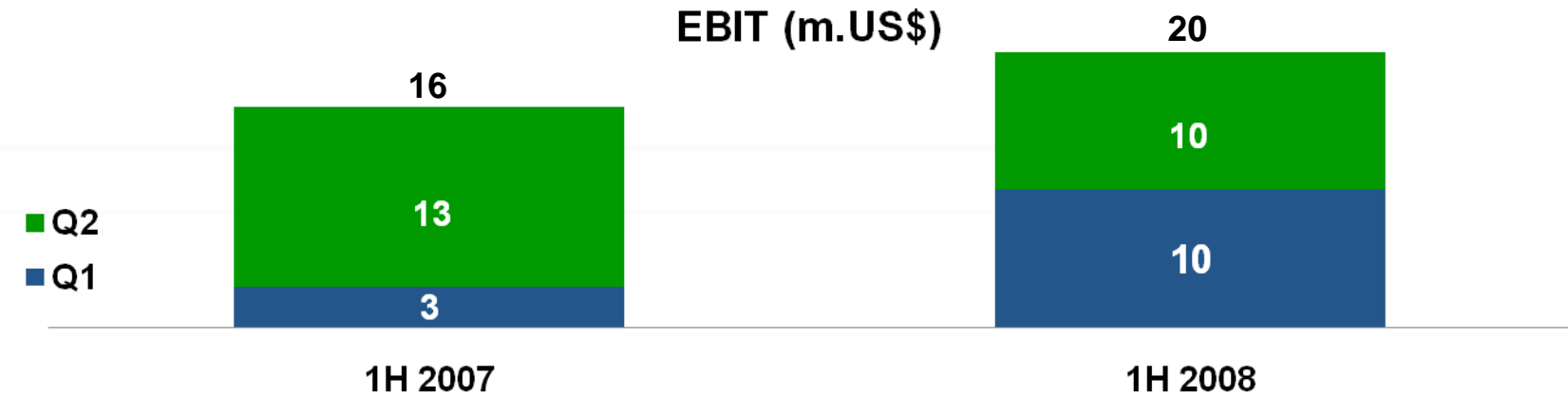
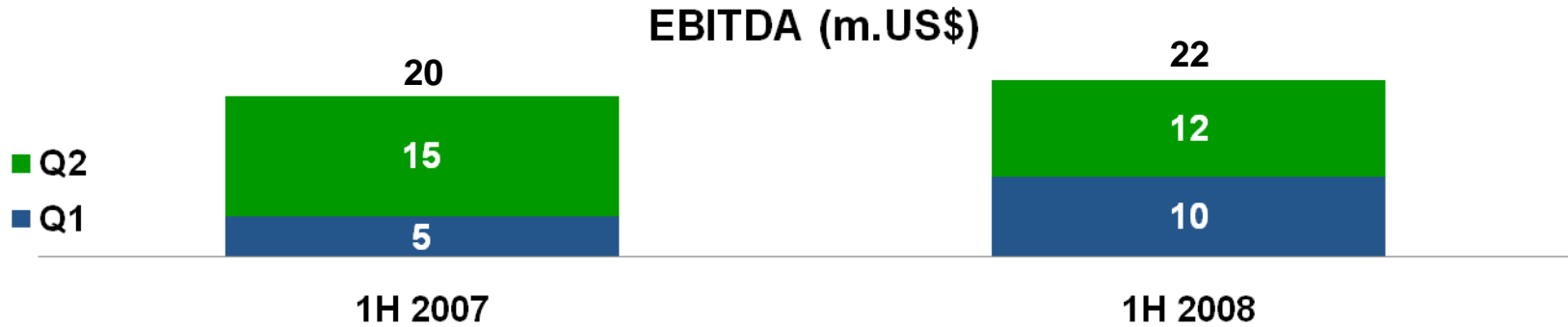
Polymers Segment

