

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

21st February, 2007

Securities Authority

Tel Aviv Stock Exchange

Dear Sirs,

Re: Purchase of Oil Refineries Shares

Israel Corporation Ltd. (hereinafter “**the Company**”) gives notice that in accordance with a notification received by the Company yesterday, in the frame of the offer for sale to the public of Oil Refineries Ltd. (hereinafter “**Refineries**”), the bid of the Company for purchase of 736 million shares of Refineries (36.8% of the issued share capital of Refineries) has been accepted in full in consideration for a total amount of NIS 2.43 billion.

As specified in the Immediate Report of the Company dated 18th February 2007, the bid for shares in the offer was made in the frame of a joint bid together with the Scailex Group, which bid for an additional 184 million shares of Refineries (9.2% of the issued share capital of Refineries). So far as the Company is aware, the bid of the Scailex Group has also been accepted.

Funding of the purchase of the Refineries shares was by means of a short term loan from Citibank N.A. As security for the loan, the Company has pledged 700 million Refineries shares.

For a detailed description of Refineries and its business environment, see sections 7 and 10 of the Prospectus of the offer of the State of Israel for sale to the public dated 13th February 2007 (Stock Exchange reference No. 2007-01-309872). The aforesaid constitutes inclusion by way of reference of the information contained in sections 7 and 10 of the aforesaid Prospectus.

In accordance with the provisions of The Government Companies (Pronouncement of Interests in Oil Refineries Ltd. as Vital to the State) Order – 2007, an entity owning certain means of control of Refineries at a rate of 24% or more, must notify the company as to the holding and must apply, in the manner provided by the Order, to the Prime Minister and the Minister of Finance for approval of the holding, the aforesaid within 48 hours. The

Ministers may require further particulars and documents in addition to those furnished in the application and in addition to those listed in the Order. The ministers are bound to inform the applicant and Refineries of the decision within 60 days of the date of receipt by the Minister of Finance of the application or of the additional particulars and documents – whichever is the later; however within 30 days of the date of receipt by the Minister of Finance of the application or of the additional particulars and documents, whichever is the later, the Ministers must notify the applicant and Refineries either as to their decision or as to the necessity for the full period of 60 days in order to make the decision. Until receipt of approval by the ministers, no use of any power pursuant to the holdings that require approval will be valid vis-à-vis Refineries, including the right to receive dividends, and without prejudice to the generality of the foregoing: (1) no director or CEO of Refineries may be appointed, elected or removed from office by virtue of such holding; if a director or CEO of Refineries is appointed, elected or removed from office as aforesaid, such appointment, election or removal from office, as the case may be, will not be valid; (2) votes at a General Meeting of Refineries by virtue of such holding will not be taken into the reckoning of votes cast at the meeting. The Company intends to submit such application as soon as possible.

In accordance with a notice of the Antitrust Commission given on 7th January 2007 to the Government Companies Authority, and which is detailed in section 7.1.7.2 of the Prospectus of Refineries dated 13th February, pursuant to the Restrictive Trade Practices Law 1988 the purchase of more than one quarter of any class of rights in Refineries requires notification and receipt of prior approval by the Antitrust Commissioner. In accordance with the provisions of the said law, the Commissioner may approve or oppose the merger or may impose conditions. An entity which purchases, either alone or together with others, a holding in excess of a majority of any of the classes of rights in the company (hereinafter “**the Excess Shares**”), must refrain from exercise of any of the rights conferred upon the Excess Shares until receipt of approval by the Commissioner, including the right of appointment to the Board of Directors, voting rights at General Meetings and the right to participate in the profits of Refineries. Until receipt of approval by the Commissioner, the purchaser must also refrain from exercising any influence over the business of Refineries, including appointment of officers of Refineries, making business decisions or making recommendations with regard to such decisions. These restrictions are in addition to the provisions of The Government Companies (Pronouncement of Interests in Oil Refineries Ltd. as Vital to the State) Order – 2007 and, for so long as approval of the merger by the Antitrust Commissioner has not been granted the restrictions will remain valid even after grant of the requisite approvals by virtue of the Order for owning the Excess Shares. If the Commissioner gives notice of opposition to the merger to the purchaser and to Refineries, the purchaser must sell the Excess Shares to an unconnected third party not later than seven days of service of the notification by the Commissioner. The purchase must notify the Commissioner as to completion of the sale of the Excess Shares within 48 hours of the date of sale. The Company intends to submit such application to the Antitrust Commission as soon as possible.

Yours faithfully,

Noga Yatziv
Company Secretary