

ISRAEL CORPORATION LIMITED (hereinafter “the Company”)

Transaction Notice pursuant to The Securities (Transaction Between a Company and an Owner of Control) Regulations 2001

The Company hereby gives notice that the Audit Committee and the Board of Directors decided to approve payment of a one-time bonus to Mr. Idan Ofer who holds office inter alia as Chairman of the Board of the Company and is regarded as an owner of control, such bonus will be paid by IC Management & Consultancy Ltd. (hereinafter “**IC Management**”), a private company fully owned by the Company. The Board of the Company also decided to convene a General Meeting on the agenda of which will be approval of the said bonus.

1. **Summary of Transaction and its main Terms:** IC Management will grant to Mr. Idan Ofer, Chairman of the Board of the Company, a one-time bonus in the amount of NIS 1,260,000 (hereinafter “**the Bonus**”) in respect of and taking into account the results of the Company in 2005 as detailed in the Financial Statements of the Company as of 31st December 2005, such bonus to be in addition to and on top of a bonus equal to 8 (eight) monthly salaries (totaling NIS 1,240,000) that was approved and will be granted to the Chairman Mr. Idan Ofer in respect of 2005 in accordance with the decisions of the Audit Committee and the Board at their meetings of 27th March 2005 by virtue of the authority conferred upon such bodies by the General Shareholders Meeting on 20th October 1999.
2. **Personal Interest and Nature of Interest:** The owners of control that are regarded or may be regarded as having a personal interest in approval of the Bonus are Mashat (Investments) Ltd. (hereinafter “**Mashat**”) and Ofer (Ship Holdings) Ltd. (hereinafter “**Ofer Ships**”). Mashat and Ofer Ships (80% and 20% respectively) own the shares of Millennium Investments Elad Ltd. (hereinafter “**Millennium**”), which itself owns 47.32% of the share capital of the Company. Mashat is a private company that is owned indirectly, by means of foreign corporations, by a foreign Discretionary Trust the beneficiaries of which are Mr. Idan Ofer and his issue. In addition Ofer Ships has a direct holding of 2.91% of the share capital of the Company. Ofer Ships is a private company the shares of which are owned in equal shares by Orona Investments Ltd. (hereinafter “**Orona**”) (a company owned by Mr. Ehud Angel) and L.I.N. (Holdings) Ltd. (hereinafter “**Lin**”). Lin is controlled by Mr. Eyal Ofer (the brother of Mr. Idan Ofer) who is one of the owners of control of Ofer Ships. It is also to be noted that Mr. Idan Ofer owns 3.36% of the share capital of the Company directly. In addition Kirby Enterprises Inc. (hereinafter “**Kirby**”) which is owned indirectly (by means of foreign companies) by a foreign trust the main beneficiaries of which are members of the family of Mr. Idan Ofer, owns 0.75% of the share capital of the Company. The personal interest of Mashat and Kirby in approval of the Bonus ensues from the fact that Mr. Idan Ofer is one of the beneficiaries of the foreign trusts which indirectly own Mashat and Kirby. The personal interest of Ofer Ships in approval of the Bonus ensues from the fact that it is owned inter alia, indirectly, by Mr. Eyal Ofer who is the brother of Mr. Idan Ofer. The personal interest of Millennium, the controlling shareholder of the Company, ensues from the fact that it is owned inter alia, indirectly, by Mr. Idan Ofer and Mr. Eyal Ofer (both of them sons of Mr. Sami Ofer) who are deemed to be owners of control of Millennium. The personal interest of Mr. Idan Ofer ensues from the fact that he is the Bonus recipient. In September-October 2004 the Securities Authority expressed its opinion to the effect that a shareholder of a public company that

conducts material ongoing financial or commercial ties with the company and with the owner of control of the company, is to be regarded as having a personal interest in approval of a transaction between the company and between the owner of control. In view of the same, the Securities Authority regarded Bank Leumi LeIsrael Ltd. (hereinafter “**BLL**”), the owner of 18.11% of the issued share capital of the Company, as having a personal interest in approval of a transaction that was the subject of an Immediate Report published by the Company on 14th November 2004. The Company was then, and still is, of the opinion that BLL does not have a personal interest in such transactions, but since the view of the Company was not accepted by the Securities Authority, the Company intends to act, at the General Meeting of Shareholders with regard to approval of the Bonus, in accordance with the opinion of the Securities Authority.

3. **Director’s Personal Interest and Nature of Interest:** Mr. Idan Ofer has a personal interest in approval of the Bonus since he is the Bonus beneficiary. Messrs. Ehud Angel, Avi Levy and Amnon Lion, may be regarded as having a personal interest in the grant of the Bonus since they have business ties with Mr. Idan Ofer and/or his family relatives. In accordance with the opinion of the Securities Authority, as in section 2 above, Mr. Moshe Vidman who officiates as a director of BLL has a personal interest in grant of the bonus, and it is possible that Mr. Zvi Itskovich, who holds office as a senior deputy CEO of BLL, may be regarded as having a personal interest (even though he is not an “interested party” of BLL).

4. **Notice of Convention of General Meeting, Requisite Majority and Record Date for Entitlement of Shareholders to Vote:** Notice is hereby given that on Tuesday, 1st August 2006, 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 Arania Street, Millennium Tower, Tel Aviv. The majority at the Meeting required for approval of the transaction on the Agenda is a majority of the persons present at the Meeting who are entitled to participate in the vote, provided that one of the following conditions is fulfilled: (a) the majority of votes at the General Meeting includes at least one third of all of the votes of shareholders who are present at the Meeting and who do not have a personal interest in approval of the transaction; in counting the votes of such shareholders, abstention votes will not be counted; (b) the number of votes of the shareholders referred to in section (a) above does not exceed one percent of the total of all voting rights in the Company. A shareholder is entitled to appoint a proxy to participate and vote on his behalf at the General Meeting in accordance with the provisions of the Byelaws of the Company. Proxy appointments must be deposited at the registered office of the Company at least 48 hours before the time fixed for the meeting or the adjourned meeting. A shareholder is entitled to vote by means of a Proxy Statement. For such purpose the vote of a shareholder voting by means of a Proxy Statement shall be deemed as though such shareholder was present and participated at the Meeting. Voting by means of Proxy Statement, with regard to any shareholder who wishes to vote by means of Proxy Statement in lieu of participation at the Meeting in person and/or by proxy, shall done using the second part of the Proxy Statement attached as Appendix 1 to the Transaction Report. The Proxy Statement and documents to be attached to same as specified in the Proxy Statement must be deposited at the offices of the Company at least 72 hours prior to time of convention of the Meeting. For such purpose the time of deposit is the time at which the Proxy Statement and attached documents arrives at the offices of the Company. The Record Date for entitlement of a shareholder to vote at the General Meeting, in accordance with section 182 of The Companies Law, 1999, is 2nd July 2006 (“**The**

Record Date”). 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, shall furnish the Company with a Certificate of the Stock Exchange Member with whom the share is registered to such shareholder’s credit, certifying his ownership of the share at the Record Date, in accordance with Form 1 in the Appendix to the Regulations. A quorum shall be constituted by the presence in person or by proxy of at least 5 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 General Meeting shall be adjourned to the same day in the following week, at the same time and at the same place, without need for notice 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.

5. **Inspection of Documents**: Shareholders may inspect the Transaction Report and the other documents relating to the transaction, at the offices of the Company on Sunday-Thursday from 09:00-16:00 with prior telephone appointment 03-6844500.