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

3rd December, 2007
Ref: 2007-01-466003

Securities Authority Tel Aviv Stock Exchange

Dear Sirs,

Immediate Report

We wish to report that Ma'alot the Israel Securities Rating Company has notified the Company as to the receipt of an initial AA/STABLE rating for Debentures in an amount of up to $ 500 million to be issued by the Company by private allotment to institutional investors.

Date and time upon which the event first came to the notice of the Company: 3rd December 2007 at 10:30.

Yours faithfully,

Noga Yatziv

3rd December, 2007

PRESS RELEASE

ISRAEL CORPORATION LTD.

Ma'alot, a strategic partner of Standard & Poor's, hereby gives notice as to the initial (AA/STABLE) rating of Debentures up to an amount of $ 500 million to be issued by Israel Corporation Ltd. by private allotment to institutional investors. The consideration for the Debentures will be used for refinancing and/or in new investments.

The rating relates also to existing Debentures issued in the past.

MA'ALOT

3rd December, 2007

Israel Corporation Ltd.

Dear Sirs,

Debenture Rating

We wish to inform you that the Rating Committee of the Board of Directors of Ma'alot has granted am (AA/STABLE) rating to the Debentures to be issued by Israel Corporation Ltd. by private allotment to institutional investors in an amount of up to $ 500 million.

The rating of the Debentures was assessed, *inter alia*, in reliance upon the object of the issue as well as the business and finance policy of the Company as detailed in the Main Considerations for the Rating.

Yours faithfully,

Gad Be'eri
Deputy and Acting CEO

MA'ALOT

Summary of Main Considerations

ISRAEL CORPORATION LTD.

RATING

Rating:

Series	Rating
Convertible Debentures Series 1	AA/Stable
Institutional Debentures (2002 issue)	AA/Stable
Series 2 (2002 issue)	AA/Stable
Series 3	AA/Stable
Series 4	AA/Stable
Series 5	AA/Stable
Series 6	AA/Stable
Series 7	AA/Stable

Analysts
Shahar Rajuan
Eran Keisari (ICL)
Elad Zalski & Tsachi Zanzori (Zim)

December 2007

The rating of Ma'alot is based on information received from the Company and from other sources that are reliable in the opinion of Ma'alot. Ma'alot does not audit the information received and does not verify whether it is accurate or full. It is to be noted that the rating of Ma'alot does not reflect risks connected with and/or ensuing from any breach, act or omission of any of the undertakings included in the Debentures and/or the inaccuracy or inexactness of any representations included in the documents connected with the issue of the Debentures that are the subject of the rating, or of the facts which form the basis for this opinion that were furnished to Ma'alot as a condition for receipt of the rating, or any act or omissions carried out by fraud or deception or any other unlawful act. The rating may be changed as a result of changes in information received or other circumstances. The rating should not be regarded as an expression of opinion as to the price of the securities in the primary or secondary markets. The rating should not be regarded as an expression of opinion as to the advisability of purchase, sale or holding of any security.

© All rights belong to Ma'alot. Photocopying, distribution or commercial use of this summary without consent is forbidden, except for furnishing a copy of the entire report, with reference as to its origin, to potential investors in the Debentures that are the subject of the rating in order to assist them in deciding whether to purchase the Debentures.

MA'ALOT

Outstanding Debentures, as of 30.9.07 (NIS millions)

Rating of Series	Name of Series	Year of Issue	Balance Sheet Value	Interest	Linkage	Capital Repayment Years
AA/Stable	Convertible Debentures Series 1	2001	0.4	2.5%	Index	2006-2009
AA/Stable	Institutional Debentures (2002 issue)	2002	111	5.4%	Index	2009-2012
AA/Stable	Series 2	2004	179	5.3%	Index	2009
AA/Stable	Series 3	2005	656	4.6%	Index	2010-2013
AA/Stable	Series 4	2006	657	5.35%	Index	2011-2014
AA/Stable	Series 5	2006	638	5.0%	Index	2010-2013
AA/Stable	Series 6	2007	1,280	4.55%	Index	2012-2016
AA/Stable	Series 7	2007	859	4.7%	Index	2017-2021

Total debenture amount outstanding NIS 4.37 billion

Intended Issue of Debenture

Israel Corporation Ltd. (hereinafter "Israel Corporation" or "the Company") intends to issue Debentures in an amount of up to $ 500 million. The money raised by the Debentures is to be used for refinancing and for new investments in the energy field and additional fields.

Summary of Main Considerations for Rating

Israel Corporation is 55% controlled by the Ofer Group and 18% by Bank Leumi LeIsrael Ltd.[1].

