

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

Israel Corporation Ltd.

Millennium Tower, 23 Aranha Street, P.O.B. 20456, Tel-Aviv 61204
Tel: 03-6844517, Fax: 03-6844587

Adv. Noga Yatziv

Company Secretary and Assistant to the President

20 August 2008

To:
The Securities Authority
Via MAGNA

To:
The Tel-Aviv Stock Exchange Ltd.
Via MAGNA

Dear Sir/Madam,

Re: **Notice of right of early redemption of Bonds ('A' Series) of the Company**

1. Further to notice of the Tel-Aviv Stock Exchange Ltd. (hereinafter: the "**Stock Exchange**") of 14 July 2008 and further to the Company's immediate report of 15 July 2008 (ref.: 204096-01-2008) regarding the delisting of the Company's ('A' Series) Bonds (hereinafter: "**A' Bonds**") on 10 September 2008 and in accordance with the provisions of section 2.6.13 of the Company's prospectus of 30 May 2001 under which the 'A' Bonds were issued, the Company hereby respectfully announces that the date of early redemption on which the holders of the 'A' Bonds may redeem them shall fall on 21 September 2008 (hereinafter: the "**Date of Early Redemption**").
2. In accordance with the directives of the Stock Exchange, commencing from 3 September 2008 and up until the Date of Early Redemption, the possibility of converting the 'A' Bonds will be blocked.
3. On the Date of Early Redemption, the Company will redeem the 'A' Bonds, in respect whereof notices of early redemption were given to the Company, as detailed below, according to the outstanding capital balance of the 'A' Bonds, together with payment of the linkage differentials and interest which have accrued on the capital up until the date of actual payment (calculated according to the number of days during this interest period, based on 365 days per annum), provided the payment index will be the index that was published most recently before the Date of Early Repayment.
4. The holder of 'A' Bonds who wishes to redeem them by such early redemption, should submit to the Stock Exchange members, through which he holds 'A' Bonds, notice of his said wish, by 9 September 2008, at 12:00 hours, together with tax approvals regarding an exemption from withholding tax, if such approval exists.

5. Early redemption notices which are not received by the Stock Exchange members in accordance with the dates mentioned above, will not be answered. Early redemption notices that were submitted to the Stock Exchange members in accordance with the above-mentioned dates may not be cancelled or changed.
6. The Stock Exchange members will send the notices to the Stock Exchange Clearing-House, together with the tax approvals regarding exemption from the withholding tax, by 11 September 2008, at 12:00.
7. The Stock Exchange Clearing-House will send summaries of the notices to the Registration Company, Mizrahi Tefahot Registration Company Ltd., by 15 September 2008, at 12:00 hours.
8. The Registration Company will send all the notices to the Company, together with the tax approvals regarding exemption from withholding tax, by 17 September 2008, at 12:00 hours.
9. The 'A' Bonds which are to be redeemed will not be convertible into ordinary shares of the Company and will not entitle their holders to interest or linkage payments (or any other right) in respect of the period subsequent to their redemption, and in general.
10. The fixing of such Early Redemption Date will not serve to prejudice the conversion and redemption rights prescribed in the 'A' Bonds, of any holders of the 'A' Bonds who do not redeem them on such Date of Early Redemption, but the last date of trading of the 'A' Bonds will be on 8.9.2008 and on 10.9.2008, the 'A' Bonds will be delisted.
11. The delisting of the 'A' Bonds is liable to have tax implications for holders of the 'A' Bonds and the Company therefore advises holders of the 'A' Bonds to receive tax advice. It is clarified that this notice should not be viewed as any advice, including tax advice or legal advice or any other advice.
12. In accordance with the Company's prospectus of 30 May 2001, the Company, *inter alia*, is publishing this notice in two daily newspapers which are circulated in Israel in the Hebrew language.

Sincerely,

Noga Yatziv