

# **The Israeli Refining & Petrochemicals Market Bazan Group**

IENE CONFERENCE



**Oil Refining, Storage and Retail in  
SE Europe International Conference**

**Avner Maimon | CEO BAZAN Group**

March 2017

# Background

- ❖ Leading Eastern Mediterranean Refinery - Nelson Complexity index of 9.0 (above European average)
- ❖ Integrated Refinery and Petrochemical business.
- ❖ Israel's Largest Refining & Petrochemical Group – 62% market share in Israel
- ❖ Listed on TASE (ORL): Market Cap: Nis 4.9/ \$ 1.3 bn

# Variety of products & activities in one location

## BAZAN



**Fuels Business Unit** - One of the biggest refineries in the region (max. 200,000 bpd) with complexity index going to 9.0. Exports typically between 30% - 40% of its production. Domestic market share is around 62%

## Carmel Olefins



**Polyolefins Business Unit** - Manufactures various grades of Polypropylene (max. 450,000 tpa) and Low Density Polyethylene (max 170,000 tpa). Exports about 60% of its Polyethylene and Polypropylene. Domestic market share of about 50% for Polypropylene and 80% for Polyethylene

## GADIV



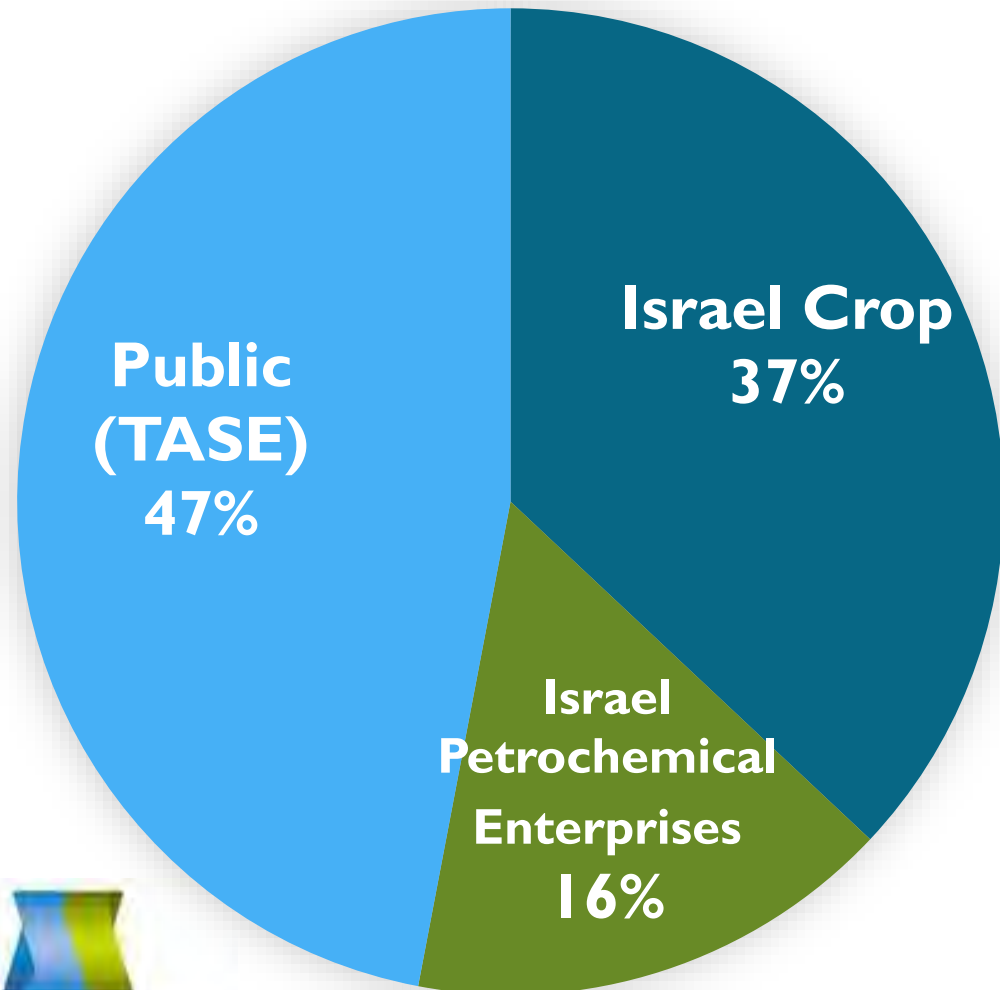
**Aromatics** - Producer of Aromatics and Solvents (max. 545,000 tpa). Exports about 95% of its production, the domestic market being relatively small

## Haifa Basic Oils



**Base Oils / Waxes** - Produces Base oils & Paraffin Wax and exports about 50% of its products.

# Shareholding Structure



## Israel Corp.

Israel's largest holding company and one of the top ten companies listed on the Tel Aviv Stock Exchange (TASE: ILCO) in terms of market capitalization.

## Israel Petrochemical Enterprises Ltd.

(IPE) is a public holding company whose shares are listed on the Tel Aviv Stock Exchange. Engaging primarily in energy & polyolefin areas.