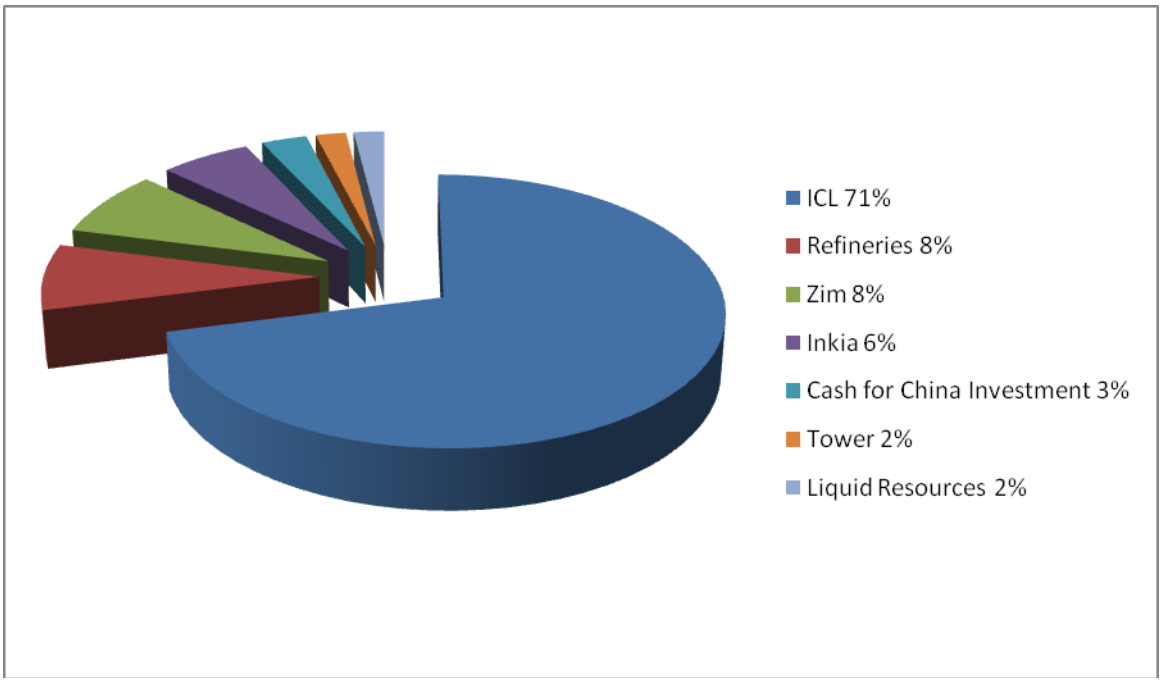
The rating of the Debentures of Israel Corporation reflects the sound business standing of the principle holdings: Israel Chemicals Ltd. (hereinafter "ICL") the liabilities of which are AA+/Stable rated by Ma'alot, the debentures issued by Oil Refineries Ltd. (hereinafter "Refineries") which are AA+/Stable rated by Ma'alot, and the Debentures issued by Zim Integrated Shipping Services Ltd. (hereinafter "Zim") which are A+ rated. The Company also owns the Inkia Energy Ltd. Group (hereinafter "Inkia") which engages in production and sale of electricity in Latin America, and a holding in Tower Semiconductors Ltd. (hereinafter "Tower") that is regarded as being a higher risk. The proportionate component of Tower in the total investment portfolio of the Company (even after completion of the additional $ 100 million investment) constitutes a relatively small part the total portfolio of the Company.

The rating of the Debentures relies also on the control by the Company of its main holdings; the highest portfolio value of all Israel holding companies - in accordance with the pro-forma scenario of Ma'alot, it is anticipated that the value of the portfolio held by the Company will reach NIS 37.7 billion; relatively solid dividend distribution by the Company; substantial dividend distribution ability of the subsidiaries; large volume of trade of ICL and the continuous improvement of its results; the leading commercial status of

[1] The liabilities of Bank Leumi are AA rated by Ma'alot.

Refineries; the intention of the Company to maintain in the intermediate and long-term a ratio not less that 3.5 of adjusted[2] value of holdings (including liquid resources).

The following is the composition of the investment portfolio of the Company prior to issue of the Debentures:



ICL is 52.3% owned by the Company. Zim is 98.4% owned by the Company. Refineries Co. is 45.1% owned by the Company. Inkia is fully owned and Tower is 33% owned by the Company following the conversion of capital notes issued by Tower.

The acquisition of control of Refineries in February 2007 and the acquisition of Inkia in June 2007 considerably increased the number of companies in the investment portfolio of the Company. Paradoxically, notwithstanding the new investments, due to the substantial increase in the value of ICL the share of ICL in the portfolio of the Company remains more than 70% of the investment portfolio.

