

## ISRAEL CORPORATION LIMITED

9<sup>th</sup> December, 2007

Dears Sir/Madam,

### Immediate Notice as to Convention of Special General Meeting

Notice is hereby given that on Monday, 7<sup>th</sup> January 2008, at 10:00 a.m., a Special General Meeting of the shareholders of the Company will be held at the offices of the Company at 23 Aranha Street, Millennium Tower, Tel Aviv.

#### 1. **Background:**

- 1.1 To the best of the knowledge of the Company the Ministry of Justice has already approved an amendment to the Companies (Rules for Remuneration and Expenses of External Director) Regulations (“**the Remuneration Regulations Amendment**” or “**the Remuneration Regulations**”, as the case may be), an amendment that has been referred to the Constitution, Law and Justice Committee of the Knesset for approval. In accordance with the draft of the Remuneration Regulations Amendment, the maximum rate of remuneration for an external director is not to exceed the aggregate of the following: (a) annual remuneration for an expert external director<sup>1</sup> in an amount of NIS 110,000, and for an ordinary external director in an amount of NIS 82,378; and (b) meeting attendance fees of NIS 4,225 per Board meeting for an expert external director and NIS 3,169 for an ordinary external director.
- 1.2 The remuneration of the directors of the Company (with the exception of the Chairman of the Board) as of the date of this Report is the maximum remuneration permitted in accordance with the Remuneration Regulations, in accordance with the classification of the Company.
- 1.3 in view of the grounds detailed in section 4 below, at this stage the Company wishes to bring for approval by General Meeting increase of the remuneration of the directors Ms. Irit Izekson, Mr. Yaacov Amidror and Mr. Moshe Vidman (who are not external directors and who have no connection with the owners of control of the Company). Taking into account the policy of the Company to instigate, to the extent possible, uniform remuneration for all directors of the Company, the Company intends, when the Remuneration Regulations Amendment comes into effect, subject to receipt of the approvals required by law, to pay uniform remuneration to all directors of the Company, as detailed hereafter.

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<sup>1</sup> “Expert External Director” is defined as follows: “A director with accounting and financial expertise or a director who, in the opinion of the Board of Directors, on account of his education and abilities possesses a high degree of skill and deep understanding in the main field of business of the Company ...”.

2. **On the Agenda:**

Approval of the increase of directors' remuneration of Mssrs. Irit Izekson, Yaacov Amidror and Moshe Vidman, the aforesaid as specified in the text of the resolution as follows.

3. **Proposed Test of the Resolution:**

To approve increase of the directors' remuneration of Messrs. Irit Izekson, Yaacov Amidror and Moshe Vidman, as follows:

(a) Annual remuneration in the amount of NIS 78,259; and (b) Meeting attendance fees in the amount of NIS 3,010 per meeting (out of the above amount the rate in respect of a meeting by means of communication, a resolution without actual meeting etc. will be as provided in the Remuneration Regulations).

The amounts specified in sub-sections (a) and (b) above will automatically be adjusted to the maximum amount, in accordance with the classification of the Company, as may be provided in the Remuneration Regulations Amendment when the Amendment comes into force, to the extent possible in respect of the above directors.

4. **Grounds of the Audit Committee and of the Board**

The Board of Directors examined and considered increase of the remuneration of the said directors and approved the increase, inter alia on the basis of the following considerations, grounds and parameters:-

- 4.1 Comparison with the draft of the Remuneration Regulations Amendment shows that the remuneration is befitting and reasonable, and is in line with the view of the competent authorities.
- 4.2 The great appreciation by the Company of the contribution of all of the directors of the Company, including the relevant directors, to the affairs of the Company and of its subsidiaries.
- 4.3 In view of the development of the Company in recent years, the variety of its activity and the increase in its volume of business, the office of a director of the Company involves greater responsibility and more attention and time, including, preparation for meetings of the organs of the Company.
- 4.4 Remuneration for directors at a rate lower than the limit provided by the Remuneration Regulations Amendment and adjustment of the remuneration to the maximum limit when the Amendment comes into force is a balanced decision which incorporates adaptability in the future to any change of circumstances.
- 4.5 The decision to increase the remuneration of the relevant directors took into consideration inter alia the general policy of the Company as to uniform remuneration of the officiating directors.

4.6 To the best of the knowledge of the directors, some large companies have already adopted rates of directors' remuneration different and higher to the rates fixed by the Remuneration Regulations.

4.7 Taking all considerations together, the Company regards increase of the remuneration of the relevant directors, as aforesaid, as fully justified, and as remuneration that is befitting and reasonable in the circumstances of the matter.

4.8 None of the directors were in opposition to approval of the above.

5. **Organs of the Company giving Approval and Date of Approval**

5.1 On 4<sup>th</sup> December 2007 the Audit Committee of the Company approved the increase of the remuneration of the said directors as above.

5.2 On 4<sup>th</sup> December 2007 the Board of Directors of the Company approved the increase of the remuneration of the said directors as above.

6. **Notice of Convention of General Meeting, Requisite Majority and Record Date for Voting Entitlement of Shareholders**

6.1 Notice is hereby given that on Monday, 7<sup>th</sup> January 2008, at 10:00 a.m., a General Meeting of the shareholders of the Company will be held at the offices of the Company at 23 Aranha Street, Millennium Tower, Tel Aviv on the agenda of which is the adoption of the resolution detailed above.

6.2 The majority required in order to carry all the resolution on the Agenda, is a simple majority of the votes of the shareholders present, in person or by proxy, who are entitled to participate and to vote and who voted at the meeting, without taking abstention votes into account.

6.3 The Record Date for entitlement of a shareholder to vote at the meeting, in accordance with section 182 of The Companies Law, 1999, is 17<sup>th</sup> December 2007 ("The Record Date").

6.4 In accordance with the Companies (Proof of Ownership of Shares for the Purpose of General Meeting Voting) Regulations, 2000, a shareholder to whose credit a share is registered with a Member of The Tel Aviv Stock Exchange Ltd., which share is included in the Shareholders Register of the Company in the name of a Nominee Company, who wishes to vote at the General Meeting, is required to furnish the Company with a Certificate of the Stock Exchange Member with whom the share is registered to his credit, certifying his ownership of the share at the Record Date, in accordance with Form 1 in the Appendix to the Regulations.

6.5 A quorum shall be constituted by the presence in person or by proxy of at least five shareholders who together hold at least twenty five percent of the voting rights. If no quorum is present half an hour after the time fixed for the meeting, the meeting shall be adjourned for a week, to the same day of the week, at the same time and at the same place, without need for notification thereof to the shareholders, and if no quorum is present at the adjourned meeting after half an

hour of the time fixed for the meeting – the shareholders present shall constitute a legal quorum.

- 6.6 A shareholder who wishes to appoint a proxy to participate at the meeting must deposit the Power of Attorney at the office of the Corporate Secretary at least 48 hours before the time fixed for the meeting or the adjourned meeting.
- 6.7 Shareholders of the Company may inspect the documents relating to the proposed resolution of the General Meeting at the offices of the Company on Sundays through Thursdays during the hours 09:00 to 16:00 with prior arrangement by telephone 03-6844500.

Yours faithfully,

Noga Yatziv