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.

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ISRAEL CORPORATION

Adv. Noga Yatziv

Company Secretary and Assistant to the President

October 21, 2009

To:	To:
The Securities Authority	The Tel Aviv Stock Exchange Ltd.
3 Canfei Nesharim st.	54 Ahad Haam st.
Jerusalem	Tel Aviv
via MAGNA	via MAGNA

Dear Sir/Madam,

Re: A Sale of 25.1% of a Subsidiary in South America

On October 20, 2009, Inkia Energy Ltd. ("**Inkia**"), a wholly owned subsidiary of the Company, registered in Bermuda, signed an agreement with QUIMPAC CORP S.A.C registered in Peru and owned by an unrelated third party (the "**Investor**"). Quimpac S.A., which is a subsidiary of the Investor, is traded in the Lima Stock Exchange with a value of approx. 320 million dollar. According to the agreement Kallpa Generacion S.A. ("**Kallpa**"), a wholly owned subsidiary of Inkia, registered in Peru, shall issue to the Investor shares constituting 25.1% of the issued share capital of Kallpa. The pre-money valuation of Kallpa for the purpose of the transaction was set to 220 million dollar.

Kallpa is the owner and operator of two turbines with a total capacity of approx. 374 megawatt located in one site in Peru, and is building additional unit in the site with a capacity of 192 megawatt.

The amounts invested in Kallpa by the Investor will be used for the expansion of manufacturing capacity of Kallpa in the site in additional 280 megawatt, such that following the expansion the manufacturing capacity of Kallpa will be approx. 850 megawatt.

The agreement with the Investor is subject to conditions precedent including, inter alia, a financial closing of the financing for the manufacturing capacity expansion project.

Furthermore, Inkia and the Investor engaged in a shareholders agreement regarding their relationship as shareholders in Kallpa. The shareholders agreement provides the Investor with a minority protection, as customary in this type of transaction, with respect to the approval of certain material resolutions in Kallpa, and includes customary provisions as to a sale of shares by a party (right of first refusal, tag-along, and Inkia's right to compel the Investor to join to a sale to a third party), a Buy-Me-Buy-You mechanism in cases of deadlock, and a non-competition provision which requires the parties to develop through Kallpa electricity manufacturing projects, as the parties may wish to develop in Peru.

At the closing of the transaction with the Investor, expected to take place in the last quarter of 2009, the Company shall write a capital gain of a sum estimated in 34 million dollar.

Sincerely,

Noga Yatziv