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**Israel Corporation Ltd.**

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**ISRAEL CORPORATION**

**Adv. Noga Yatziv**

Company Secretary and Assistant to the President

January 26, 2010

To:  
The Securities Authority  
via MAGNA

To:  
The Tel Aviv Stock Exchange Ltd.  
via MAGNA

**Re: Immediate Report – Additional Investment in Better Place LLC**

Further to the immediate reports of 26.8.2007, 25.10.2007, 27.12.2007, 21.1.2008, 30.6.2008, 21.1.2009, 11.5.2009, 22.11.2009, 12.1.2010 and 25.1.2010, pertaining to the investments of Israel Corporation Ltd. (the "**Company**") in the Better Place LLC, ("**Better Place**"), the Company hereby reports as follows:

1. The existing shareholders holding more than 1% of the share capital of Better Place (including the Company and Ofer Hi-Tech Investments Ltd. and/or corporations related to it), taking into account their right of first refusal, have acquired, *pro rata* to their holdings in Better Place and under the same terms (including the *put* option referred to below), 7,000,001 A shares of one of the existing foreign investors (an unrelated party) in Better Place (the "**Seller**"), constituting approximately 3.5% of all such shares in Better Place. The Seller was interested in reducing its existing holdings due to regulatory constraints applicable to it overseas. The acquisition was made at a share price equivalent to the price to be determined in the investment described in Section 2, discounted at a rate of 10% from this amount. Those buyers were conferred with a *put* option, for a certain period, to sell, up to 83.33% of the sold shares back to the Seller, at the above stated purchase price. Accordingly, the Company acquired 3,921,569 A shares of Better Place (constituting approximately 56% of all those shares) in consideration for the sum of approximately US\$ 8.8 million (under certain circumstances, upward

adjustments may be made in the price of the shares to be held at that time by the Company); In addition the Company will be able to exercise the *put* option in a proportionate manner, so that its investment, following the exercising of the *put* option, if and to the extent exercised, will be up to about US\$ 1.5 million (subject to possible adjustments as stated above).

## 2. The Investment in Better Place

- a. Better Place initiated an additional investment round in which it will raise, in exchange of new B class shares, (the "**B Share/s**")<sup>1</sup>, an amount of US\$ 350 million, both from new (unrelated) international investors, including HSBC Bank and from some of its existing shareholders ("the **Investment**"). The capital raising is according to a company value of about US\$ 900 million pre-money (and about US\$ 1.25 billion post-money) and adjustments may be made in the cases set forth below. The B Share price, within the framework of the said capital raising, is US\$ 3, unless by 30.9.2010 (a period which may be extended under certain conditions), Better Place does not meet a certain milestone and then the B Share price will be adjusted to US\$ 2.5 by way of adjustment through the issuing of further B Shares to the investors. The Investment amount will be paid upon fulfilment of the conditions precedent for the closing of the Investment (as set forth below). In this framework, the Company will invest a further amount of approximately US\$ 72 million in Better Place, in exchange of 24,019,417 B Shares (the "**Company Investment**"), subject to the above adjustments. It is clarified that the capital raising and the Investment are being done under equal conditions for all the investors in the said round. In the said capital raising further investments will also be made in Better Place by Ofer Hi-Tech Investments Ltd. (the present holder of the shares, related to interested parties in the Company) and companies related to its shareholders (the "**Related Corporations**") in a further amount of about US\$ 20.5 million, in exchange for 6,845,534 B Shares (under the same conditions as set forth above). The Investment of the Company and the Related Corporations is being done on a *pro rata* basis relative to their present holdings in Better Place. After the closing of the said Investment, the capitalization in the B Shares of Better Place will be

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<sup>1</sup> As a general matter, the rights represented by the A Shares and the B Shares are identical, save for the rights arising from the share price itself, for example, for the purpose of calculating the conversion ratio into ordinary shares upon issuing or selling or redemption, and also under circumstances of adjusting the

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as follows: The Company – 20.6%; the Related Corporations – about 5.9%; and all the other shareholders – about 73.5%.

Following such Investment, the Company is expected to hold about 30% of the share capital of Better Place on a fully diluted basis and the Related Corporations will hold about 8.5% of the share capital of Better Place on a fully diluted basis (however possible adjustments may be made under certain cases as set forth above).

It will be noted that in the event of adjustments to the B Share price, as stated above, following the said Investment, the Company is expected to hold about 29.5% of Better Place's share capital on a fully diluted basis.

The Investment of the Company and the Related Corporations completes the present investment round in Better Place to a total sum of US\$ 350 million.

- b. The closing of the Investment is subject to obtaining the required regulatory approvals, including the US Anti Trust Commissioner's approval and completion of a reorganization of Better Place, from LLC to Inc., as well as actually raising the sum of US\$ 350 million.
- c. The Company will finance the Company's Investment from its own resources.

For details regarding Better Place – see the attached Appendix A and the description included in the Company's annual report for 2008.