# A strategic producer of the Israeli Economy



**LPG**



**Marine Fuels**



**Jet Fuel**



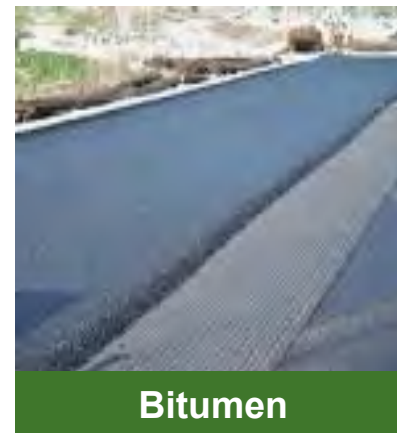
**Gasoline and Diesel**



**Lube Oil and Vaxes**



**Industrial Aromatics and Solvents**

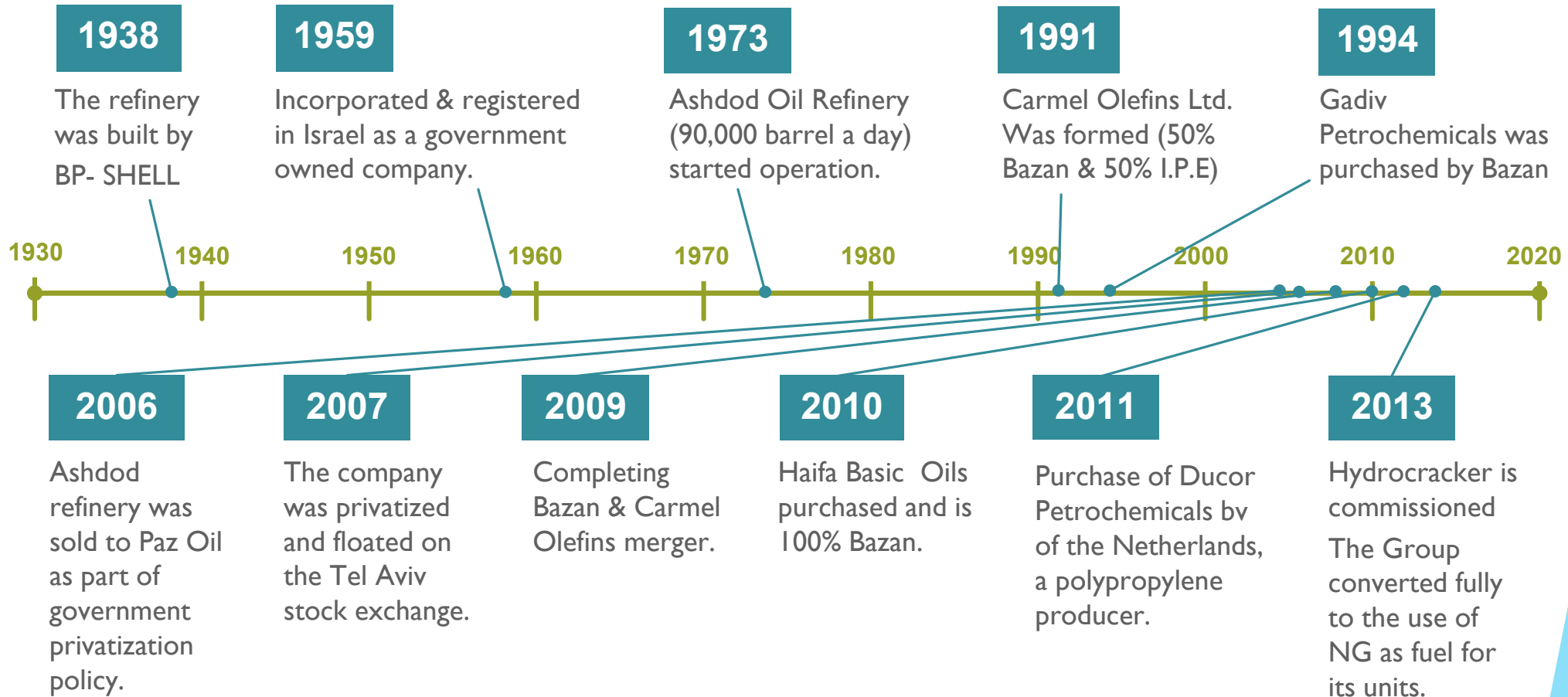


**Bitumen**



**Raw Materials for the plastic Industry**

# History

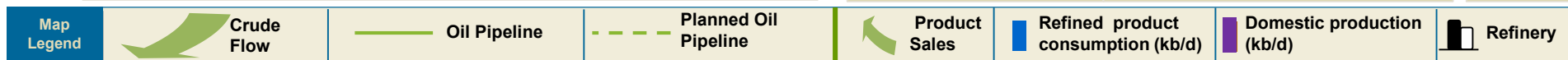
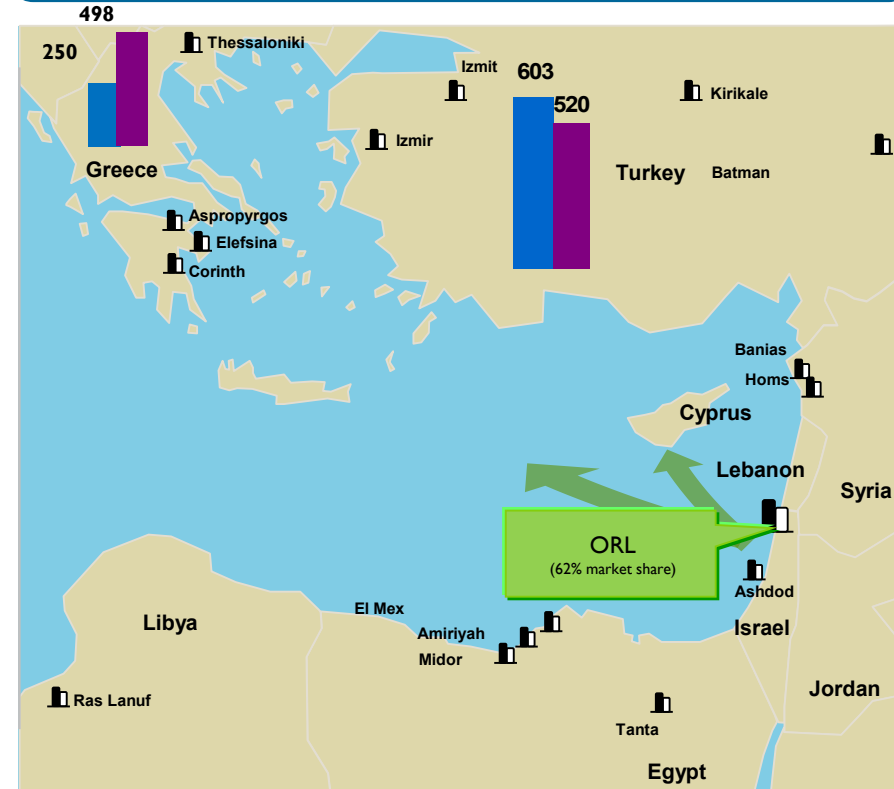