Carmel Olefins - Results of 50% of Activity



Aromatics Segment

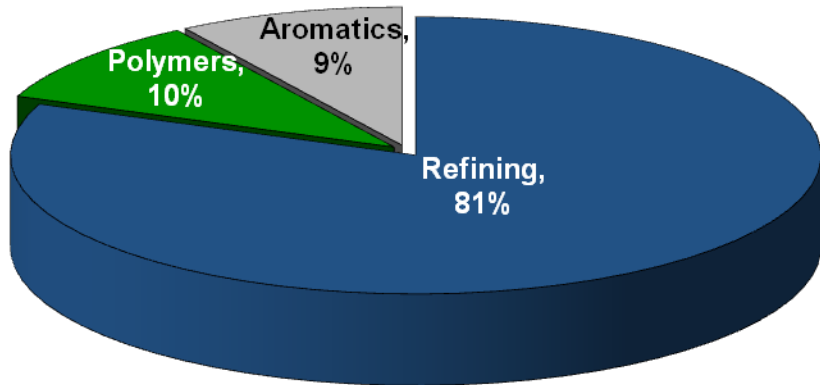
Gadiv Petrochemicals - 100% Held by ORL



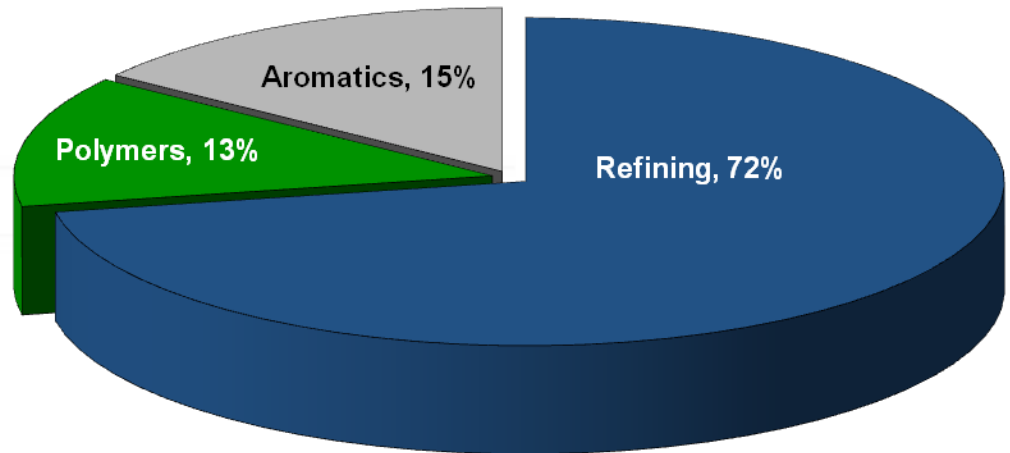
EBITDA Breakdown

million US\$

1H 2007 – EBITDA
(consolidated total - \$223 million)



1H 2008 – EBITDA
(consolidated total - \$149 million)



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On the Move



Thank You

Consolidated Balance Sheet

Highlights (m. US\$)

| | June 30, 2008 | June 30, 2007 | | June 30, 2008 | June 30, 2007 |
|---------------------------|------------------|------------------|--|------------------|------------------|
| CASH AND CASH EQUIVALENTS | 9 | 19 | FINANCIAL CURRENT LIABILITIES | 572 | 284 |
| MARKETABLE SECURITIES | 224 | 102 | OTHER CURRENT LIABILITIES | 888 | 551 |
| OTHER CURRENT ASSETS | 766 | 536 | | 1,460 | 835 |
| INVENTORY | 1,346 | 821 | | | |
| | 2,345 | 1,478 | LONG TERM FINANCIAL LIABILITIES | 1,236 | 728 |
| | | | OTHER LONG TERM LIABILITIES | 209 | 219 |
| LONG TERM INVESTMENTS | 275 | 143 | | 1,445 | 947 |
| FIXED ASSETS, NET | 1,053 | 975 | | | |
| OTHER ASSETS | 26 | 13 | SHAREHOLDERS' EQUITY | 793 | 828 |
| TOTAL ASSETS | 3,698 | 2,610 | TOTAL LIABILITIES & SHAREHOLDERS EQUITY | 3,698 | 2,610 |

Calculating Refining Margin

(US\$)

| | 1H 08 | 1H 07 | Q2 08 | Q2 07 | Q1 08 | Q1 07 | 2007 |
|--|---------------|--------------|---------------|---------------|---------------|-------------|---------------|
| <u>Margin per ton</u> | 47.1 | 66.5 | 66.8 | 82.4 | 27.1 | 49.5 | 57.7 |
| IFRS derivatives' impact | <u>11.6</u> | <u>3.9</u> | <u>17.6</u> | <u>(9.4)</u> | <u>5.9</u> | <u>18.0</u> | <u>2.6</u> |
| | 58.7 | 70.4 | 84.4 | 73.0 | 33.0 | 67.5 | 60.3 |
| Inventory gains impact | <u>(25.5)</u> | <u>(9.4)</u> | <u>(35.5)</u> | <u>(25.0)</u> | <u>(15.3)</u> | <u>7.3</u> | <u>(16.1)</u> |
| Net Margin per ton | 33.2 | 61.0 | 48.9 | 48.0 | 17.7 | 74.8 | 44.2 |
| Net Margin per ton | 4.6 | 8.4 | 6.7 | 6.6 | 2.4 | 10.2 | 6.1 |
| Average Ural Crack Med Refining Margin for the Period | 5.0 | 6.4 | 6.3 | 7.2 | 3.7 | 5.7 | 5.3 |

