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.

Registrar Number: 520028010

Form 125

Public

Date of Transmission: 9/7/2018

Reference: 2018-01-062073

To:
The Securities Authority
www.isa.gov.il

To:
The Tel Aviv Stock Exchange
www.tase.co.il

Immediate Report regarding rating of debentures/rating of corporation or cease of rating

On 9/7/2018, Maalot S&P published an updated rating report.

Rating of the corporation: *Maalot S&P ilA/Stable*

Rating history in the three years prior to the rating date:

Date	Which is the subject of the rating	Rating	Comments / essence of the notice
23/11/2017	*Israel Corporation Ltd*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
22/11/2016	*Israel Corporation Ltd*	*Maalot S&P ilA/Stable*	*Rating Downgrade*
26/1/2016	*Israel Corporation Ltd*	*Maalot S&P ilA/Negative*	*Change to Negative Outlook*
23/11/2015	*Israel Corporation Ltd*	*Maalot S&P ilA/Stable*	*Rating Confirmation*

Rating of the Company’s Debentures:

Name and type of Securities	Securities No. in Stock Exchange	Rating Agency	Current Rating	Notes
Debenture (Series 7)	*5760160*	*Maalot S&P*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 10)	*5760236*	*Maalot S&P*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 11)	*5760244*	*Maalot S&P*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 12)	*5760251*	*Maalot S&P*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 13)	*5760269*	*Maalot S&P*	*Maalot S&P ilA/Stable*	*Rating Confirmation*

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Rating history of the last 3 years prior to the current published rating:

Name and type of Securities	Securities No. in Stock Exchange	Rating Date	Type of Securities	Rating	Notes
Debenture (Series 6)	*5760152*	*27/08/2015*	*Debenture*	*Maalot S&P ilA+/Stable*	*Rating Confirmation*
Debenture (Series 7)	*5760160*	*27/08/2015*	*Debenture*	*Maalot S&P ilA+/Stable*	*Rating Confirmation*
Debenture (Series 9)	*5760202*	*27/08/2015*	*Debenture*	*Maalot S&P ilA+/Stable*	*Rating Confirmation*
Debenture (Series 6)	*5760152*	*23/11/2015*	*Debenture*	*Maalot S&P ilA+/Stable*	*Rating Confirmation*
Debenture (Series 7)	*5760160*	*23/11/2015*	*Debenture*	*Maalot S&P ilA+/Stable*	*Rating Confirmation*
Debenture (Series 9)	*5760202*	*23/11/2015*	*Debenture*	*Maalot S&P ilA+/Stable*	*Rating Confirmation*
Debenture (Series 6)	*5760152*	*30/11/2015*	*Debenture*	*Maalot S&P ilA+/Stable*	*Rating Confirmation*
Debenture (Series 7)	*5760160*	*30/11/2015*	*Debenture*	*Maalot S&P ilA+/Stable*	*Rating Confirmation*
Debenture (Series 9)	*5760202*	*30/11/2015*	*Debenture*	*Maalot S&P ilA+/Stable*	*Rating Confirmation*
Debenture (Series 6)	*5760152*	*26/01/2016*	*Debenture*	*Maalot S&P ilA+/Negative*	*Rating Confirmation*
Debenture (Series 7)	*5760160*	*26/01/2016*	*Debenture*	*Maalot S&P ilA+/Negative*	*Rating Confirmation*
Debenture (Series 9)	*5760202*	*26/01/2016*	*Debenture*	*Maalot S&P ilA+/Negative*	*Rating Confirmation*
Debenture (Series 7)	*5760160*	*05/05/2016*	*Debenture*	*Maalot S&P ilA+/Negative*	*Rating Confirmation*
Debenture (Series 9)	*5760202*	*05/05/2016*	*Debenture*	*Maalot S&P ilA+/Negative*	*Rating Confirmation*
Debenture (Series 10)	*5760236*	*05/05/2016*	*Debenture*	*Maalot S&P ilA+/Negative*	*Rating Confirmation*
Debenture (Series 11)	*5760244*	*05/05/2016*	*Debenture*	*Maalot S&P ilA+/Negative*	*Rating Confirmation*
Debenture (Series 7)	*5760160*	*25/05/2016*	*Debenture*	*Maalot S&P ilA+/Negative*	*Rating Confirmation*
Debenture (Series 9)	*5760202*	*25/05/2016*	*Debenture*	*Maalot S&P ilA+/Negative*	*Rating Confirmation*
Debenture (Series 10)	*5760236*	*25/05/2016*	*Debenture*	*Maalot S&P ilA+/Negative*	*Rating Confirmation*