# Strategic Regional Location

*Cost Advantage due to Close Proximity to Russian & Caspian Crudes*



*Growing Markets Short of High Quality Fuels*



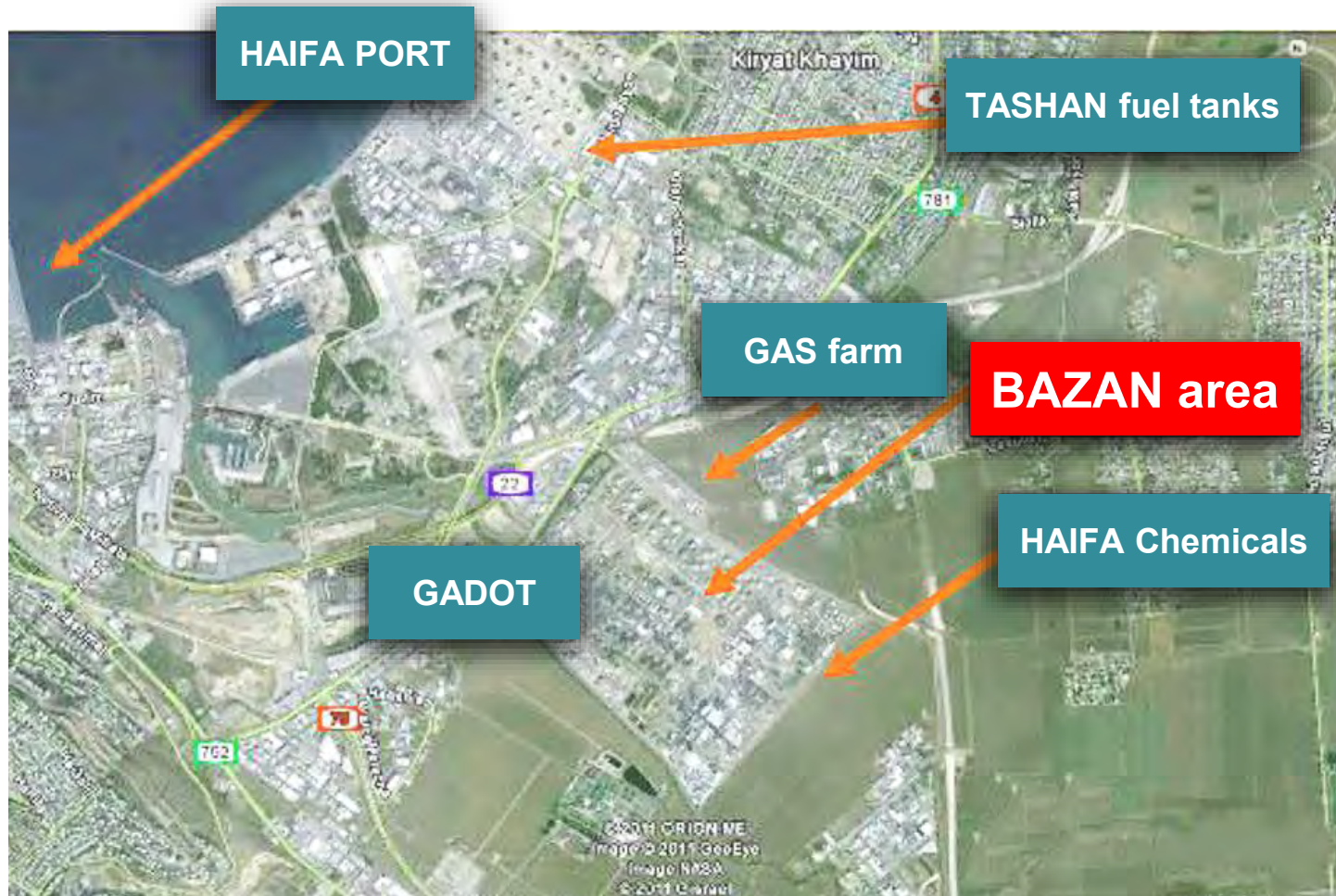


# National Infrastructure





# Bazan is strategically located in an industrial zone close to the main Northern