

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

ISRAEL CORPORATION

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Adv. Noga Yatziv

Company Secretary and Assistant to the President

March 1, 2009

To:
The Securities Authority
via MAGNA

To:
The Tel Aviv Stock Exchange Ltd.
via MAGNA

Dear Sir/Madam,

Re: Immediate Report regarding Chery Quantum Auto Co.

The Company hereby reports that in the meeting of the Board of Directors of Chery Quantum Auto Co., the joint venture for the manufacturing of automobiles in the PRC (hereinafter: the "**Joint Venture**"), held by the Company via the subsidiary Quantum (2007) LLC (hereinafter: "**Quantum**"), an updated business plan for the Joint Venture was adopted, according to which the Joint Venture is expected to focus already at the present stage on the development and preparation for the manufacturing of both regular motorized vehicles and electric vehicles. The business plan of the Joint Venture was adjusted to the main changes in the global automobile industry including a rise in the scale and importance of the electric vehicle and its integration as part of the operation of the Joint Venture. The capital needs of the Joint Venture for the years 2009 and 2010 were updated in light of the changes in the said business plan. The following are the main resolutions that were adopted regarding the change of the capital structure of the Joint Venture, that were approved by the Board of Directors of the Joint Venture and that were approved by the Board of Directors of Israel Corp.:

1. A change of the holding structure in the Joint Venture's capital – the holding percentage of the parties in the capital of the Joint Venture will change so that the parties will hold equal shares of the Venture's capital as follows: Quantum will hold 50% of the capital of the Venture (instead of 45% it holds today); Wuhu Chery Automobile Investment Co. will hold 50% (instead of 55% it holds today).

2. The reduction of the number of developed models and the postponement of the requirement to establish a designated factory while relying on the existing manufacturing abilities of Chery, the partner in the Joint Venture, have led to the decrease in the needs for an injection of funds from to parties to the Joint Venture at the present stage from a total of approximately USD 900 million, to a total of approximately USD 500 million, without having to provide further guaranties by the parties to the Venture. It shall be noted that as a consequence of the updated consents, Quantum shall not be required to provide its share in the guaranties, in a total of approximately USD 180 million as originally agreed at the date of establishment of the Joint Venture.¹
3. Quantum shall not be required to inject to the Venture any additional sum during 2009 and 2010 to the sum of approximately USD 200 million that has already been injected by it to the Joint Venture previously. An additional injection of approximately USD 40 million, if and to the extent needed according to the business plan of the Joint Venture, may occur, at the earliest, in 2011.

The abovementioned resolutions will be set out in a shareholders agreement that will be signed by the parties to the Joint Venture, in which it shall be stipulated that the Articles of Association of the Joint Venture and the Joint Venture Contract will be amended to reflect the said resolutions, including any change deriving thereof, and that following their amendment these documents will be filed for approval with the relevant authorities in the PRC.

Sincerely,

Noga Yatziv

¹ It shall be noted that the binding amounts are stated in the PRC currency (RMB) and are presented in proximity in USD in this report.