### 3. Means of Approval

- a. The Company's audit committee and board of directors, in their meetings of 24.1.2010, approved the Company's Investment in Better Place as stated above.
- b. With the adoption of the Company's resolution regarding the Investment in Better Place at the end of 2007, the Company published an immediate report pursuant to the Companies Regulations (Relief for Transactions with a Interested Parties), 5760 – 2000 (the “**Relief Regulations**”) in which it announced that Related Corporations would also participate in the Investment (see the immediate report of 27.12.2007). Even though

the Related Corporations are already shareholders in Better Place and even though the Company believes that the Related Corporations have no interest in the Company's Investment, and considering that the Related Corporations have chosen to participate as shareholders in the new round of investment (in proportion to their holdings and the holdings of the Company as existed in the original investment and under the same conditions), the Company has chosen to publish this report for the sake of caution and as a conservative measure, pursuant to the provisions of Regulation 1(4) of the Relief Regulations.

- c. In this regard, the Company will note that should the Company's Investment, alongside the investment of the Related Corporations, in the present round of investment, be withheld or delayed, for any reason which is not dependant on the Related Corporations, then the Company reserves its right to participate alone in the Investment round (without the investment of the Related Corporations), and all subject to any law.

4. Summary of the Reasons of the Audit Committee and the Board of Directors for Approval of the Investment

The Company's audit committee and Company's board of directors, in their meetings of 24.1.2010, examined the Company's Investment in Better Place, *inert alia*, considering the investment of the Related Corporations in Better Place and resolved to approve the Investment and further confirmed that the provisions of Regulation 1(4) of the Relief Regulations have been met. The said resolutions were adopted on the basis of detailed information provided and also, *inter alia*, on the basis of recommendations of the Company's management and on the basis of the following considerations:

- a. Further and substantial raising of capital for Better Place has been found to be necessary for the development of Better Place.
- b. Considering the information provided to the directors, it transpires that there is economic viability in the Company's investment in Better Place.
- c. The investment of new and additional reputable entities in Better Place adds further value to the investor's group in Better Place.

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- d. The Company's Investment in Better Place will preserve and maintain the Company's position as the largest investor in Better Place.
  - e. The investment of the Related Corporations in Better Place expresses trust in Better Place.
  - f. The Investment of the Company and of the Related Corporations (as well as that of the other investors) will be under identical conditions, considering the rate of their holdings and whilst maintaining the existing proportion amongst them.
  - g. Considering the totality of considerations and circumstances, the Investment in Better Place is worthy and reasonable and in the Company's best interests.
5. Objection to the Relief regarding the Company's Investment as Stated in Section 2

In all matters relating to the Company's Investment as stated in Section 2 above (considering that the Related Corporations will also participate in the above Investment), pursuant to regulation 1C of the Relief Regulations: (a) the relief pursuant to Regulation 1 of the Relief Regulations will not apply to the Company if one, or more, shareholders holding at least one percent of the issued share capital or of the voting rights in the Company, file notice of their objection to the granting of the said relief, provided that such objection is filed with the Company in writing by no later than fourteen days from the date at which this report is filed or from the date at which an amending report to this report is filed, if any; (b) where an objection has been filed as stated in subsection (a) above, the said engagement will require approval pursuant to the provisions of Section 275 of the Companies Law, 5759 – 1999.

Sincerely,

Israel Corporation Ltd.

## Appendix A

### Summary Description of the Purchased Securities/Better Place

1. Better Place was incorporated in the USA as a company (LLC) in 2007. At the present time Better Place acts to reorganize its structure from LLC to Inc. and is doing so, *inter alia*, in order to complete the Investment set forth in Section 2 of the Report which is the subject matter of this Appendix.
2. Better Place is mainly a holding company which holds subsidiaries in various countries, in such a manner so that in each country where activities are planned, a separate company is established, hereinafter referred to as a “**State Company**”. Each State Company is intended to manage the activities in the specific country. Furthermore, Better Place holds, *inter alia*, a subsidiary dealing in research and development and another subsidiary holding the intellectual property. The Company and its subsidiaries shall hereinafter be referred to as: “**Better Group**”.
3. At the present time, Better Group has offices in the USA, Israel, Australia, Denmark and Japan and employs more than 200 employees in different countries.
4. The main existing shareholders in Better Place are Israel Corporation, Vantage Point Fund, Ofer Hi-Tech Investments Ltd., Morgan Stanley, Shai Agassi and "Maniv". Upon closing of the Investment round which is the subject matter of the present report, additional new investors will join Better Place with the biggest holder amongst them being the HSBC Bank (which will hold, on a fully diluted basis, at least 10% of the share capital of Better Place).
5. The Better Group is working towards development and deployment of a battery charging infrastructure to support electric vehicles, and an infrastructural framework for Vehicles. The development of such unique infrastructure solution is likely to assist the distribution, in the countries in which Better Place operates (“**the Active Countries**”) of the electric vehicles adapted to the unique infrastructure of the Better Group. Furthermore, it is Better Group’s intention that its infrastructure would also serve other electric vehicles capable of external electrical charging.

