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ISRAEL CORPORATION LIMITED

27th December, 2007
Ref: 2007-1-498097

Securities Authority

Tel Aviv Stock Exchange

Dear Sirs,

Immediate Report – Israel Corporation Ltd. (“the Company”)

In accordance with Regulation 1(4) of the Companies (Mitigation in Transactions with Interested Parties) Regulations 2000 (“**the Mitigation Regulations**”) and the Securities (Periodic and Immediate Reports) Regulations 1970, the Company gives notice of a decision of the Board of Directors of the Company as detailed in section 1.3 below as well as approval by the Audit Committee of the Board of Directors to the effect that alongside the investment of the Company in the venture for electric car operation (“**the Car Venture**”), Ofer (Ship Holdings) Ltd. or a company connected therewith or with its shareholders (“**Ofer Ships**”) will also participate in the Car Venture by separate investment, as detailed hereafter:

1. **Background**

- 1.1 On 26th August 2007 the Company filed an Immediate Notice (Ref: 2007-1-2370672) relating *inter alia* to a decision of the Board of Directors of the Company on 23rd August 2007 to approve, subject to further examination, participation by the Company in the Car Venture, the designated investment in the venture by the Company being an amount of 100 million dollars (out of an amount of 200 million dollars to be invested by various investors in the first stage of the venture), the aforesaid in consideration for 33.3% of the rights to the Car Venture. The Board of Directors of the Company authorized the management of the Company to carry out examinations required for the purpose of carrying out the investment at a cost not to exceed 2 million US dollars. For more particulars see the aforesaid Immediate Report.

- 1.2 On 25th October 2007 the Company filed an additional Immediate Notice (Ref: 2007-1-424699) to the effect, *inter alia*, that on 25th October 2007 the Board of Directors of the Company approved investment in the Car Venture and that the Company would make an initial investment in the Car Venture of up to 6 million US dollars for the purpose of financing the costs of setting up the Car Venture. The balance of the investment up to a total amount of 100 million dollars will be brought for final approval by the Board of Directors of the Company after completion of a detailed business plan of the Car Venture and additional particulars as to funding of the Car Venture. The Board of Directors of the Company authorized the management of the Company to complete the process for finalization of the necessary documentation in connection with the investment in the Car Venture. For more particulars see the aforesaid Immediate Report.
- 1.3 At a meeting of the Board of directors of the Company on 27th December 2007, the management of the Company gave a report as to completion of due diligence and as to the progress in preparation of the necessary documents for making the investment in the venture. The Board of Directors of the Company authorized the management of the Company to sign the necessary documents for the investment of 100 million dollars in the Car Venture. The Board of Directors once again approved the provision by the Company in the first stage, upon signature of the investment documents, of an amount of 8 million dollars or, as the case may be, of an amount equal to the proportionate share of the Company in the Car Venture out of the total initial amount to be furnished by all of the investors in the Car Venture, being the amount required to cover the financial requirements of the Car Venture company in the near future. The Board of Directors of the Company also decided that the multi-annual operations plan, to include a full budget (inclusive a plan for external finance) that is to be prepared by the Car Venture company, is to be brought for approval by the Board of Directors of the Company, and the Company will invest the balance of the investment amount in accordance with milestones to be incorporated in the full budget as may be approved as aforesaid.

2. **The Transaction**

- 2.1 The Company has been informed that Ofer Ships will participate and will invest an amount of 30 million US dollars in the Car Venture, the aforesaid in addition to the investment of the Company and of other investors in the Car Venture. This investment will, so far as is known at this stage, increase the investment in the Car Venture by the various investors so as to reach the designated amount of 200 million US dollars or thereabouts.
- 2.2 The intended investment of Ofer Ships will be on the same terms proportionately as the terms of the other investors in the Car Venture including the Company (except for the promoter), taking into consideration

the rate of their holdings. It is pointed out that in view of the fact that it is anticipated that the Company will have the status of “leading investor” at the initial investment stage, the Company will be granted the right to appoint two directors one of whom will hold office as Chairman of the Board of Directors of the Car Venture company (Mr. Idan Ofer, Chairman of the Board of Directors of the Company), while all the other investors together will have the right to appoint two additional directors.

- 2.3 Ofer Ships has given notice that if its participation in the venture should for any reason prevent the investment of the Company or should materially delay the investment transaction, then Ofer Ships will abandon the opportunity of investment in the Car Venture due, *inter alia*, to the fact that its intention to join the investment was formulated subsequent to the decisions already made by the Company with regard to investment in the Car Venture.

On 27th December 2007, the Board of Directors of the Company, after receipt of approval by the Audit Committee, approved participation by Ofer Ships in the Car Venture and the continuation of the investment and activity of the Company in the venture alongside the investment of Ofer Ships in the venture, which investment may be deemed to be a joint investment by the Company and Ofer Ships.

3. **Summary of the Grounds of the Audit Committee and of the Board of Directors for Approval of the Transaction**

The Audit Committee and the Board of Directors of the Company examined participation by Ofer Ships as aforesaid and approved the same as well as the satisfaction of the provisions of regulation 1(4) of the Mitigation Regulations in reliance of the recommendations of the management of the Company and also, *inter alia*, on the basis of the following main considerations:

- 3.1. Investment by Ofer Ships of the amount to be invested by it in the Car Venture is an expression of confidence in investment in the Car venture.
- 3.2. Investment in the Car Venture by an entity with the standing of Ofer Ships is of added value to the group of investors in the Car Venture.
- 3.3. The proposed investment of Ofer Ships will be on terms proportionately the same as the terms of the other investors in the Car Venture inclusive of the Company (excepting the promoter) taking the amount of their investment into account.
- 3.4. Investment by Ofer Ships of an amount of 30 million US dollars in the car Venture is not expected to derogate from or to prejudice the rights or status of the Company in the Car Venture and is not expected to give rise to conflict of interests between the Company and Ofer Ships in matters relating to the venture.

4. **Opposition to Mitigation**

In accordance with Regulation 1c of the Mitigation Regulations: (a) Mitigation in accordance with Regulation 1 of the Mitigation Regulations will not apply to the Company if one or more shareholders owning at least one percent of the issued share capital or of the voting rights give notice of opposition to the grant of mitigation, provided that the opposition is submitted to the Company in writing not later than fourteen days of the date of filing of this Report or of the filing, if any, of an amendment to this Report ; (b) if opposition as in sub-section (a) above is filed, the transaction will require approval in accordance with the provisions of section 275 of the Companies Law 1999.

Yours faithfully,

Noga Yatziv