

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

September 25, 2008

To:
The Securities Authority
via MAGNA

To:
The Tel Aviv Stock Exchange Ltd.
via MAGNA

Dear Sir/Madam,

Re: **Immediate Report – Israel Corporation Ltd. (hereinafter: the "Company")**

Further to the immediate report dated August 2, 2007 (reference no. 2007-01-345580) (hereinafter: the "**Previous Report**"), the Company wishes to report in accordance with the Companies Regulations (Relief in Transactions with Interested Parties), 5760-2000 (hereinafter: the "**Relief Regulations**") and the Securities Regulations (Immediate and Periodic Reports) 5730 – 1970, as follows:

1. On September 10, 2007, the Company's General Meeting approved a "Framework Decision"¹, which allows, for a period of five years commencing from the 2007 insurance year, the renewal of the purchase of insurance with regard to directors and officers, as stated in the Previous Report, from any insurance company in Israel and/or abroad, as shall be chosen by the Board of Directors of the Company, provided that the Audit Committee and the Board of Directors of the Company shall approve, in connection with any renewal of insurance, that the terms of the purchase of the policies are consistent with the terms of the framework transaction and also with the rate of the division of the premium between the Israel Chemicals Group and the Company's Group, with regard to the joint layer (as stated in the Previous Report), however, the Audit Committee and the Board of Directors of the Company shall have the authority to approve changes, from time to time, in connection with the rate of the division of the premium between the Company's Group and the Israel Chemicals Group, with regard to the joint layer, provided that the rate of the change shall not deviate above 10% of the division as described above, and also the Audit Committee and the Board of Directors of the Company shall have the authority to change, from time to time, the cover or the ratio between the layers of the insurance policies, subject to the situation whereby if, in the coming insurance years, effective

from the date of the decision, the insurance premium payable by the Company shall be increased, the following rules shall apply: the annual premium payable by the Company with regard to the insurance year shall not be increased by more than 15% per year in excess of the amount of the premium, and in any event, it shall not exceed 150% of the maximum premium (namely, it shall not exceed US\$ 525,000). For details with regard to the General Meeting's approval, as aforesaid, see the Company's immediate report dated September 11, 2007 (reference no. 2007-01-391321) and also the Previous Report.

2. On August 31, 2008, the current insurance period expired. The current policy includes an initial joint layer with the Israel Chemicals Group to cover claims up to US\$ 20 million and a second layer to cover a further US\$ 100 million, as specified in the Previous Report. The total premium that was paid by the Company is approximately US\$ 237,000.
3. On August 24, 2008, the Audit Committee and the Board of Directors of the Company approved the renewal of the purchase of insurance with regard to the officers of the Company, and they also approved that the terms of the purchase/renewal of the policies are consistent with the terms of the framework transaction and also with the rate of the division of the premium between the Israel Chemicals Group and the Company's Group, with regard to the joint layer (as stated in the Previous Report).
4. The policy was renewed, *inter alia*, based on the parameters and the reasons specified in the Previous Report and also taking into consideration that the new policy terms are preferable as compared to the present terms (including insurance cover of up to US\$ 140 million, and at a reduced cost for a premium which is paid by the Company in the amount of approximately US\$ 210,000). The rate of the division of the premium between the Israel Chemicals Group and the Company's Group remains unchanged as compared to that determined in the Previous Report.
5. In accordance with Regulation 1C of the Relief Regulations: (a) the relief pursuant to Regulation 1 of the Relief Regulations shall not apply to the Company, if one or

¹ As construed in Regulation 1(3) of the Companies Regulations (Transactions with Interested Parties), 5760 – 2000.

more shareholders who holds at least one percent of the issued capital or of the voting rights at the Company gave notice of his objection to the grant of such relief, provided that the objection was submitted to the Company, in writing, not later than fourteen days from the date on which this report was submitted or from the date on which a report amending this report was submitted, if any; (b) if an objection as stated in sub-section (a) above was submitted, the said engagement shall be subject to approval in accordance with that set forth in section 273 or 275 of the Companies Law, 5759 – 1999, as the case may be.

Sincerely yours,

Israel Corporation Ltd.