Main Developments in 2007:

Israel Corporation:

- **Acquisition of Control of Refineries** – In February 2007, in the frame of tender for sale to the public, the Company purchased 36.8% of the issued capital of Refineries in consideration for the sum of NIS 2.43 billion. Since the purchase in the frame of the tender, the Company has purchase additional shares of Refineries in the extent of 8.3% of the share capital of Refineries.
- **Purchase of electricity generating stations in Latin America** – In June 2007 Inkia, a fully owned subsidiary of the Company, purchased the whole of the share capital of Globaleq Americas Ltd. In consideration for a total cost of $543 million.

[2] For this purpose the value of holdings comprises of the balance sheet value of non-negotiable holdings plus the market value of negotiable holdings and such adjustments as Ma'alot regarded as appropriate.

Globaleq Americas Ltd. owns by means of subsidiaries 7 companies that engage in electricity production and sale in 6 different countries in Latin America and the Caribbean, which together own power stations with a total capacity of 2200 mega watts. In the opinion of the Company, the ownership of Inkia, apart from its inherent economic value, will enhance accessibility to similar future transactions in the field of electricity and consequently constitutes an entry ticket in this field. About 50% of the investment of Israel Corporation relates to activity in Peru (internationally rated by S&P as BB+/Positive), 20% to activity in Bolivia (internationally rated by S&P as B-/Negative) and 20% to El Salvador (internationally rated by S&P as BB+/Stable). Ma'alot is of the opinion that the high risk in the countries in which Inkia operates may have a negative bearing of the value of operations.

- **Car Manufacture Venture in China** – In February 2007 the Company entered into a long term agreement for setting up a joint venture with a Chinese car manufacturer – Cherry Automobile Ltd. – (hereinafter "the Joint Venture") in accordance with which the Company will invest $ 225 million and will put up guaranties of up to $ 180 million for 45% of the capital of the Joint Venture. The investment in the capital of the venture and the guaranties will be made available to the Joint Venture in accordance with the progress of development of the Joint Venture during the years 2007 until 2010. The investment has not yet come into effect due to the need for government approval in China for the venture.
- **Operation of Electric Cars Venture** – In August 2007 the Company gave notice as to it participation jointly with other investors in a venture for the operation of electric cars. The anticipated investment by the Company in the venture is $ 100 million out of $ 200 million to be invested by the investors in the first stage of the venture. Ma'alot regards this investment as of little significance to Israel Corporation and as being a high risk in comparison with the average risk of the investment portfolio.

ICL:

- **On 3rd December 2007 Ma'alot gave notice raising the rating of the liabilities of ICL to AA+/Stable – for details see the main consideration in the rating report of ICL**.
- **Purchase of the ownership rights to Supresta LL.C. (hereinafter "Supresta")** – In August 2007 the ICL purchased 100% of the share capital of Supresta for $ 352 million. Supresta is a US company that engages in production and marketing of combustion inhibitors and other phosphor based products.
- **Receipt of bank credit in the amount of $ 475 million (net)** – In August 2007 ICL entered into an arrangement with a consortium of 17 banks in Europe, US and Israel in the frame of which the banks will grant ICL credit in a total amount of $ 725 for a period of 5 years ("bullet" type loans). $ 250 million of the amount of the loan was allocated for refinance of a similar loan taken in 2005 (at a higher cost). The 2005 loan was discharged by pre-payment.
- **Shortfall in royalty payments for use of Dead Sea resources** – In May 2007 the Comptroller of the Ministry of Industry & Trade claimed that there was a shortfall in royalty payments by Dead Sea Works (a subsidiary of ICL) in an amount estimated at $ 20 million. In June 2007 the Comptroller General claimed that Dead Sea Works had not paid royalties to the extent of hundreds of millions of Shekels and that it was the intention to refer the matter to arbitration. The Financial Statements of ICL include various allocations in respect of these amounts since in the opinion of ICL payments were carried out as required.
- **IDE Technologies Ltd**. **(50% owned by ICL)** – On 15th November 2007, IDE Technologies Ltd., which engages is promotion, construction and operation of

desalination mechanisms, gave notice that it intends to issue at least 25% of the issued share capital to the public of the London Stock Exchange.

- **Dividend Distribution Policy** – In March 2007 the Board of ICL decided upon a policy of dividend distribution at a rate of up to 70% of the net profit. In November 2007 the Board of ICL decided upon distribution of a dividend of $ 107 million.

Oil Refineries:

- **On 11th November 2007 Ma'alot gave notice granting AA/Stable rating to $ 500 million debentures issued by Refineries – for details see the main consideration in the rating report of Refineries**.
- **New Investment Plan** –Refineries recently gave notice that it had decided to adopt a strategy aimed at achieving speedy growth and of enhancing its competitive ability, investing in the process $ 1.1 billion during the course of five years.