port



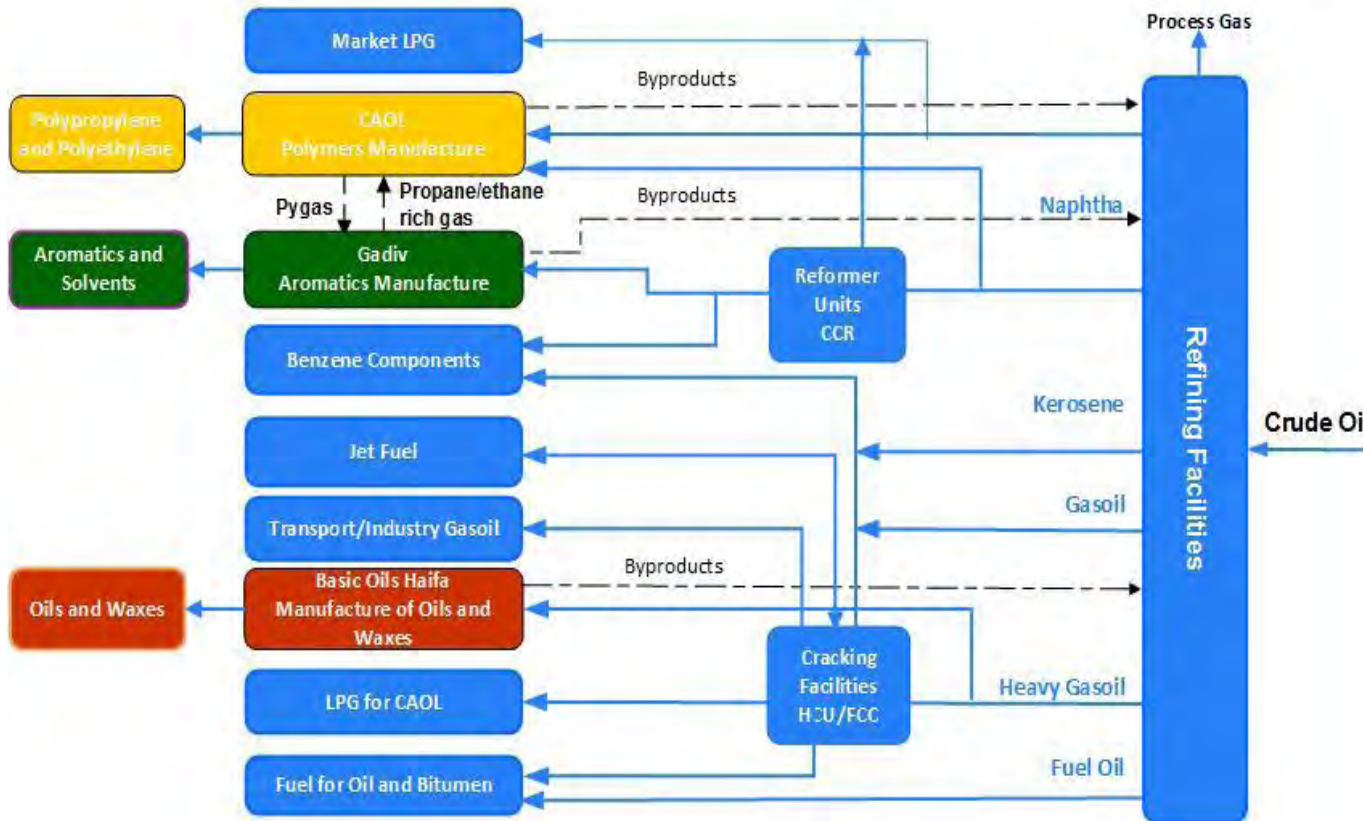


# Our integrated yard



# Integration of Refining & Chemicals

Bazan's full integration of Refining & Chemical businesses allows it to achieve significant synergies  
CAOL (polymers), GADIV (aromatics) and HBO (lube oils and waxes) business fully integrated



