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## Israel Corporation Ltd.

December 13, 2010

TO:

THE SECURITIES AUTHORITY

THROUGH THE MAGNA SYSTEM

THE TEL AVIV STOCK EXCHANGE LTD.

THROUGH THE MAGNA SYSTEM

Dear Sir/ Madam,

Re: **Immediate Report - Compensation for a director who is considered as Controlling Person**

Further to the immediate report dated 2 November 2010 (ref. no.: 2010-01-667515), and in accordance with the Companies Regulations (Easements in Transactions with an Interested Party), 2000, the Company hereby reports, as follows:

### 1. **Introduction**

- a. Mr. Idan Ofer was appointed as a director in the Company on 26.1.1999. By virtue of his tenure as a director in the Company, Mr. Idan Ofer is entitled, during his term in office as a director in the Company, to all customary terms of tenure applied to the Company's directors (including grant of insurance coverage, indemnity and exemption), by virtue of the resolutions of the general meeting and the Company's competent organs (*inter alia*, as set forth in the immediate reports dated March 22, 2001, September 11, 2007 and August 31, 2010).
- b. Simultaneously with his tenure as a director in the Company, Mr. Idan Ofer served also as the Chairman of the Company's Boars of Directors since 14.4.1999 and until 1.7.2010. During the term of his office as the Company's Chairman of Board, Mr. Idan Ofer was entitled to compensation in accordance with his employment agreement (which was approved by the Company's general meeting on September 1999), and was not entitled to additional compensation due to his tenure as a director in the Company.
- c. On 1.7.2010 Mr. Idan Ofer ended his office as the Chairman of the Company's Board, while he continues to serve as a director in the Company (an office which he serves in since 1999 as aforesaid). In accordance with the employment agreement of Mr. Idan Ofer as the Company's Chairman of the Board (which ended on 1.7.2010 as aforesaid) Mr. Idan Ofer is entitled to six monthly salaries as of the end of his

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tenure as the Company's Chairman of the Board, i.e. commencing from 1.7.2010 and until 31.12.2010.

- d. On 18.11.2010 the Company's general meeting resolved, *inter alia*, to renew the tenure of Mr. Idan Ofer as a director in the Company (without determining annual remuneration and participation remuneration. Regarding the other terms of tenure see article 1(a) above).
- e. The subject of this report is the resolution of the Company's Audit Committee and Board of Directors to approve the grant of compensation to Mr. Idan Ofer for his tenure as a director in the Company, this equivalent to the customary terms of tenure applied to the other Company's directors (excluding the Company's Chairman of the Board whose compensation is in accordance with his employment agreement), and in accordance with the Companies Regulations (Rules Regarding Remuneration and Expenses for an Outside Director), 2000 (the "**Compensation Regulations**"), and considering that Mr. Idan Ofer is an "Expert Director", as the term "Expert Outside Director" is defined in the Compensation Regulations (*mutatis mutandis*) and his entitlement to the supplement set forth in the Compensation Regulations in respect thereof (hereinafter: "**Expertise Supplement**"). In this context it shall be noted that, considering Mr. Idan Ofer's statement and the familiarity with him, the Board of Directors of the Company determined that Mr. Idan Ofer is entitled to be considered as an "expert director", as aforesaid, and therefore, he is entitled to the Expertise Supplement set forth in the Compensation Regulations in respect thereof.

## 2. **Compensation to Mr. Idan Ofer for his tenure as a director in the Company**

On 24.11.2010 the Company's Audit Committee and Board of Directors approved that Mr. Idan Ofer will be entitled, commencing from 1.1.2011 and as long as he serves as a director in the Company, to compensation for his tenure as a director in the Company in a sum equivalent to the maximum possible amount prescribed in the Compensation Regulations, considering the ranking of the Company as will be from time to time, and considering his entitlement to Expertise Supplement.

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3. **The principal considerations of the Audit Committee and Board of Directors**

- a. The compensation of Mr. Idan Ofer does not exceed the lowest compensation paid to any other director in the Company and does not exceed the maximum amount prescribed in the Compensation Regulations, considering the Expertise Supplement.
- b. The compensation of Mr. Idan Ofer is equivalent to the customary compensation applied to other directors serving in the Company (excluding the Company's Chairman of the Board whose compensation is in accordance with his employment agreement).
- c. The Company's policy is that in general all Company's directors will be entitled to uniform compensation and terms.
- d. There is a great deal of appreciation by the Company and its Board of Directors to the contribution of Mr. Idan Ofer as a director in the Company.
- e. Looking at the considerations as whole, the Company considers it fully justified to approve the compensation of Mr. Idan Ofer, which is identical to the customary terms of tenure applied to the other Company's directors, and which is proper and reasonable and for the benefit of the Company.

4. **The right of the Company's Shareholders to object the Easement as detailed in regulation 1(c) of the Easements Regulations**

In accordance with Regulation 1.c of the Easements Regulations and with respect to section 2 above: (a) the Easement pursuant to regulation 1 of the Easements Regulations will not apply to the Company if one or more shareholders holding at least one percent of the issued capital or of the voting rights in the Company, has given notice of its objection to the granting of such Easement, provided that the objection was submitted to the Company, in writing, no later than fourteen days from the date on which this report was filed or from the date on which an amended report hereto was filed, if and to the extent filed; (b) in the event that such objection was filed, as stated in sub-section (a) above, the contemplated engagement will require an approval in accordance with the provisions of section 273 or 275 of the Companies Law, 1999, as the case may be.

Sincerely yours,  
Israel Corp. Ltd.