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Israel Corporation Ltd.
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ISRAEL CORPORATION
Adv. Noga Yatziv
Company Secretary and Assistant to the President

30th March 2009

To:
Securities Authority
3 Kanfei Nesharim Street
Jerusalem

To:
The Tel-Aviv Stock Exchange Ltd.
54 Ahad Ha'am Street
Tel Aviv

Dear Sir or Madam,

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

On 30th March 2009, pursuant to the approval of the Audit Committee and taking into consideration the recommendations of the Remuneration Committee of the Company, the Board of Directors of the Company approved the payment of annual bonuses to the senior personnel of the Company, including Messrs. Idan Ofer (Chairman of the Board of Directors), Nir Gilad (CEO of the Company), Avisar Paz (Chief Financial Officer), and Alon Raveh (Deputy CEO Strategic and Business Development) (hereinafter: the "**Senior Company Personnel**"), all as more particularly set out below:

1. **Amounts of the Annual Bonuses for the year 2008**

- 1.1. Mr. Idan Ofer - overall annual bonus for the year 2008 in the amount of NIS 1,342,000;
- 1.2. Mr. Nir Gilad - overall annual bonus for the year 2008 in the amount of NIS 4,500,000;
- 1.3. Mr. Avisar Paz- overall annual bonus for the year 2008 in the amount of NIS 1,140,000;
- 1.4. Mr. Alon Raveh- overall annual bonus for the year 2008 in the amount of NIS 1,000,000

2. **Additional Details**

For additional details with regard to the terms of employment and service of the said Senior Company Personnel, reference should be made to the detail in the Periodic Report of the Company (section 21 in Article D of the Periodic Report (Additional Details)) which was published immediately prior to this Report.

3. **Method of Determining the Remuneration**

- 3.1. The principles for awarding remuneration for Senior Company Personnel, including the criteria and the parameters for such remuneration, were determined in the year 2007-2008, pursuant to a series of meetings of the Remuneration Committee and the Audit Committee of the Company held regarding the matter, as well as the

resolutions passed in relation to the matter by the Audit Committee and the Board of Directors of the Company.

- 3.2. The principles for remuneration determined as aforesaid in the year 2007-2008 were re-examined and re-evaluated within the scope of a series of meetings of the Remuneration Committee and the Audit Committee of the Company which took place before the passing of the resolutions for the award of the bonuses referred to in this Report, and were ratified by the Audit Committee and the Board of Directors.
- 3.3. In awarding the annual bonuses and determining the amount thereof, the following parameters were, *inter alia*, taken into consideration (as determined within the scope of the principles for remuneration for the year 2007-2008 and ratified immediately prior to this Report):
 - a. The business results of the Company in 2008, including profitability, return on capital, etc.
 - b. Compliance with the targets of work plan, the efficiency plan and the strategic plan of the Company for 2008.
 - c. A comparison was made with the salary terms of the Senior Company Personnel in past years whilst at the same time examining the compliance with parameters and criteria determined in the remuneration principles as aforesaid, in respect of which the bonuses for the year 2007 were taken as the point of reference.
 - d. Evaluation as to the performance and personal contribution of each of the Senior Company Personnel to the activities of the Company and its subsidiaries, to the development of their business and the business results of the Company for the year 2008, in view of the recommendations of the CEO of the Company with regard to each of the Senior Company Personnel (except with regard to the Chairman of the Board of Directors and the CEO).
 - e. A comparison was made with regard to the standard in companies of a similar size in relation to the remuneration of senior personnel, taking into account that according to remuneration principles of the Company, the amount of bonuses are not determined on the basis of a fixed model and are not subject to a specific formula.

4. **The Approving Organs of the Company and the Date of Approval**

- 4.1. The Audit Committee of the Company approved the remuneration to the Senior Company Personnel on 26th March 2009 after a series of meetings with the Remuneration Committee.
- 4.2. The Board of Directors of the Company approved the remuneration to the Senior Company Personnel on 30th March 2009.

