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Israel Corporation Ltd.

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Millennium Tower, 23 Aranha Street, P.O.B. 20456, Tel-Aviv 61204

Tel: 03-6844517, Fax: 03-6844587

Adv. Maya Alcheh Kaplan

General Counsel (In house) and Company Secretary

March 30, 2011

TO:

THE SECURITIES AUTHORITY

THE TEL AVIV STOCK EXCHANGE LTD.

THROUGH THE MAGNA SYSTEM

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Dear Sirs,

Convening of a Special General Meeting of the Company's Shareholders

The Company wishes to announce that in accordance with the Companies Regulations (Notice and Advertisement of a General Meeting and a Class Meeting at a Public Company), 5760 – 2000 and the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970, a special meeting (hereinafter: the “**Meeting**”) of the shareholders of the Company shall be convened as set forth below.

1. Venue of the Meeting

The Meeting shall take place on April 14, 2011, at 10:00, at the Company's offices, at 23 Aranha St., Millennium Tower, Tel Aviv.

2. Details of the Matters on the Agenda of the Meeting

Approval of a bonus in the amount of NIS 3 (three) million to the chairman of the Board of Directors of the Company, Mr. Amir Elstein, for the year 2010.

3. Summary of the Resolution

To approve the grant of a bonus for the year 2010 in the amount of NIS 3 million to the chairman of the Board of Directors of the Company, Mr. Amir Elstein.

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

Further to the recommendation of the Remuneration Committee, dated March 24, 2011, and further to the approval of the Audit Committee, dated March 29, 2011, the Board of Directors of the Company has unanimously approved, on March 29, 2011, the bonus to the chairman of the Board of Directors of the Company, Mr. Amir Elstein, who began to serve as the chairman of the Board of Directors of the Company on July 1, 2010 (see, in addition, the Company's Immediate Report dated March 30, 2011).

For additional and greater details regarding the format of the discussion and the examination of the fairness and reasonableness of the total remuneration given to each of the officers of the Company, including the chairman of the Board of Directors of the Company, Mr. Amir Elstein, in the year 2010, and regarding the terms of office of Mr. Amir Elstein at the Company, including the allocation of options, which were approved during 2010, see the Board of Directors' Report and Regulation 21 in the Periodic Report of the Company for 2010, which was published on March 30, 2011, and the Company's Immediate Reports dated September 13, 2010 and September 20, 2010, hereby presented by way of reference.

5. **Manner of Determining the Annual Bonus for the Chairman of the Board of Directors**

The approval of the bonus for 2010 was preceded by detailed discussions at the Remuneration Committee, the Audit Committee and the Board of Directors of the Company (*inter alia*, on February 24, 2011) with regard to the terms of the total remuneration of each of the officers of the Company, including the chairman of the Board of Directors of the Company, Mr. Amir Elstein, in which a review was conducted of the terms of employment of the chairman of the Board of Directors, the areas of his responsibility and his activities in 2010, the Company's operating results for 2010 in the aspects related to the areas of responsibility of the chairman of the Board of Directors, and his contribution to the Company. In addition, for the purpose of the discussion, relevant background material was submitted to the directors.

The rate of the bonus for 2010 to the chairman of the Board of Directors was determined, *inter alia*, based on the following parameters:

- 5.1 The business results of the Company and of the Company's investee companies, for the year 2010, including the profits of the Company and of its investee companies, the increase in the value of the Company and the investee companies, the formulation and implementation of a strategy plan for the Company and its investee companies, the implementation of a streamlining and recovery plan at the Company's investee companies, and restructuring at the investee companies.
- 5.2 Investment and entrepreneurial activities performed in 2010.
- 5.3 The overall terms of employment of the chairman of the Board of Directors, and his compliance with the requirements of the position which he holds, including his compliance with the engagement agreements with him.
- 5.4 An assessment regarding the performance and contribution of the chairman of the Board of Directors to the operations of the Company and the companies which are members of the Company's group, to the development of their business and to the operating results of the Company and the companies of the group.
- 5.5 The contribution of the chairman of the Board of Directors to the Company's success, to the development of the Company and its business, to the implementation of significant measures at the Company, and to the advancement of processes whose purpose is to achieve the Company's targets, with long-term vision.
- 5.6 An assessment regarding the activities of the chairman of the Board of Directors for the advancement, development and supervision of business initiatives of the Company in various fields, and also with regard to the managerial objectives achieved by him in 2010.
- 5.7 A comparison with the terms of remuneration in previous years, whilst taking into account the significant increase in the Company's business

results for 2010, and the contribution of the chairman of the Board of Directors to the advancement thereof.

5.8 An examination of the terms of remuneration as per standard practice at companies of a size similar to the Company, in accordance with comparative research that was performed by external consultants for the Company, whilst taking into consideration the uniqueness of the Company, the scope of its business and the complexity of its business in relation to the Israeli market, and the degree of risk at which the Company operates.

6. **The Reasons of the Audit Committee and the Board of Directors of the Company for the Amount of Mr. Amir Elstein's Bonus**

The Audit Committee and the Board of Directors of the Company have examined the amount of the annual bonus which is appropriate for the chairman of the Board of Directors of the Company, Mr. Amir Elstein, taking into consideration the recommendation of the Remuneration Committee, the total remuneration which was paid to the chairman of the Board of Directors of the Company in 2010, and based on the above parameters, and they have approved the annual bonus, *inter alia*, based on the main reasons set forth below:

6.1 His contribution to the Company's record results in 2010 and also the Board of Directors' appreciation of his involvement in and his contribution to the supervision of the operations of the companies which are members of the Company's group, and the advancement of their business results.

