

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

**ISRAEL CORPORATION LIMITED**

28<sup>th</sup> March, 2007

Securities Authority

Tel Aviv Stock Exchange

Dear Sirs,

**Immediate Report**

In accordance with the directives of the Securities Authority pursuant to section 36A(2) of the Securities Law 1968 relating to disclosure of approval of compensation to senior officers, Israel Corporation Ltd. (hereinafter "**the Company**") hereby gives notice as follows:-

1. On 27<sup>th</sup> March the Audit Committee and the Board of Directors of the Company approved as an "extraordinary transaction" with senior officers of the Company, the payment of an inclusive annual bonus in respect of the year 2006 to Mr. Yossi Rosen (CEO), Nir Gilad (Deputy CEO) and Avishai Paz (Deputy CEO for Finance) (together "**the Senior Officers**") of an annual bonus inclusive of payments in advance that were awarded and approved by the organs of the Company in January 2007 (together, hereinafter "**the Annual Bonus**" or "**the Annual Bonuses**").
2. Nature of employment of the Senior Officers: Fulltime.
3. Bonus amounts:

Mr. Yossi Rosen – inclusive Annual Bonus in respect of 2006 in the amount of NIS 4,500,000 (inclusive of the advance payment).

Mr. Nir Gilad – inclusive Annual Bonus in respect of 2006 in the amount of NIS 450,000 (inclusive of the advance payment).

Mr. Avishai Paz – inclusive Annual Bonus in respect of 2006 in the amount of NIS 1,200,000 (inclusive of the advance payment).

Ms. Noga Yatziv – inclusive Annual Bonus in respect of 2006 in the amount of NIS 500,000 (inclusive of the advance payment).

4. Mode of calculation of the compensation:

When awarding the Annual Bonuses and fixing the amount thereof, the Company has *inter alia* taken the following parameters into consideration:

- 4.1 The profit of the Company in comparison with the budget and the results of the previous year.
- 4.2 A comparison with the practice of other companies of the same size regarding compensation of the Chairman of the Board of Directors and the CEO.
- 4.3 The amounts of the Annual Bonuses paid in previous years to the Senior Officers.
- 4.4 An estimate of the contribution of each of the Senior Officers to the activity of the Company and its subsidiaries, to business development and to the financial results of the Company.

5. The organs of the Company that gave approval and date of approval:

- 5.1 The Audit Committee of the Company approved the Annual Bonuses (inclusive of the amount of the payment in advance) on 27<sup>th</sup> March 2007.
- 5.2 The Board of Directors of the Company approved the Annual Bonuses (inclusive of the amount of the payment in advance) on 27<sup>th</sup> March 2007.

6. Grounds of the Audit Committee and the Board of Directors for the amount and manner of fixing of the Annual Bonuses:

- 6.1 The Directors examined and weighed up the recommendation of the CEO of the Company with regard to the amount of the Annual Bonus for Mr. Nir Gilad, and they also examined and weighed up the amount of a fitting and reasonable Annual Bonus for the CEO, taking into consideration the parameters listed in paragraph 4 above. The Board of Directors approved the amounts of the Annual Bonuses for the Senior Officers as detailed above, *inter alia* on the basis of the following main considerations:
  - a. The amount of the Annual Bonuses was fixed having regard to the results of the Company in comparison with 2005 and accordingly in respect of 2006 the amounts of the Annual Bonuses were reduced.
  - b. The contribution of each of the Senior Officers to the activity of the Company and its subsidiaries, to business development and to the financial results of the Company.
  - c. The award of a fitting reasonable Annual Bonus to the Senior Officers is a continuation of the policy of the Company in previous years and is intended to serve the best interests of the Company, including profit making.
  - d. In short the Company regards the award to Senior Officers of Annual Bonuses as above, which are fitting and reasonable in the circumstances, as being fully justified.

- 6.2 None of the directors opposed the award of the Annual Bonuses to the Senior Officers.
7. The Company wishes to make clear that for the sake of caution and prudence taking into account the directives of the Securities Authority referred to at the start of this Immediate Report, the Company has chosen to regard the approval of the Annual Bonuses referred to in this Immediate Report as an “extraordinary transaction” with senior officers of the Company, even though the Company does not regard the Annual Bonuses as extraordinary compensation.

Yours faithfully,

Noga Yatziv  
Company Secretary