## More profit, lower risk

- ❖ Synergy effects
- ❖ Different business cycles

## Margin improvements

- ❖ Optimizing feedstocks
- ❖ Enhancing yield value

## Cost savings

- ❖ Energy and utilities
- ❖ Administration



# Responsibility and Sustainability

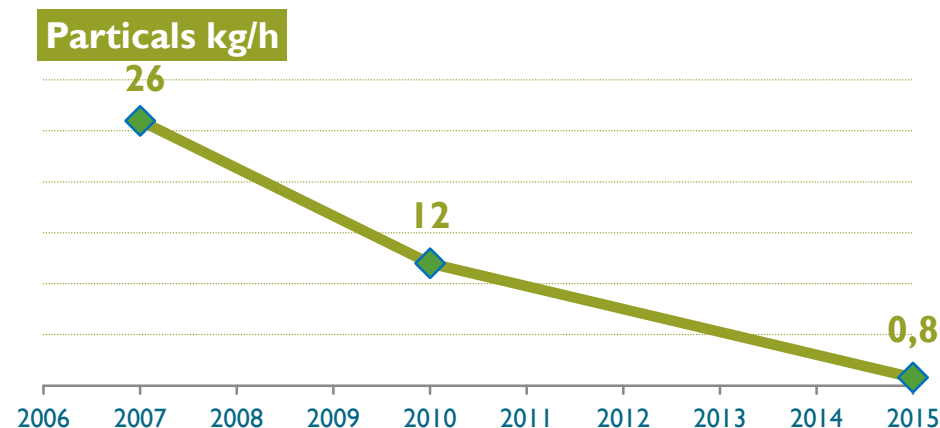
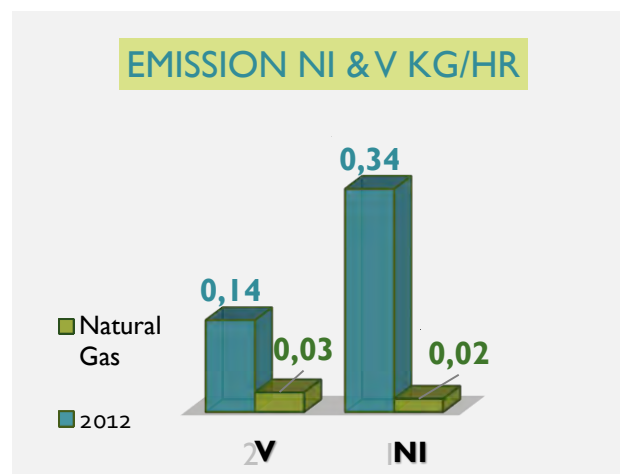
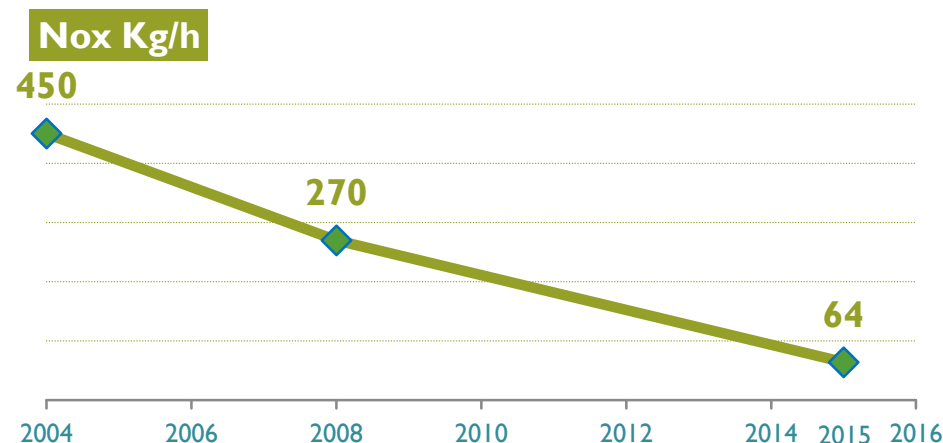
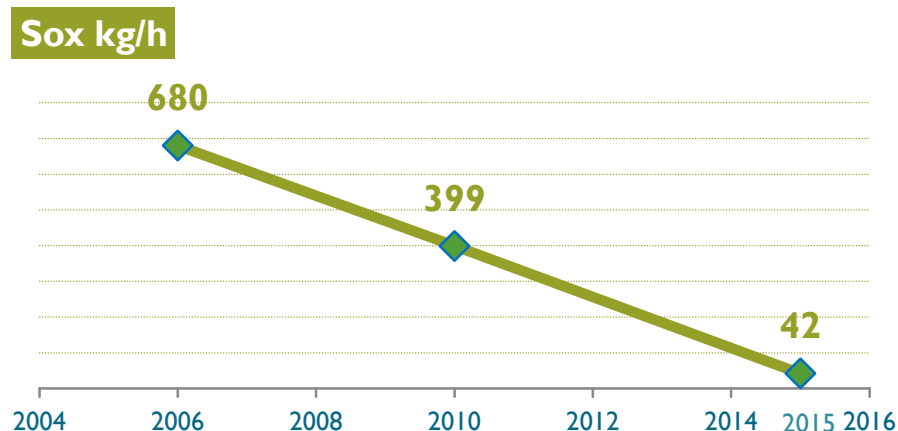
Bazan Group continuously operates with a strong sense of corporate responsibility, aiming at sustainable activity and development in a socially and environmentally responsible manner:



- ▶ Implementation of targeted investments aiming for continuous responsible development and optimization of its productive activities.
- ▶ Continuous implementation of environmental improvements and projects, meeting strict environmental European standards.
- ▶ Involvement in the community, harnessing the company's resources and employees to strengthen the surrounding population and encourage technological education.