6.2 His contribution to the advancement of processes to achieve the Company's strategic objectives, including the spearheading of the adoption of a strategic plan for the Company and the implementation thereof at the Company's investee companies.

6.3 His contribution to the regular and ongoing management with the Company's management, including his contribution to the formulation of the Board of Directors' procedure and to the corporate governance at the Company.

- 6.4 His contribution to and activities for the management and development of transactions and processes within the Company's area of activities.
- 6.5 Appreciation of his activities during his term in office on the Board of Directors of the investee companies.
- 6.6 The impression formed of his performance and functioning, and appreciation thereof (including pursuant to the engagement agreement with him) against the background of the changes in the global economy and the recovery from the global financial crisis of late 2008.
- 6.7 Appreciation of his abilities, skills and contribution, particularly taking into consideration the uniqueness of the Company, the scope of its business and its complexity, both in geographical terms and in terms of the areas of the Company's operations, and their implications for the demands of the position and the skills required of the chairman of the Board of Directors of the Company.
- 6.8 In addition, with regard to the chairman of the Board of Directors, comparative data were reviewed, as compared to standard practice at companies of a similar size to that of the Company, and it was noted that the bonus in respect of 2010 is fair and reasonable, even if it is higher than the standard practice at the companies examined, which are not similar in nature, character or complexity to the Company, *inter alia*, taking into consideration the following factors: (a) the uniqueness of the Company in the Israeli economy, the geographical complexity of the Company, when the manufacturing plants of the Company's investee companies are spread over four continents, the fact that 60% of the manufacture of the companies of the Group is done outside of Israel, the fact that most of the sales of the Group are made outside of Israel, the broad range of areas in which the Company is engaged (chemistry, refining, chips, energy, shipping, cars, etc.), the fact that part of the companies of the Group are mature companies, but another part are potential companies, and the implications of the complexity and the geographical spread for the demands of the position and the skills required of the chairman of the Board of Directors of the

Company; (b) the development of the Company in the year 2010, during which the Company undertook business initiatives in new areas, led to the situation whereby the Company is not purely a holding company, but rather a company which also deals in entrepreneurship, management and the development of new and diverse businesses, under the active and ongoing leadership of the chairman of the Board of Directors; (c) the challenges facing the Company and the managerial input required of the chairman of the Board of Directors (in the aspects relating to his position) for the purpose of the dynamic management of a holding company of the type of the Company and of the size of the Company; (d) the complex job of the chairman of the Board of Directors in light of the complexity and uniqueness of the Company, as aforesaid, and also in view of the strategic objectives of the Company, which include, *inter alia*, the expansion of the areas of activity of the Company and the increased involvement of the Company's management in the development of new investments, in the promotion of innovative and original technologies, in the improvement of existing investments and in the creation of synergy between the Company's investments; (e) the fact that the Company is based on the limited headquarters staff of the senior management and the unique skills of the members of the management, and the Company's desire to preserve the continued service in office and the contribution of the chairman of the Board of Directors to the Company and to its shareholders; (f) the involvement of the chairman of the Board of Directors in the Company's investee companies which is expressed, *inter alia*, in the contribution to the improvement of their business results.

6.9 The grant of the annual bonus constitutes a continuation of the remuneration policy which has been practiced at the Company in previous years, pursuant to which the annual bonus constitutes a remuneration component of the officers of the Company alongside a fixed salary and a share-based payment, with the aim of advancing the Company's best interests and its objectives by giving incentives for the continued activities and involvement of the chairman of the Board of Directors of the Company, for the Company's benefit. It shall be noted that the Remuneration Committee, the Audit

Committee and the Board of Directors of the Company have given their opinion that the value of the share-based payment, which constitutes the most influential component in terms of the figures comprising the total remuneration that was given to the chairman of the Board of Directors in 2010, is calculated according to the Black & Scholes formula, which is based on the rate of the share, and also that the value of the share-based payment is affected by fluctuations, it does not constitute an actual payment to the officer, and by its very nature, it contains the component of uncertainty with regard to the possibility of the officer benefiting from it, and with regard to the extent of the benefit.

6.10 Taking into consideration the entirety of the terms of the remuneration of the chairman of the Board Directors of the Company, and taking into consideration the reasons set forth above, the Company sees full justification for the grant of the annual bonus, which is fair and reasonable given the circumstances of the matter.

7. **The Majority Required to Pass the Resolutions:**

A simple majority of all the votes of the shareholders present at the Meeting, whether in person or by proxy, who are entitled to participate in the vote and who voted thereat, without taking into account the votes of the abstaining shareholders.

8. **The Effective Date:**

The effective date to determine the entitlement of a shareholder of the Company to vote at the general meeting, as stated in section 182 of the Companies Law, is on April 5, 2011.

9. **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.

10. **Quorum:**

Pursuant to the Company's Articles, a quorum 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. If there is no quorum 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 to April 28, 2011, at 10:00, 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.

11. **Inspection of Documents:**

The Company's shareholders may inspect the full draft of the proposed resolution, 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.