5. **Reasoning of the Audit Committee and the Board of Directors of the Company as to the Amounts of the Annual Bonuses**

The Directors examined and considered the recommendation of the CEO of the Company in relation to the annual bonus of the Senior Company Personnel (other than the CEO and the Chairman of the Board) and also examined and considered the amount of the proper and reasonable annual bonus for the CEO of the Company, bearing in mind the parameters set out in paragraph 3 above, and approved them *inter alia* based on the following principal considerations:

- 5.1. The amount of the annual bonuses took into account the results of the Company in 2008 which were better than the results for 2007.
- 5.2. In light of the business results of the Company in 2008 as aforesaid, there was justification, *prima facie*, to increase the amount of the annual bonuses as compared to the bonuses for the year 2007 which serve as the basis pursuant to the remuneration principles. However, considering the economic situation in Israel and throughout the world, it was decided to reduce the amount of the annual bonuses compared to the bonuses which were awarded for the year 2007. In a similar manner to the rate of reduction in salary which was agreed with the Senior Company Personnel in the past, it was decided to also reduce an amount equivalent to 10% of the amount of the bonus to be granted to each one of the Senior Company Personnel (including to additional office holders in the Company, including advocate Noga Yatziv, the Company Secretary and Mr. Eli Goldshmidt, Deputy CEO Communications and Regulation), other than in relation to the CFO in respect of whom there will be a reduction of 5% due to his special contribution which is worthy of a special mention.
- 5.3. The considerable increase in the scope of activity in the management of the Company in light of the economic situation has been taken into account, as well as the need to respond quickly and the extensive involvement required by the management of the Company in the Companies forming part of the Company's Group, including an increase in the supervision and control procedures, and the initiation of an efficiency program for all the Companies forming part of the Company's Group.
- 5.4. The Company led by the Senior Company Personnel, has complied with the work plan presented to it, including the actual implementation thereof in the context of the budget.
- 5.5. The personal contribution of each one of the Senior Company Personnel to the activities of the Company and its subsidiary companies has been examined and considered, along with their performance and activity.
- 5.6. Following a comparison carried out in relation to the standard in companies of a similar size, it was decided that the annual bonuses awarded to the Senior Company Personnel as aforesaid are reasonable in all the circumstances of the matter, bearing in mind that according to the principles of remuneration of the Company, the amounts of the bonuses are not determined in accordance with a fixed model and are not dependent on any particular formula.
- 5.7. The amount of the annual bonus to Mr. Idan Ofer was determined by the Audit Committee and the Board of Directors pursuant to the powers granted to them by virtue of the decision of the General Meeting of the Company held on 20.10.1999 according to which they were empowered to decide every year as to the grant of the annual bonus to Mr. Idan Ofer in the amount of up to 8 (eight) monthly salary payments in the event that there is a net profit in the consolidated financial statements of the Company. The directors expressed their deep appreciation of the considerable involvement of the Chairman of the Board of Directors in the decision making and implementation of Company policy and strategy as well as his initiative

in various activities taken by the Company and those companies forming part of the Company's Group in light of the economic situation in Israel and throughout the world. The Chairman, on his own initiative, asked to reduce the amount of the bonus in respect of the year 2008 by approximately 50% compared to the amount of the bonus which was awarded to him in relation to the year 2007. The Board of Directors accepted the position of the Chairman with appreciation and was of the view that the awarding of an annual bonus in the said amount was proper, considering the position of the Chairman as aforesaid.

- 5.8. With regard to the amount of the annual bonus to Mr. Nir Gilad, it was taken into account that in relation to the bonus granted to him in respect of the year 2007, there was a base amount of NIS 5 million, which was reduced in relation to the year 2007 on a proportionate basis in view of the fact that the period of service as CEO of the Company commenced in June 2007 (prior thereto he served as Deputy CEO). From the said base amount the amount of 10% was deducted, similarly to what was decided in relation to the other Senior Company Personnel.
- 5.9. The award of proper and reasonable annual bonuses to the Senior Company Personnel constitutes the continuation of the policy followed by the Company in previous years (which was re-examined and ratified once again within the scope of the series of meetings) and was intended, inter alia, to remunerate the Senior Company Officials with a view to aspiring to advance the best interests of the Company and its objectives by way of granting incentives for their continued activities and involvement for the Company's benefit.
- 5.10. The Company is of the opinion that the combination of fixed terms of employment, and annual bonuses in addition to future remuneration by way of an options plan (to which the Senior Company Personnel are entitled) creates the framework for a correct and fair remuneration for its Senior Personnel with the objective of encouraging the profitability of the Company and the advancement of its business results for the benefit of all the shareholders.
- 5.11. As part of the overall considerations, the Audit Committee and the Board of Directors considered that there was complete justification for the granting of the remuneration as aforesaid, which is proper and reasonable in the circumstances of the matter, and congratulated the Senior Company Personnel on their achievements.

The above decisions were passed unanimously by the participating directors.

Sincerely,

Israel Corporation Ltd.