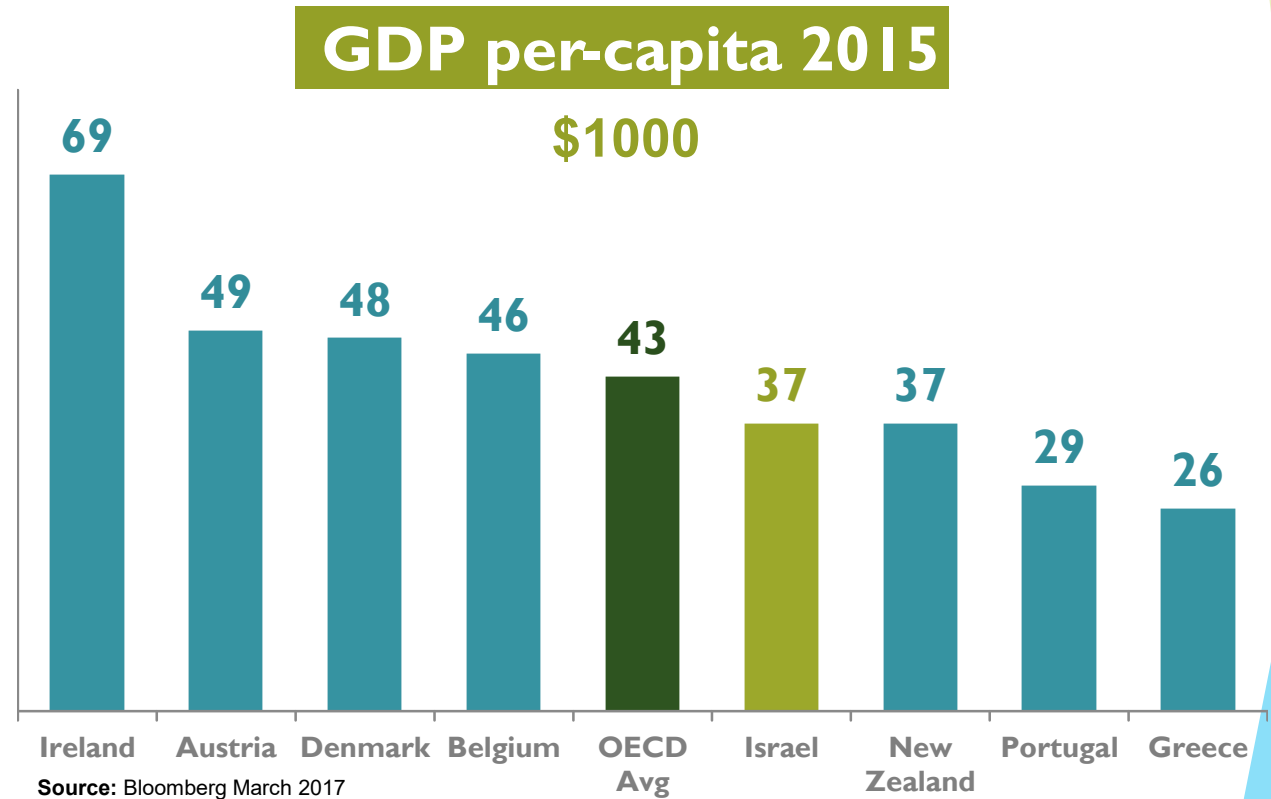
# Significant improvement of the air quality

## Reduction of emissions from Haifa refinery



# Snapshot of Israel's Economy

- ❖ Israel has a modern and dynamic economy, with a GDP per-capita of \$36,500
- ❖ Population growth is ~2% per year and the population is younger than in most advanced countries
- ❖ Israel is a technology orientated and highly open economy, with exports amounting to 30% of GDP



The “peer group” consists of economies with a similar weight in the MSCI Developed World Index - less than 0.5%

# Israel 2016 – annual growth rates

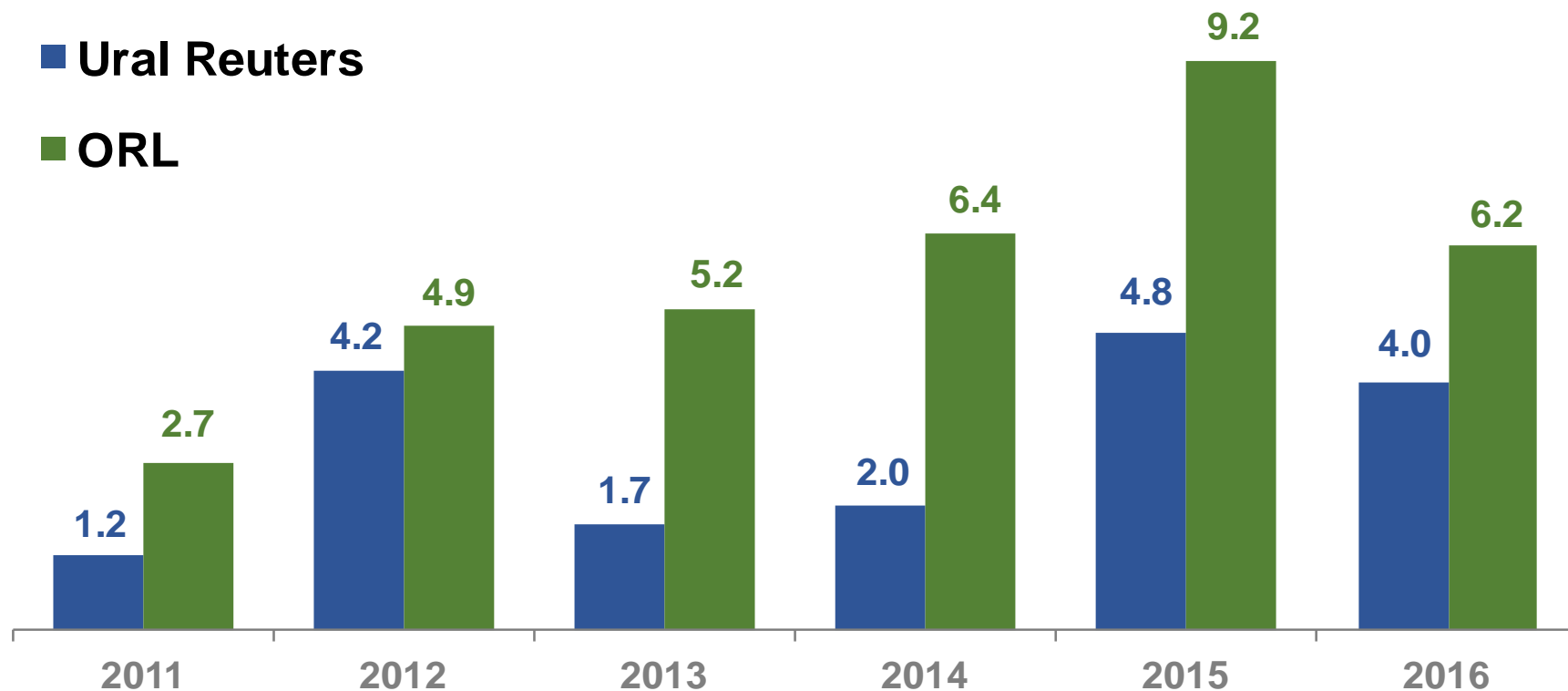
*Israel – A developed economy with some emerging market features*

