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**Israel Corp. Ltd**

Israel Corp. Ltd  
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Tel.: (03) 6844517 Fax: (03) 6844587  
Advocate Maya Alcheh-Kaplan  
Vice President  
General Counsel and Company Secretary

TO:

The Israeli Securities Authority  
Through the magna system

The Tel Aviv Stock Exchange Ltd.  
Through The Magna System

November 27, 2012

Dear Sirs,

### **Convening of a Special Annual General Meeting**

In accordance with the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970 (hereinafter: the "**Immediate Reports Regulations**") and the Companies Law, 5759 – 1999 (hereinafter: the "**Companies Law**") and the regulations enacted pursuant thereto, the Israel Corporation Ltd. (hereinafter: the "**Company**") hereby gives notice that an annual general meeting of the shareholders of the Company shall be convened on Tuesday, December 11, 2012, at 10:00 a.m., at the Company's offices, at 23 Aranha St., Millennium Tower, Tel Aviv.

#### 1. **The Items on the Meeting's Agenda**

1.1 **Inspection of the Periodic Report for 2011**: A discussion of the Company's audited financial statements and of the Board of Directors' Report on the State of the Company's Affairs for the year ended December 31, 2011.

1.2 **Appointment of Auditors**: The reappointment of the Company's auditors and the authorization of the Company's Board of Directors to determine their fees.

**Draft of the Proposed Resolution**: "**To appoint the accountants from the accounting firm of Somekh Chaikin (KPMG) as the Company's auditors for the year 2012, and, in accordance with the Company's Articles, the Board of Directors shall be authorized to determine their fees**".

1.3 **Appointment of Directors**: The appointment of the incumbent directors of the Company for an additional term in office as directors of the Company, with the exception of the outside directors who shall continue to serve up until the end of

the period of their statutory term in office. The vote regarding each candidate to serve as a director shall be conducted separately. The candidates' signed declarations to serve as directors of the Company, in accordance with the provisions of section 224B of the Companies Law, are attached herewith as **Appendix A** to this Report.

The directors who are candidates for an additional term in office shall continue to be entitled to terms of office identical to those constituting standard practice at the Company in relation to directors serving by virtue of the decisions of the competent organs of the Company, including annual remuneration and remuneration for participation, in the maximum amount as set forth in the Companies Regulations (Rules Regarding Remuneration and Expenses for an Outside Director), 5760 – 2000 (hereinafter: the "**Remuneration Regulations**"), taking into consideration the Company's rank and the director's classification as an "expert director" who is entitled to an "expertise supplement", as set forth in Regulation 5A of the Remuneration Regulations. In addition, the directors serving at the Company are also entitled to indemnity and release, and also to insurance coverage (hereinafter, collectively: the "**Standard Terms of Office**")<sup>1</sup>. Without derogating from the foregoing, the chairman of the Board of Directors, Mr. Amir Elstein, shall be entitled to remuneration in accordance with the employment agreement with him, as set forth in the Company's reports dated August 31, 2010, and September 16, 2010<sup>2</sup>, and subject to the approval of the meeting convened pursuant to this Report for the proposed compensation as set forth in section 1.4 of this Report.

It shall be noted that from among the directors who are candidates for an additional term in office, the Messrs. Ron Moskovitz, Aviad Kaufman and Yoav Doppelt are deemed to be "employed directors", so that the directors' remuneration to which they are entitled shall be transferred, by virtue of the resolution of the General Meeting of the Shareholders of the Company dated May 8, 2012 (Reference: 2012-01-119934), to the "employing corporations", as these terms are

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<sup>1</sup> For details regarding the approval of Mr. Idan Ofer's entitlement to directors' remuneration, see the Company's report in accordance with the Companies Regulations (Relief in Transactions with Interested Parties), 5760 – 2000, dated October 30, 2011 (Reference: 2011-01-310548).

<sup>2</sup> References: 2010-01-606444 and 2010-01-623115, respectively.

defined in the Company's report dated March 29, 2012 (Reference: 2012-01-084843), which is included herein by way of reference.

For the details required in accordance with Regulation 36B(a)(10) of the Immediate Reports Regulations regarding the incumbent members of the Board of Directors who are candidates for an additional term in office, please see the details regarding the said directors which were included in Article 26 of the Fourth Part (Additional Details on the Corporation) of the Company's Periodic Report for 2011, dated March 29, 2012, and also Chapter 7 of the Shelf Prospectus which was published by the Company on May 30, 2012 (Reference 2012-01-139776), which are included herein by way of reference. Below is an update of the said details with regard to the following directors:

Name Of Director	Update
Amir Elstein	<ul style="list-style-type: none"> <li>• Serves as Chairman of the Management Committee of the Israel Institute of Democracy.</li> <li>• No longer serves as a member of the Compensation Committee.</li> </ul>
Idan Ofer	<ul style="list-style-type: none"> <li>• No longer serves as a director of the companies O.P.C. Ramat Hovav Ltd. (in voluntary dissolution), Ofer Media Ltd. (voluntary dissolution) and the Ofer Brothers (Energy Holdings) Ltd.</li> <li>• Serves as a manager of Lynav Shipping Ltd.</li> <li>• The names of the following companies at which Mr. Idan Ofer serves as a director have been changed, as set forth below: the name of Ofer Holdings Group Ltd. has been changed to XT Holdings Ltd.; the name of Ofer (Ship Holdings) Ltd. has been changed to XT Management Ltd.; the name of the Ofer Management Ltd. Group has been changed to XT Real Estate Ltd.; the name of Ofer Shipping Ltd. has been changed to XT Shipping Ltd.; the name of the Ofer Investments Group Ltd. has been changed to XT Investments Ltd.; the name of Ofer Aviation Ltd. has been changed to XT Aviation Ltd.</li> </ul>
Amnon Lion	<ul style="list-style-type: none"> <li>• No longer serves as a member of the Compensation Committee.</li> <li>• No longer serves as a director of the Ofer Brothers (Energy Holdings) Ltd.</li> <li>• The names of the following companies at which Mr. Amnon Leon serves as a director have been changed, as set forth below: the name of Ofer Holdings Group Ltd. has been changed to XT Holdings Ltd.; the name of the Ofer Investments Group Ltd. has been changed to XT Investments Ltd.; the name of Ofer Shipping Ltd. has been</li> </ul>

	changed to XT Shipping Ltd.; the name of Ofer (Ship Holdings) Ltd. has been changed to XT Management Ltd.; the name of the Ofer Management Ltd. Group has been changed to XT Real Estate Ltd.; the name of Ofer Aviation Ltd. has been changed to XT Aviation Ltd.
Yoav Doppelt	<ul style="list-style-type: none"> <li>• Also serves as CEO of XT Investments Ltd.</li> </ul>
Eitan Raff	<ul style="list-style-type: none"> <li>• No longer serves as a director of Aeronautics.</li> </ul>
Zeev Nahari	<ul style="list-style-type: none"> <li>• No longer serves as a member of the Compensation Committee.</li> <li>• Effective from March 2012, no longer serves as the chairman of Leumi Partners.</li> <li>• Serves as a director of Arab Israel Bank Ltd.</li> </ul>
Zahavit Cohen	<ul style="list-style-type: none"> <li>• No longer serves as a director of Haifa University and likewise, of certain companies which hold (either directly or indirectly) Psagot Investment House Ltd.</li> </ul>
Ron Moskovitz	<ul style="list-style-type: none"> <li>• No longer serves as a member of the Compensation Committee.</li> </ul>
Michael Bricker	<ul style="list-style-type: none"> <li>• Has begun to serve as a member of the Compensation Committee.</li> </ul>
Ofer Termechi	<ul style="list-style-type: none"> <li>• Has begun to serve as the chairman of the Compensation Committee.</li> </ul>

**Draft of the Proposed Resolution:**

To appoint, for an additional term in office as directors of the Company, the following incumbent directors (who shall continue to be entitled to the Standard Terms of Office, as specified in section 1.3 of this Report): (a) Amir Elstein; (b) Idan Ofer; (c) Amnon Leon; (d) Zeev Nahari; (e) Ron Moskovitz; (f) Zahavit Cohen; (g) Yoav Doppelt; (h) Aviad Kaufman; (i) Eitan Raff; (j) Dan Ziskind; (k) Michael Bricker.

- 1.4 **Approval of the Extension of Office, Updated Terms of Office and Allocation of Options to the Chairman of the Board of Directors:** Further to the approval of the Appointments Committee, the Compensation Committee and the Audit Committee and the Board of Directors of the Company dated November 22, 2012, and November 26, 2012, it is proposed to approve the extension of the term of office of the chairman of the Board of Directors, Mr. Amir Elstein, to update the terms of office of the chairman of the Board of Directors of the Company and also to approve the allocation of option warrants to the chairman of the Board of Directors of the Company, as presented in brief below:

- 1.4.1 The extension of the period of engagement for a specified period of three additional years, from the date of termination of his current employment agreement (i.e., effective from July 1, 2013);
- 1.4.2 The update of the provisions of the employment agreement of the chairman of the Board of Directors pertaining to the advance notice period and to an adjustment period, severance pay, an annual bonus, and the early vesting of options;
- 1.4.3 Approval of an allocation of 35,000 option warrants to the chairman of the Board of Directors for the purchase of shares of the Company in accordance with the Company's option plan for 2012;

all in accordance with that set forth in the Company's Immediate Report dated November 27, 2012 (Reference: 2012-01-290553), which is incorporated by way of reference.