Debenture (Series 11)	*5760244*	*25/05/2016*	*Debenture*	*Maalot S&P ilA+/Negative*	*Rating Confirmation*
Debenture (Series 7)	*5760160*	*22/11/2016*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Downgrade*
Debenture (Series 9)	*5760202*	*22/11/2016*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Downgrade*
Debenture (Series 10)	*5760236*	*22/11/2016*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Downgrade*
Debenture (Series 11)	*5760244*	*22/11/2016*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Downgrade*
Debenture (Series 7)	*5760160*	*01/01/2017*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 9)	*5760202*	*01/01/2017*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 10)	*5760236*	*01/01/2017*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 11)	*5760244*	*01/01/2017*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 7)	*5760160*	*04/01/2017*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 9)	*5760202*	*04/01/2017*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 10)	*5760236*	*04/01/2017*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 11)	*5760244*	*04/01/2017*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 7)	*5760160*	*12/11/2017*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 9)	*5760202*	*12/11/2017*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 10)	*5760236*	*12/11/2017*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 11)	*5760244*	*12/11/2017*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 7)	*5760160*	*13/3/2018*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 10)	*5760236*	*13/3/2018*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 11)	*5760244*	*13/3/2018*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 12)	--	*13/3/2018*	*Debenture*	*Maalot S&P ilA/Stable*	*Initial rating*

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Debenture (Series 13)	--	*13/3/2018*	*Debenture*	*Maalot S&P*	*Initial rating*

Attached is Maalot S&P Rating Report July 9/2018

Name of report authorized signatory and name of authorized electronic signatory: Maya Alcheh Kaplan
Position: Vice President, General Counsel and Company's Secretary.
Signature date: 9/7/2018

Securities of the corporation are listed in the Tel Aviv Stock Exchange
Short name: Israel Corporation
Address: P.O.B. 20456, Tel Aviv 61204 Tel: 03-6844517, 6844500, Fax: 03-6844587
Email: MAYAAK@ISRAELCORP.COM

Name of Electronic Reporter: Maya Alcheh Kaplan. Position: Vice President, General Counsel and Company's Secretary. Address: Aranha 23, Millennium Tower, Tel Aviv 61204 Phone – 03-6844517 Fax: 03-6844587 e-mail: mayaak@israelcorp.com

Maalot
S&P Global Ratings

Israel Corporation Ltd.

July 9, 2018

Primary Credit Analyst:

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Table of Contents

Israel Corporation Ltd

Affirmed Corporate Credit Rating	ilA/Stable

Rationale

Business Risk	Financial Risk
• Israel Corporation Ltd.'s creditworthiness is underpinned by its main holding, Israel Chemicals Ltd. ("ICL"), one of the leading global potash producer; and the largest global bromine producer. • ICL's competitive advantage stem from mining in the Dead Sea and from high synergy in specialty product production. • The fertilizer market in which ICL operates is characterized by cyclicality and intense competition. • ICL's exposure to regulatory changes and political pressure in Israel pertaining to extending the Dead Sea mining concession, which is due to expire in 2030.	• There is a correlation between the market value of Israel Corp's holding portfolio and ICL's performance and its consolidated financial statements. We therefore analyze Israel Corp's financial profile based on its consolidated reports. • ICL's financial policy is supportive. • Large non-discretionary capital expenditures (capex) requirements related to the Dead Sea concession. • Adequate liquidity.

