

This is an English translation from the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original.

ISRAEL CORPORATION LIMITED

18th February, 2007

Securities Authority

Tel Aviv Stock Exchange

Dear Sirs,

Oil Refineries Issue

Israel Corporation Ltd. (hereinafter “**the Company**”) gives notice that the Company has entered into a binding memorandum of understanding with Scailex Corporation Ltd. and with Petroleum Capital Holdings Ltd., a company controlled by Scailex, (hereinafter “**the Scailex Group**”) in accordance with which the Company and the Scailex Group will submit a joint bid for the purchase of shares of Oil Refineries Ltd. (hereinafter “**Refineries**”) in the issue due to take place tomorrow, Monday 19th February 2007. It was also agreed that all decisions with regard to future share purchases subsequent to the issue will be mutually agreed.

In accordance with the memorandum of understanding, the share of the company in the shares of Refineries that may be purchased by the parties in the frame of the issue will be 80% and the balance will be owned by Scailex Group. The parties will act jointly with regard to the appointment of directors in the Refineries Group proportionately to their respective owning of shares in Refineries and will coordinate their votes at General Meetings and with regard to dividend policy.

The memorandum of understanding also provides that the Scailex Group has an option to increase its holding of shares in Refineries up to 45% of the shares in Refineries that may be purchased by the parties in the frame of the issue, at cost price plus linkage increments and interest and subject to adjustments, within 120 days of the date of the receipt of ministerial approval in accordance with The Government Companies (Pronouncement of Interests in Oil Refineries Ltd. Vital to the State) Order - 2007, or nine months from signature of the memorandum of understanding, whichever is the earlier. Following exercise of the option, if exercised, the Scailex Group will have additional rights such as: minority rights and right of first refusal; there will also be a BMBY (*Buy Me Buy You*) arrangement between the parties. The Company will also be given a tag along right.

The memorandum of understanding grants a right of first refusal to the Company and a tag along right to the Scailex Group.

Yours faithfully,

Noga Yatziv
Company Secretary