

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

16 July, 2008

To:
The Securities Authority
via MAGNA

To:
The Tel-Aviv Stock Exchange Ltd.
via MAGNA

Dear Sir/Madam,

Re: **Immediate Report**

The Israel Corporation Ltd. (hereinafter: the "**Company**") hereby reports that the company Kallpa Generacion SA, registered in Peru, (hereinafter: "**Kallpa**"), fully owned by the Company and held through the subsidiary Inkia Energy Ltd. (hereinafter: "**Inkia**"), has signed an agreement with Siemens company for the construction of an additional gas turbine in the Chilca site, south of Lima, Peru, with a power of approximately 192 megawatts, a turbine which operates on natural gas in an open cycle and which is expected to begin to operate in the middle of 2010. The additional turbine will be added to the existing turbine in the site and to a turbine in construction stages which will begin to operate in the middle of 2009, and collectively the installed power in the site will reach 570 megawatts.

The total cost of the construction of the additional turbine is estimated at approximately USD100 million, and is expected to be financed mostly by one of the leading banks in Peru.

Sincerely,

Noga Yatziv