- ❖ Israel's economy **grew by 4% in 2016** (2.5% in 2015 and 3.2% in 2014) exceeding the growth rate of OECD which averaged 1.7%
- ❖ Economic growth was also indicated by import and export figures:
  - Import of goods and services **in 2016 climbed 9.5%**, following a 0.5% drop in 2015
  - Exports **grew by 3%**, after a 4.3% slump the previous year.



# 2016 Results

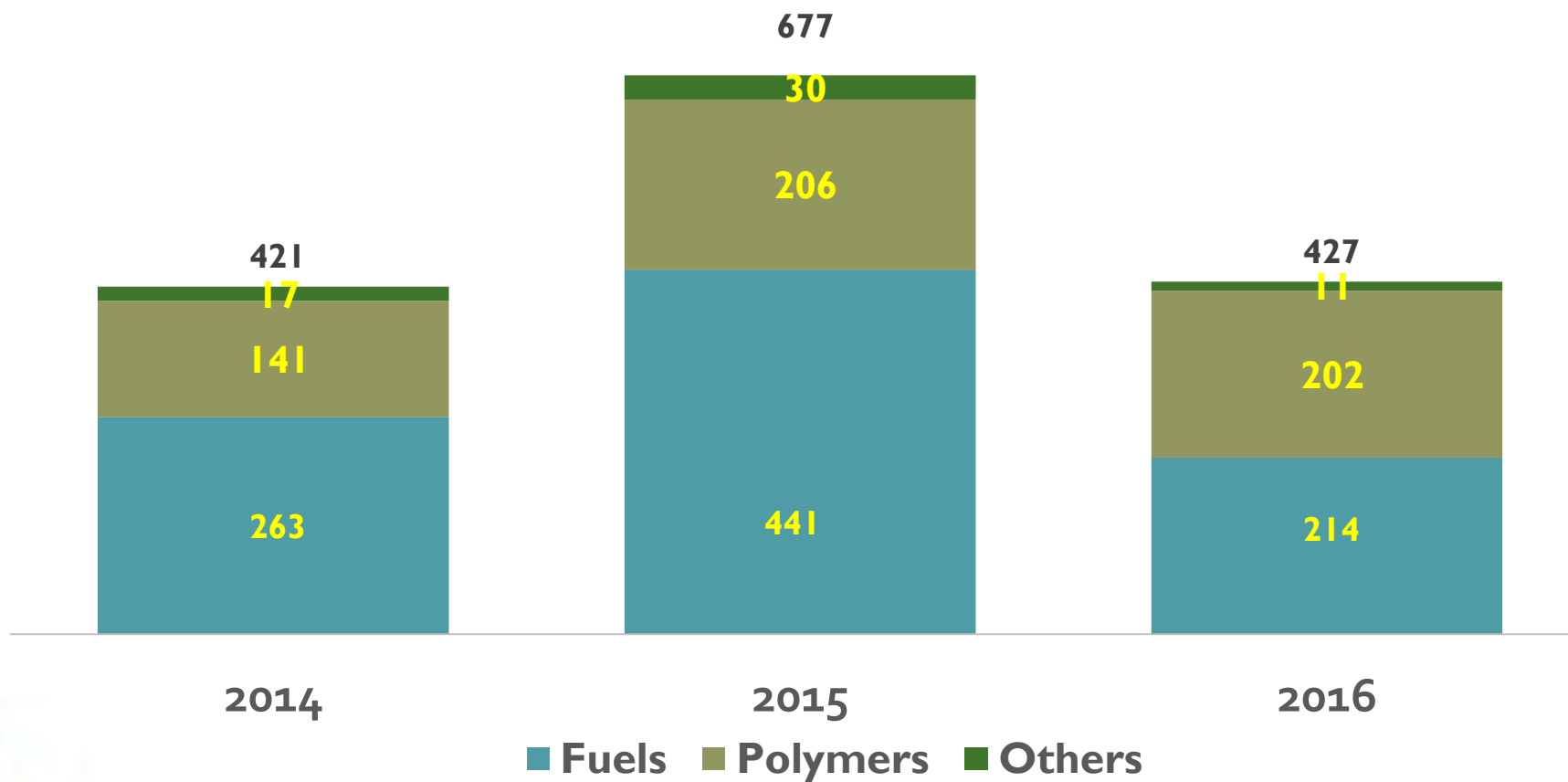
## ORL Refining Margin vs. Regional Benchmark (\$/bbl)