Zim:

- **Container Manufacture Enterprise** – Zim purchased 25% of a container manufacture enterprise in China and owns 55% of an additional enterprise that started manufacture in April 2007 – the amount of the investment is $ 50 million.
- During the period Zim commenced several new operations in the field of logistics, including setting up a company for establishing an international logistic network and setting up a company that will engage in marine terminal investments in ports throughout the world. In April 2007 Zim also carried out a series of takeovers and mergers in the field of delivery service in Israel by merger of Newlog Ltd. (owned by Zim) with UTI and purchase of the activity of Transclal Trade Ltd. On completion of the transaction Zim will own 25% of the shares of the merged company.

Tower:

- Tower is continuing its program of increasing production capacity and of investment in Fab 2.
- The financial results of Tower are better than in previous years but Tower is still burning money.
- In March and in June 2007 Tower raised an amount of NIS 287 million from Israel and US institutional investors by way of issue of shares, debentures and share options.
- In October 2007 an agreement was entered into between Israel Corporation and Tower in accordance with which Israel Corporation will place credit of up to $ 30 million at the disposal of Tower for purchase of advanced equipment. This credit forms part of the amounts raised by Tower including $ 30 million credit placed at the disposal of Tower by banks.

Strategy

After a long period during which the Company owned a limited number of companies and held large liquid resources designated for new investments, during the past year a number of substantial transactions have come to fruition – purchase of the core of control of Oil Refineries and purchase of Inkia. In addition there are investments at relatively advanced stages in particular the venture for car manufacture in China and the electric car venture. Furthermore it is the intention to invest in fields of alternative energy. Ma'alot is of the opinion that no investments of similar magnitude are foreseeable in the near future. Additional investments in existing fields of activity are carried out by the subsidiaries, each in its own field of operation.

Ma'alot is of the opinion that the Company and its subsidiaries have skilled and experienced management.

The shareholders of the Company support the expansion of the business of the Company and the continuation of relatively modest dividend distribution.

Finance Analysis – Holding Company

The net profit of the Company in the first nine months of 2007 amounted to NIS 529 million as against NIS 627 million in the same period in 2006.

The main factors that affected the results of the Company are as follows:

1. ICL – ended the first nine months of 2007 with a net profit of NIS 1,544 million (the share of the Company being NIS 807 million), as against a net profit of NIS 1,283 in the same period in 2006.

2. Zim – Zim ended the first nine months of 2007 with a net profit of NIS 158 million (the share of the Company being NIS 155 million), as against a net profit of NIS 320 in the same period in 2006.

3. Tower - Tower ended the first nine months of 2007 with a loss of NIS 439 million (the share of the Company in the loss being NIS 146 million), as against a loss of NIS 234 million in the same period last year. Last year the results of Tower include a non-recurrent profit of NIS 351 million resulting from re-organization of its debts to banks.

4. Refineries – The Company included its share in the results of Refineries commencing from the third quarter of 2007 in which the net profit of Refineries was NIS 178 million (the share of the Company being NIS 80 million).

5. Inkia – The Company included its share in the results of Inkia commencing from the third quarter of 2007 in which the net profit of Inkia was NIS 15 million (the share of the Company being NIS 15 million).

6. Expenses of portfolio companies – the amount of financing and operating costs of the portfolio companies during the first nine months of 2007 totaled NIS 343 million (of which NIS 284 million were financing costs).

The finance requirements of the Company result from current expenses, dividend distribution, investments whether in existing portfolio holdings or in new investments. Ma'alot examined the finance ratios of the Company, *inter alia*, in pro-forma financial statements that include the Company and its fully owned consolidated companies which constitute the arm by which the Company relating to raise of capital and to general expenses ("Staff Report[3]"). The following analysis is based on the data of the Staff Report.

The total adjusted value of the investment portfolio of the Company after the issue of debentures amounts to NIS 37.7 billion as against NIS 24.4 billion at the time of the previous rating (June 2007). Most of the increase in the portfolio value results from an

[3] The Staff Report was prepared by the Company and was not reviewed by an external auditor.

increase in the market value of ICL and from the raise of capital from the issue of debentures. The total finance debt of the Company after issue of the debentures will be NIS 9.8 billion. The ratio of the adjusted value of investments (including liquid resources) as against the finance liability of the Company is 3.8 namely for every shekel liability of the Company, the Company has assets valued 3.8 shekels. It is the intention of the Company to ensure that such ratio does not fall below 3.5 in the medium and long term.

In the first nine months of 2007 income of the Company from dividends and management fees amounted to NIS 937 million and was 2.7 times higher that operating and finance costs. A surplus of income over operating costs enables holding companies to distribute dividends or to increase investments. The Company does not have a dividend distribution policy but nonetheless in recent years Israel Corporation has maintained dividend distributions that are modest in comparison to other similar groups.

Rating Outlook: Stable

The stable rating outlook is based on the assumption that ICL will continue to constitute a dominant element in the portfolio and that additional investments will be carried out maintaining the solid business and finance standing of the Company.