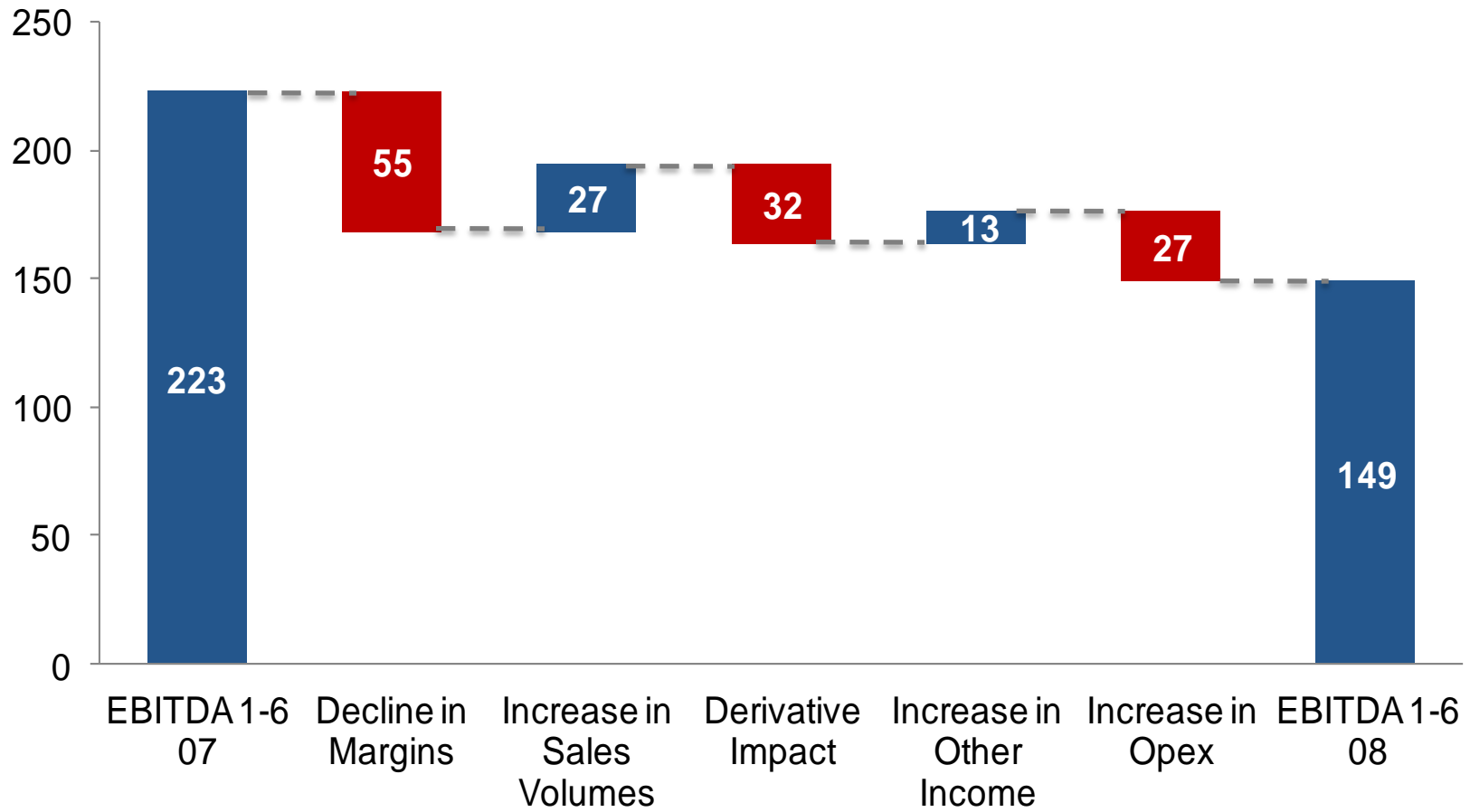
Production and Refining Capacity

| Production and Refining Capacity | | | | | | | |
|----------------------------------|--------|--------|--------|--------|--------|--------|-------|
| '000 metric ton | 1-6 08 | 1-6 07 | 4-6 08 | 4-6 07 | 1-3 08 | 1-3 07 | 2007 |
| Refinery | 4,052 | 3,821 | 2,024 | 1,940 | 2,028 | 1,881 | 7,759 |
| Gadiv Petrochemical Industries | 239 | 226 | 110 | 110 | 129 | 116 | 474 |
| Carmel Olefins | 176 | 141 | 80 | 71 | 96 | 70 | 323 |

| Production Capacity Breakdown (Refining) by Main Refined Product Groups | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| '000 ton | 1-6 08 | 1-6 07 | 4-6 08 | 4-6 07 | 1-3 08 | 1-3 07 | 2007 |
| Gasoil | 1,149 | 979 | 565 | 507 | 584 | 472 | 1,996 |
| Gasoline | 832 | 836 | 409 | 407 | 423 | 429 | 1,627 |
| Kerosene | 380 | 368 | 211 | 173 | 169 | 195 | 751 |
| Fuel Oil | 669 | 672 | 331 | 328 | 338 | 344 | 1,392 |
| Vacuum Gasoil | 351 | 334 | 177 | 180 | 174 | 154 | 706 |
| Other | 314 | 295 | 156 | 180 | 158 | 115 | 642 |
| Total | 3,695 | 3,484 | 1,849 | 1,775 | 1,846 | 1,709 | 7,114 |

