

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

28th March, 2007

NOTE: Filing of this Immediate Report was held up for the reasons detailed in paragraph 6 below.

Securities Authority

Tel Aviv Stock Exchange

Dear Sirs,

Immediate Report

Israel Corporation Ltd. (hereinafter “**the Company**”) hereby gives notice as follows:-

1. On 16th February 2007 a fully owned US subsidiary of the Company, Quantum (2007) LLC (hereinafter “**Quantum**”), entered into a long term agreement for the establishment of a joint venture with a car manufacturer in an Asian country (hereinafter “**the Joint Venture**” and “**the Agreement**”, as the case may be), in accordance with which the Company will, by means of Quantum, invest an amount of \$ 225 million in consideration for 45% of the capital of the Joint Venture. The investment will be financed by means of the liquid resources of the Company. The Company also undertook to put up guaranties for the Joint Venture in an aggregate amount of \$ 180 million for the purpose of the receipt of finance by the Joint Venture in order to carry out the first stage of the Joint venture. Investment in the capital of the Joint Venture and the placing of guaranties at the disposal of the Joint Venture will be in accordance with the progress of the development of the Joint Venture in the years 2007 to 2010. The nominal registered capital of the Joint Venture will be \$ 500 million.
2. The Joint Venture will engage in the manufacture of motor vehicles by advanced technology and the marketing and distribution of the vehicles throughout the world under a leading brand name. The technology required for the manufacture of the models of the Joint venture will be provided to the Joint Venture pursuant to a license to be entered into between the parties. The parties have agreed to expand their cooperation to additional joint ventures.

3. Establishment of the Joint Venture is subject to approval of its establishment and to approval of the Agreement and bye-laws of the Joint Venture by the competent authorities of the country in which the Joint Venture is to be set up as well as to the receipt of a business license.
4. In accordance with the Agreement the parties will start to transfer their investment in the capital within 90 days of the date of approval by the authorities and receipt of the business license. The Agreement further provides that in the event that ancillary agreements as provided in the Agreement that are connected with the activity of the Joint Venture are not entered into within 90 days of the date of the receipt of approval for the establishment of the Joint Venture, the parties will not be liable to carry out their investment in the Joint Venture and the Agreement may be revoked.
5. In December 2006 the Company deposited an amount of \$ 200 million in trust with an international bank abroad in order to enable progress to be made in the negotiations leading to the signature of the Agreement for the establishment of the Joint Venture.
6. The Company wishes to point out that until now it has held up the filing of this Immediate Report relating to the signature of the aforesaid Agreement and the negotiations leading up to the signature thereof on account of the opinion of the foreign partner to the Joint Venture to the effect that the filing of such an Immediate Report prior to approval of the Agreement by the aforesaid competent authorities may have jeopardized the negotiations and prevented the carrying out of the transaction. Now that a formal application is being submitted for approval by the competent authorities of the country in which the Joint Venture is to be established, the Company initiated further consultations with the other party to the Joint Venture as a result of which the Company decided to submit an Immediate Report in the above text. Upon approval by the competent authorities of the country in which the Joint Venture is to be established and entry into the ancillary agreements above referred to, the Company will submit an additional detailed Immediate Report.

Yours faithfully,

Noga Yatziv
Company Secretary