



SECOND LETTER OF UNDERTAKING ISSUED BY ISRAEL CORP WITH REGARD TO HOLDINGS IN OIL REFINERIES

Haifa, Israel, June 3, 2008 - Oil Refineries Ltd. (TASE: ORL.TA) ("Oil Refineries" or the "Company") announced that following the Press Release that it issued on May 13, 2007 and on July 26, 2007 with regard to the irrevocable Letter of Undertaking that The Israel Corporation Ltd. ("**Israel Corporation**") gave to Scailex Corporation Ltd. and Petroleum Capital Holdings Ltd. ("**Petroleum**"), below is included a convenience translation of the text of an immediate report issued by Israel Corporation in the matter of a second Letter of Undertaking to Petroleum and Israel Petrochemical Enterprises Ltd. ("**Petrochemicals**").

[The Israel Corporation Letterhead]

Re: **Letter of Undertaking on the subject of the holdings in the Oil Refineries**

Further to the previous immediate report on the subject of the Oil Refineries Ltd. ("ORL"), including the immediate report of May 10, 2007 (Document No. 2007-01-386384) ("**the previous report**"), regarding the irrevocable Letter of Undertaking that the Company gave to Scailex Corporation Ltd. ("**Scailex**") and Petroleum Capital Holdings Ltd. ("**Petroleum**") ("**the First Letter of Undertaking**"), to which was attached the wording of the joint control agreement in ORL which should have come into force under certain conditions ("**the First Control Agreement**") the Company hereby announces the following:

1. On June 1, 2008, the Company gave Israel Petrochemical Enterprises Ltd. ("**Petrochemicals**") and Petroleum an irrevocable Letter of Undertaking ("**the second Letter of Undertaking**"), to which was attached wording of a joint control agreement in ORL which is likely to come into force under certain conditions that will be detailed below ("**the second Control Agreement**"), and Petrochemicals approved with its signature the directives of the second Letter of Undertaking.
2. The second Letter of Undertaking is intended to enable the existence of certain conditions required in order to consummate the purchase transaction of all (100%) of the issued share capital of Petroleum by Petrochemicals from Scailex ("**the Petroleum Agreement**"), and to consummate the sales transactions of all Petrochemicals' holdings in Scailex (comprising 50.06% of the issued capital of Scailex) to Suny Electronics Ltd. ("**the Suny Agreement**"), and in addition to arrange the relationships between the Company, Petrochemicals and Petroleum after the date of the execution (if at all) of the transactions the subject of the Petroleum agreement and the Suny agreement ("**the execution date**"). The main items of the second Letter of Undertaking are detailed below.
3. The second Letter of Undertaking stipulates and clarifies that the first Letter of Undertaking, to which was attached the wording of the first control agreement, will continue to remain in force without any change, as long as the Petroleum agreement will not be implemented. It also stipulates that the realization of the transactions, the subject of the Petroleum agreement and the Suny agreement, do not give the Company any right to realize the first right of refusal given to it by virtue of the first Letter of Undertaking.

4. In addition, it was agreed that should: (a) on the day of implementation, which will apply not later than November 10, 2008, and as part of transactions, the subject of the Petroleum agreement and the Suny agreement, Scailex will assign and transfer to Petrochemicals all its obligations and rights, by virtue of the provisions of the first Letter of Undertaking, in such a way that it will not remain with any rights whatsoever vis-à-vis the Company, and this according to the wording of the letter of assignment attached as an appendix to the second Letter of Undertaking or with other wording which will satisfy the Company; and (b) immediately after the day of implementation, Petroleum will attach its signature to the second Letter of Undertaking and then the following provisions will apply:
- 4.1 The validity of the first Letter of Undertaking will expire, and the first control agreement will be null, and void and the parties to the first Letter of Undertaking will have no claim or contention against each other regarding everything connected with the first Letter of Undertaking and the first Control Agreement.
 - 4.2 Scailex will be exempted and released from any rights and obligations under the provisions of the first Letter of Undertaking and the first Control Agreement.
 - 4.3 Petroleum will be entitled to pledge all the core control shares in ORL held by it today, comprising 11.11% of ORL's share capital ("**the present core control shares**"), to ensure payment of the series of bonds that Petroleum issued, provided that on realizing the pledge on the present core control shares, the trustee of the bonds will be subject to the Company's first right of refusal.
 - 4.4 Should Petrochemicals and Petroleum receive - up to and not later than - May 10, 2009 all the approvals required by law, including the control permit in ORL, then an agreement in the form of the Second Control agreement will be signed between the Company, Petrochemicals and Petroleum.
 - 4.5 Should Petroleum sell to a third party all the present core control shares or should the control in Petroleum be sold to a third party, and the Company does not exercise its first right of refusal, and should the third party receive - up to and not later than - May 10, 2009, all the permits required by law including the control permit in ORL, then an agreement in the form of the second Control Agreement with the necessary changes, will be signed between the Company and the third party.
 - 4.6 The sale of the present core control shares and the sale of the direct control in Petroleum, fully or partly, to a third party including by way of realizing liens, is subject to the Company's first right of refusal. In the event of a transfer of direct control in Petrochemicals or a change in the direct holdings of the controlling shareholder in Petrochemicals, in such a way that David Federman and/or his relation on the one hand, and Yaakov Guttenstein and/or Alex Pesel on the other hand, will discontinue being direct or indirect controlling shareholders in Petrochemicals ("**the sale of direct or indirect control in Petrochemicals**"), the Company will have the right to purchase from Petrochemicals all the present core control shares, should they comprise the main assets of Petrochemicals, i.e. should Petrochemicals have no other assets (apart from the core control shares, cash and cash equivalents), whose value according to Petrochemical's last financial statements exceeds 200 million US dollars. This in consideration for payment to be determined by the average closing prices of ORL's shares on the stock exchange during the sixty (60) trading days prior to the date of delivery of the notice on the transfer of control multiplied by the number of core control shares sold plus a 15% premium.

5. The wording of the second control agreement is similar in nature to the wording of the first control agreement described in the previous report, including the matter of the call option described therein, subject to changes required due to the fact that the agreement will be signed, if and to the extent, that the said conditions exist for its signature, between the Company, Petrochemicals (unlike from Scailex) and Petroleum, and, inter alia, subject to the following changes:
- 5.1 The second control agreement will not impose any obligation whatsoever on Scailex and will not give it any rights whatsoever.
- 5.2 On realizing the lien on the present core control shares, the trustees of the bonds will be subject only to the Company's first right of refusal and, consequently, will be entitled to sell the present core control shares, fully or partly, to a third party that does not have a control permit in ORL, and this third party will not join the second control agreement. Pledge of additional shares in the core control in ORL (in addition to the above present core control shares) will be subject that the realization of the pledge on the additional shares will be in such a way that 10%, at least, of the share capital of ORL will be sold as one parcel only to a buyer who will receive a control permit and join the second control agreement.
- 5.3 The sale of the direct or indirect control in Petrochemicals will give the Company the right to purchase from Petroleum the core control shares in ORL held by Petroleum at that time, should they be the main assets of Petrochemicals, i.e. that Petrochemicals does not have other assets (excluding the core control shares, cash and cash equivalents), whose value according to Petrochemicals' last financial statements exceeds 200 million US dollars. This in consideration for the payment detailed in clause 4.6 above.

About Oil Refineries Ltd.

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.

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