For details in connection with the proposed terms of office and also the terms of the allocation of the said option warrants, including the considerations and reasons of the Compensation Committee, the Audit Committee and the Board of Directors of the Company, see the said Immediate Report dated November 27, 2012.

It shall be clarified that in most of the terms of office of the chairman of the Board of Directors (including salary, expenses, social terms, etc.) – there has been no change<sup>3</sup>.

**Draft of the Proposed Resolution:**

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<sup>3</sup> The current terms of Mr. Amir Elstein's employment were approved for a specified period of three years from the date of his appointment to the position (July 1, 2010), whereby the scope of his position was to be determined as a result of the Company's needs, and it was assessed as being a full-time position, and in addition, he would reserve the right to continue to serve in his position as the chairman of the Board of Directors of Tower Semiconductors Ltd. and as a director of Teva Pharmaceutical Industries Ltd. The terms of his employment comprise a monthly wage of NIS 174,000, linked to the Consumer Price Index, social terms including senior employees' insurance, a continuing education fund, vehicle expenses, telephone expenses, a thirteenth salary, 22 vacation days, 20 sick days and the reimbursement of expenses against reporting and receipts. Pursuant to the current terms of employment, the chairman of the Board of Directors is entitled to participate in the Company's Employee Stock Option Plan, if determined, and in addition, each year, the Board of Directors shall discuss the grant of an annual bonus to the chairman of the Board of Directors, subject to the Board of Directors' discretion, and to the approvals required pursuant to law. In addition, his current terms of employment include arrangements in the event of the termination of the engagement. For further details, see the Company's Immediate Reports dated August 31, 2010 (Reference No. 2010-01-606444 and 2010-01-607053), September 16, 2010 (Reference No. 2010-01-623115), September 13, 2010 (Reference No. 2010-01-619053), and September 20, 2010 (Reference No. 2010-01-626433), which are included herein by way of reference.

To approve the extension of the term in office of the chairman of the Board of Directors for an additional specified period of three years, commencing from the termination of the current employment agreement with the chairman of the Board of Directors (i.e., effective from July 1, 2013), and the updating of the terms of office of the chairman of the Board of Directors of the Company, Mr. Amir Elstein, and also to approve the allocation of the options to the chairman of the Board of Directors, all in accordance with that set forth in the Company's Immediate Report dated November 27, 2012 (Reference: 2012-01-290553), which is included by way of reference.

2. **The Majority Required to Pass the Resolutions at the Meeting**

The majority required to pass the resolutions on the agenda of the meeting is a simple majority of the shareholders entitled to participate in the vote who are present at the meeting, whether in person or by proxy.

3. **The Effective Date**

The effective date to determine the entitlement of a shareholder of the Company to vote at the meeting, as stated in section 182 of the Companies Law, is at the end of the trading day on the Stock Exchange, on Sunday, December 2, 2012, and should no trading be conducted on the Effective Date, then on the first trading day prior thereto.

4. **Proof of Ownership of Shares**

In accordance with the Companies Regulations (Proof of Ownership of a Share for the Purpose of Voting at the General Meeting), 5760 – 2000, a shareholder in whose favor a share is registered with a member of the Tel Aviv Stock Exchange Ltd. and which share is included amongst the shares of the Company which are registered in the Register of Shareholders, in the name of a nominee company, and who wishes to vote at the general meeting, shall submit to the Company confirmation from the said member of the Stock Exchange, with whom his title to the share is registered, with regard to his ownership of the share, on the Effective Date, in accordance with Form 1 in the Schedule to the said Regulations.

5. **Quorum**

Pursuant to the Company's Articles, the quorum for the purpose of holding the meeting shall be constituted when five shareholders are present, whether in person or by proxy, who have at least twenty five percent of the voting rights. Should no quorum be present at the

general meeting at the expiration of half an hour from the time appointed for the commencement of the meeting, the meeting shall stand adjourned by one week, to the same day, time and place, without it being necessary to give notice thereof to the shareholders, and if no quorum is constituted at the adjourned meeting, at the expiration of half an hour from the time appointed for the meeting, the shareholders present shall constitute a quorum.

6. **Voting By Proxy**

A shareholder who is entitled to participate in and vote at the meeting may vote in person or by proxy, in accordance with that stated in the Company's Articles. A shareholder who wishes to vote by proxy, as aforesaid, shall lodge the power of attorney at the Company's registered office at least 48 hours prior to the time scheduled for the meeting or for the adjourned meeting.

7. **Inspection of Documents**

The Company's shareholders may inspect the draft of the proposed resolutions, at the Company's offices, from Sundays to Thursdays, from 09:00-16:00, by prior arrangement on Tel: 03-6844500.

Sincerely yours,

**Israel Corporation Ltd.**

**The name of the authorized signatory to the report and the name of the authorized electronic signatory: Maya Alcheh-Kaplan  
Position: Vice President, General Counsel and Company Secretary  
Date of signing: November 27, 2012.**