

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

**Israel Corporation Ltd.**

Registrar Number: 520028010

**Form 121**

Securities of the Corporation are listed in the Tel Aviv Stock Exchange

**Public**

Sort name: Israel Corporation

Address: P.O.B. 20456, Tel Aviv 61204

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Reference: 2012-01-213516

To:

The Securities Authority

www.isa.gov.il

To:

The Tel Aviv Stock Exchange

www.tase.co.il

**Immediate Report**

The Event: Financial Closing - Hydro Project

Pursuant to section 11.2.1 in the Company's periodic report for 2011 as of December 31<sup>st</sup> 2011, the Company respectfully reports that IC Power, a Company's subsidiary, has engaged, via a subsidiary company (indirectly), in a Financial Closing of a credit agreement according to which it shall receive bank financing in the amount of USD 534 million in connection with the establishment of an Hydro Project, for electricity production in Peru Cerro del Aguilla, which its planned scope is Approx. 510 Megawatt (the "**Project**"). The planned investment cost in the Project is Approx. USD 900 million including the interest during the time of the establishment.

The loan was received from a consortium of 11 foreign banks for a period of 12 years and the average interest is LIBOR+5% (Approx.). The first withdrawal is subject to the fulfillment of certain suspending conditions.

The Company is the guarantor in the estimated amount of Approx. USD 65 million, and in addition the Company has committed not to hold below 50.1% of Inkia Energy's shares (which is currently fully owned, indirectly, by the Company - 100%).

These obligations are valid until the end of the project establishment, which is expected to be completed in 2016.

IC Power holds (indirectly) 74.9% of the company Cerro del Aguila shares. The partner who holds the rest of the 25.1% of IC power shares has guaranteed an amount accordingly to his proportional share.

Until the end of July 2012, Cerro del Aguila has invested in connection with the project establishment Approx. USD 102 million.

The date when the event first became known to the corporation: 18/08/2012, time: 08:00.

Name of report authorized signatory and name of authorized electronic signatory: Maya Alcheh Kaplan. Adv.

Position: General Counsel (In House) and Company's Secretary.

Signature date: 19/08/2012

Reference of former documents in this regard (referring does not constitute incorporation by reference):

Former name of reporting entity:

The Israel Corporation Ltd.

Form structure updated 22/07/2012

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Name of Electronic Reporter: Maya Alcheh Kaplan. Position: Legal Counsel and Company's Secretary. Aranha 23, Millennium Tower, Tel Aviv 61204. Phone – 03-6844517, Fax: 03-6844587, e-mail – mayaak@israelcorp.com