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6. The Better Group is currently in the process of development of various solutions aimed at creating an alternative for the traditional motor vehicle (gasoline powered engine), including:
  - 6.1. Development and production of battery exchange stations enabling timely exchange of electric vehicles batteries in order to extend the travel range of the electric vehicles without the need for lengthy charging.
  - 6.2. The development of smart charging stations which, *inter alia*, will allow for management which takes into consideration the limitations of the local electricity grid of each Country of Activity and which also allows for the smart management of battery charging in a way which enables the lengthening of battery life.
  - 6.3. The development of control centres and designated software (part of which will be integrated into the vehicle) enabling the smart and integral management of all system components in a “user friendly” manner.
  - 6.4. Planning and deployment of national electric infrastructure in the Countries of Activity for the convenience of the Better Group customers (including in parking lots, streets, homes, companies with fleets, etc.).
7. The Better Group has contracted with the car manufacturer – Renault – under which Renault will develop and manufacture electric vehicles suitable for the solution proposed by Better Group, including the solution of the replaceable battery. Moreover, Better Group is holding talks with various car manufacturers in order for them to manufacture cars adapted to the replaceable battery solution.
8. The products which Better Group intends to sell are mobility services in electric vehicles and also comprehensive infrastructure solutions for use in electric vehicles (including support, locating available charging points, etc.). In consideration for its services, Better Group plans to collect monthly subscription fees and also payment per kilometre. As the activities develop, the Better Group will sell additional related services.

9. The initial target market of Better Group are intensive use fleets who can therefore enjoy the large positive cost differences in the move to using electric vehicles (with the payment being, *inter alia*, a function of the number of kilometres the fleet travels).
10. Moreover, Better Group is developing a sophisticated price model for various market segments, *inter alia*, in accordance with their regular travel needs, which will be similar, in principle, to the pricing model for sale of “cell phone air time.”
11. With the view of the considerable costs expected in deployment of the infrastructures in the Countries of Activity and in purchasing of batteries, the business model of Better Group takes into account financing from financial entities and the raising of capital in the Country Companies. Up until now, the raising of money has been done by the Country Companies in Denmark and Australia in a total amount of approximately US\$ 170 million (including amounts invested by the holding company of Better Place). Moreover, Better Group is working towards raising additional funds in various Country Companies. So long as funds have not been raised in the Country Companies themselves, the financing of the Country Companies is done by Better Place (the holding company).
12. As indicated in the company reports, upon its establishment Better Place, the holding company, raised the sum of about US\$ 200 million and with the closing of the present capital raising round a further amount of about US\$ 350 million will be raised.
13. The Better Group cooperates with leading entities in their fields, such as:
  - (a) one of the world’s leading suppliers of electronic manufacturing services with whom Better Group will cooperate to develop and build the charging poles;
  - (b) with leading international companies with whom Better Group works to develop the computers platform;
  - (c) engagement regarding cooperation between the Danish State Company of Better Group and the Danish Electric company *Dong*, which has invested in the share capital of the Danish State Company of Better Group;
  - (d) working with a leading company in development of billing and CRM software.

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14. Within the framework of examining the market potential, dozens of companies with local operations have declared that in the future they will examine the replacement of part or of all their vehicle fleets with electric vehicles (this statement has been expressed in a joint signing of a “letter of intent” with the State Company Better Israel). Furthermore, so far the State Company Better Israel has signed on an agreement with a number of local municipalities (including the Jerusalem and Haifa municipalities) to start a pilot deployment of the charging infrastructure for electric vehicles in the various cities.
15. Moreover, in February 2010, the Better Group intends to open the first visitors centre of this sort in the world where the general public can gain its impression from the solutions being developed by Better Group and experiment driving the electric vehicle.
16. After carrying out a successful demonstration in Japan of the replaceable battery technology of Better Group, the Tokyo municipality offered to grant Better Place an amount of about US\$ 5 million to carry out an experiment of the Better Group on the local taxi cabs in Tokyo.
17. In the COP 15 climate conference, since the beginning of 2010 a pilot is being held in Denmark in which dozens of electric vehicles are participating in a charging experiments of approximately 200 charging stations being conducted by Better Group and which are controlled from the Group’s control centre in Israel.
18. It will be noted that various factors exist which may materially influence Better Group, including – fuel prices, fuel tax rates, electricity prices in the Countries of Activity, regulatory encouragement for using electric vehicles (for example, tax protections), development processes of appropriate batteries and technological developments in the field, the absence of standards in the electric vehicle field, etc.
19. It will further be noted that Better Group, as clarified above, is in the formation and development stages, with its business model being based on various assumptions which may be dependent, *inter alia*, on various external factors.

20. Better Place prepares financial statements in accordance with American generally accepted accounting principles (US GAAP) and financial statements in accordance with international financial reporting standards (IFRS).

For further details and expansion – see the details included in the annual report of the company for 2008.

\* All the terms referred to above will be given the meaning assigned to them in the immediate report which is the subject matter of this Appendix.

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