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

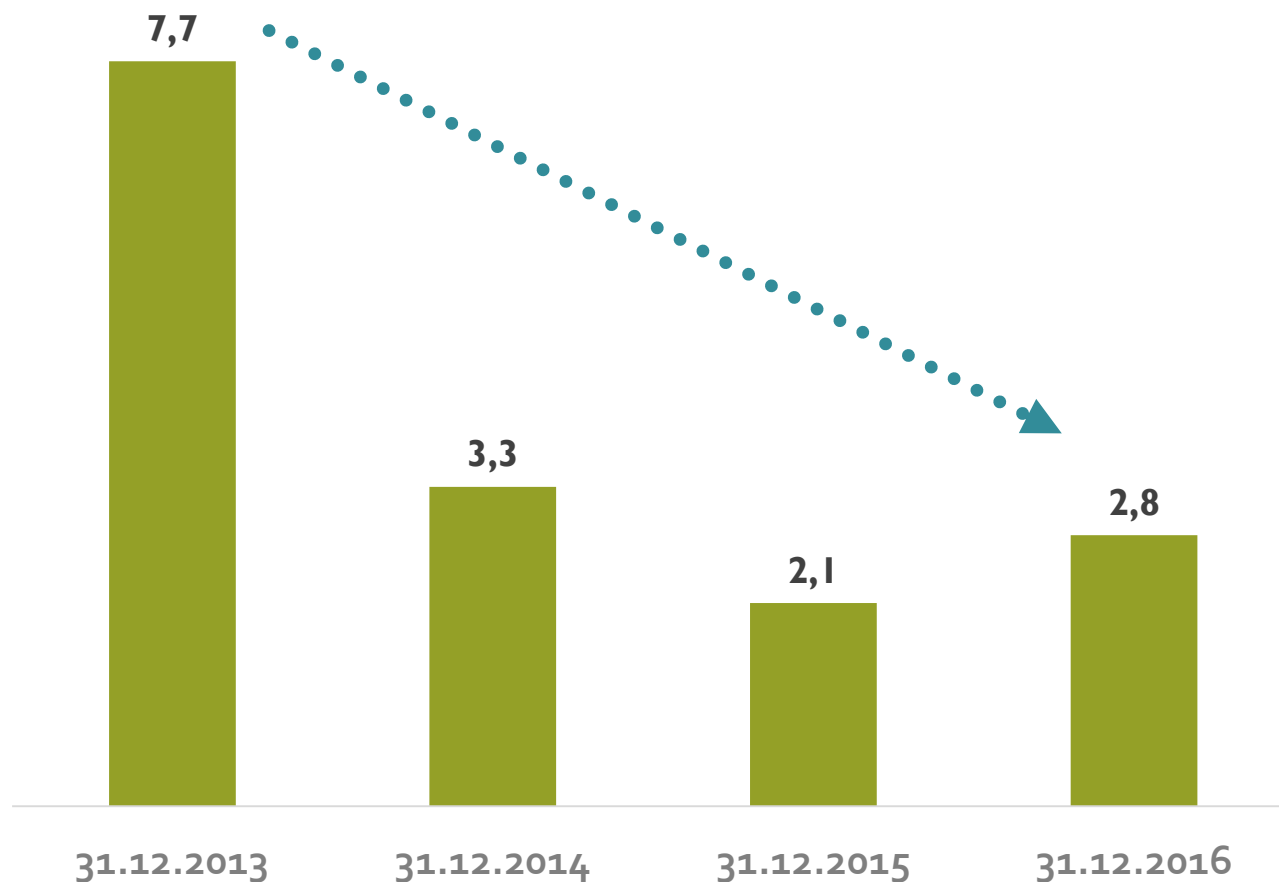
# Operational Profitability Trend

EBITDA, adjusted (USD millions)



# Financial Leverage

Net Debt/EBITDA – Decreased recent years due to improved profitability and financial management



# Strong competitive position

## High Quality Refinery

One of largest and most complex refineries in Eastern Mediterranean.  
Fully Euro 5 compliant Highly professional and experienced Work Force

## Strategic Location

Dominant player in Israeli market  
Strategically located with access to regional crude supply and fast growing Eastern Mediterranean markets

## Full integration with Petrochemicals

Full integration of Fuels, Polymers, Aromatics & Lube Oils  
Single site integration drives synergies resulting in higher aggregate margins and flexibility

## Substantial upgrading completed

Operated on Natural Gas since July 2011- Full supply secured starting April 2013  
Mild-Hydrocracker completed in 2010  
Petrochemicals synergies **of the Group's various plants**  
Full conversion Hydrocracker - 2013



# Thank You!