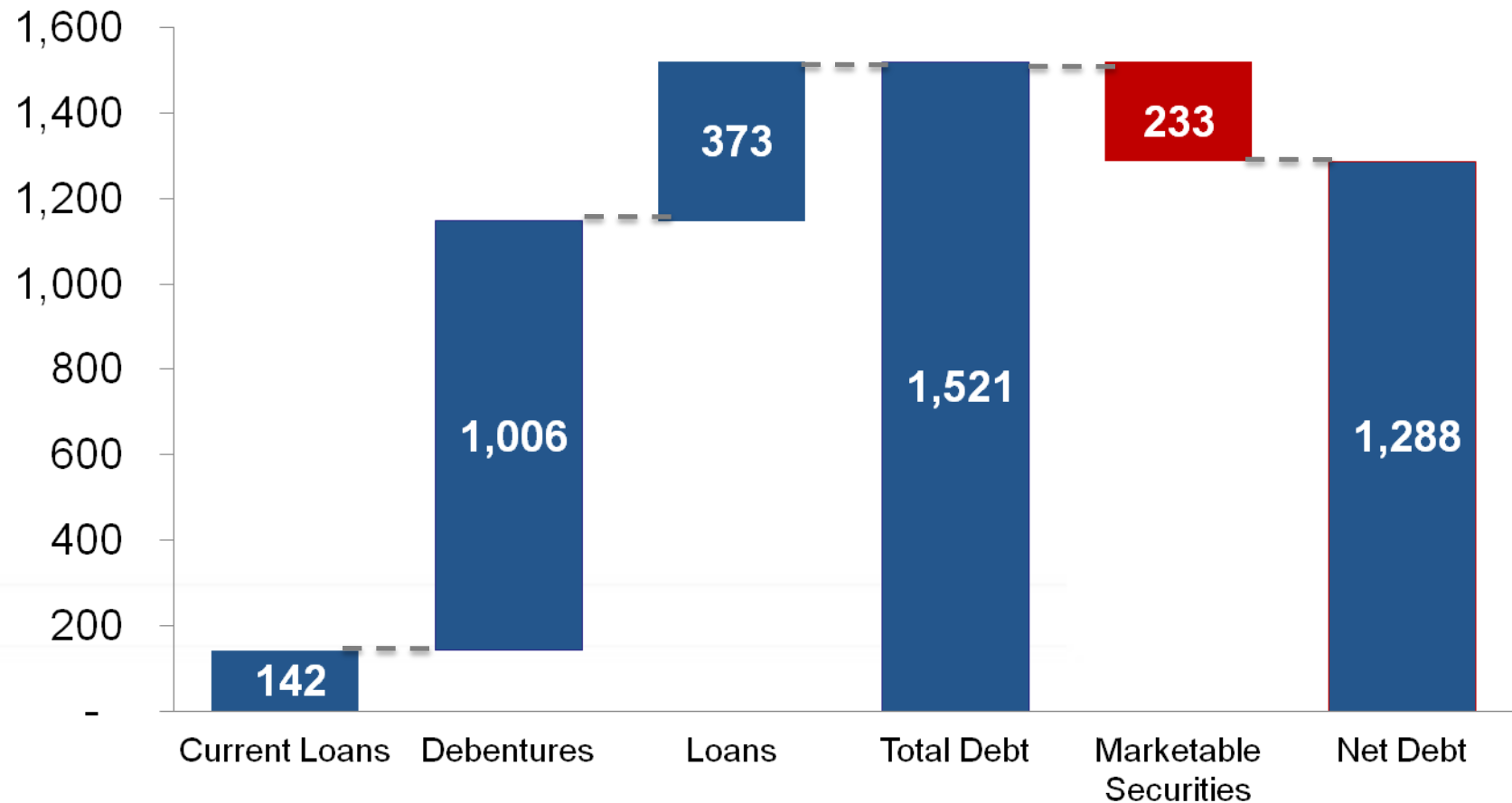
Consolidated EBITDA Bridge

(m. US\$)



Consolidated Net Debt Bridge

30 June, 2008 (m. US\$)



Note: Loans & debentures include current maturities