

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original.

**Israel Corporation Ltd.**

Registrar Number: 520028010

**Form 121**

Securities of the Corporation are listed in the Tel Aviv Stock Exchange

**Public**

Sort name: Israel Corporation

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Date of Transmission: July 12, 2015

Reference: 2015-01-070356

To:

To:

The Securities Authority

The Tel Aviv Stock Exchange

[www.isa.gov.il](http://www.isa.gov.il)

[www.tase.co.il](http://www.tase.co.il)

**Immediate Report**

The Event: Filing of a Motion to Approve a Derivative Action

See the attached report - Filing of a Motion to Approve a Derivative Action.

The date when the event first became known to the corporation: July 9, 2015

Time: 18:00

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: July 12, 2015

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July 12, 2015

|                                 |                                    |
|---------------------------------|------------------------------------|
| To:                             | To:                                |
| <u>The Securities Authority</u> | <u>The Tel Aviv Stock Exchange</u> |
| www.isa.gov.il                  | www.tase.co.il                     |

**Immediate Report - Filing of a Motion to Approve a Derivative Action**

Further to Israel Corporation Ltd.'s ("**the Company**") immediate report dated February 5, 2015 the Company hereby reports, that on July 9, 2015 it was served with a copy of a motion to approve a derivative action (and a copy of the lawsuit which was enclosed thereto) (the "**Motion**"), which was filed with the district court in Tel-Aviv (Economic Department) by a shareholders, who claims she owns shares of the Company (the "**Applicant**") against Nir Gilad (the former CEO of the Company), Avisar Paz, Maya Alcheh-Kaplan and Eran Sarig, officers at the Company (the "**Officers**"), Millenium Investments Elad Ltd. and Mr. Idan Ofer (the "**Controlling Shareholders**") and the Company.

According to the applicant, in short, the payment of the bonuses by the Controlling Shareholders (or their related parties) to the Officers in connection with the completion of the distribution act (as stated in the Company's report dated December 23, 2014) was wrong, made whilst disrupting bypassing the formation of decision-making by the Company's organs, placed the Officers in conflict of interest with regards to the distribution act in which the Controlling Shareholders has had personal interest, and was in contradiction to the compensation policy of the Company and the provisions of the law regarding officers' compensation.

The Applicant claims, *inter alia*, that the Officers have breached their fiduciary duties to the Company, received benefits which are argued to belong to the Company, exploited a business opportunity of the Company, have breached their duties of trust and received a benefit forbidden by the trust and agency laws and made unjust enrichment, and that the Company is entitled to the said bonuses. In addition the Applicant claims that the Controlling Shareholders have breached their duty of fairness and the duty to act in good faith and in an acceptable manner, and that the court should determine, *inter alia*, that they are liable for the grounds, according to the Applicant's opinion, against the Officers.

In light of these claims the Applicant has motioned to approve the lawsuit as a derivative action and, *inter alia*, for an order to the Controlling Shareholders and the Officers to pay to the Company the total bonuses amount (approximately NIS 56 million with addition of linkage differentials and interest), and for an order to forbid the Controlling Shareholders to engage directly with the Officers and other officers in connection with their office at the Company, including granting rights or benefits with connection with their office as mentioned.

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The Company is studying the Motion and the lawsuit, however seemingly the claims are based on those which were claimed in the preliminary letter, and were rejected by the Company as they are groundless.

Sincerely,

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: July 12, 2015