Outlook: Stable

The stable outlook reflects our assessment that in the next 12 months, Israel Corporation Ltd ("Israel Corp") will maintain financial metrics commensurate with the current rating, i.e. an adjusted debt to EBITDA ratio of 4.0x at the top of ICL's business cycle and 5.0x at the bottom of ICL's business cycle. We also expect the company to maintain adequate liquidity in order to preserve the current rating. The stable outlook also reflect our assessment that the company's financial flexibility will not deteriorate further as a result of material increase in the LTV (loan-to-value) ratio.

Our outlook is underpinned, among other things, on our base case for ICL. We estimate that ICL will undertake medium-sized mergers and acquisitions in the next few years, and maintain its current dividend distribution policy in 2018-2019. We expect ICL to generate an EBITDA of about $950 million - $1 billion in 2018, and continue to benefit from a strong position in fertilizer markets and low production costs in Israel.

Downside Scenario

We would consider a negative rating action if the company's debt to EBITDA is close to 5.0x without near-term prospects of recovery, if the company's operating flexibility as reflected in the LTV ratio deteriorated or if ICL's operating performance deteriorated contrary to our expectations. In our view, this scenario is possible if, for example, Israel Corp distributes large dividends. It would also be possible if ICL implemented aggressive business or financial policies, whether by materially deviating from its stated dividend distribution policy or through sizable leveraged acquisitions. Additional deterioration in ICL's market conditions, affecting its operating results, could also lead to a downgrade on Israel Corp, which currently benefits from ICL's competitive position. In the medium term, if uncertainty regarding the renewal of ICL's Dead Sea concession persists, this could generate pressure the group's business profile, and consequently its ratings.

Upside Scenario

We would consider a positive rating action if the company strengthened its financial risk profile such that its adjusted debt to EBITDA dropped below 3.5x on a sustainable basis.

Base-Case Scenario

Principal Assumptions

- $5.2 billion - $5.3 billion in consolidated revenues in 2018-2019.
- About $1.0 billion in reported consolidated EBITDA per year in 2018-2019.
- At ICL – annual dividend distributions of up to 50% of adjusted net profit in 2018-2019.
- About $20 million - $30 million in dividend receipts from Oil Refineries Ltd. (company's share) in 2018-2019.
- No material dividend distribution by Israel Corp to shareowners in the near term, as part of the deleveraging plan (except for the $120 million dividend distributed in April).
- Increase in ICL's annual capex needs in upcoming years to about $650 million, including the Dead Sea salt harvest project, works in Spain and Dead Sea pumping, up from $450 million in 2017.
- Investments or M&A by ICL of about $400 million in upcoming years, in line with ICL’s stated strategy. However, the timing of the acquisition is yet unknown.
- Decrease in interest costs as a result of a decrease in the group's gross debt, due to ICL's sale of its fire safety unit and loan repayment by Israel Corp., among other things.

Key Metrics

	2017A	2018E	2019E
Debt/EBITDA	~4.4x	4.0x-4.5x	4.0x-4.5x
FFO*/debt	~14.4%	14%-16%	14%-16%
EBITDA/interest	~4.7x	5.0x-5.5x	5.0x-5.5x

A – Actual, E – Estimate

*FFO – funds from operations

Company Description

Israel Corp. is traded on the Tel Aviv Stock Exchange and holds a stake of about 46% in Israel Chemicals Ltd. ("ICL", ilAA/Stable) and a stake of about 33% in Oil Refineries Ltd. (ilA-/Positive). ICL is fully consolidated into Israel Corp's financial statements, while Oil Refineries is an affiliated company whose results are reported using the equity method, as part as Israel Corp's share in the earnings of affiliated companies. Israel Corp's main shareholder is Millennium Investments Elad Ltd., whose main beneficiary is Mr. Idan Ofer.

ICL is a multinational company that operates in the manufacturing and marketing of commodity and specialty chemicals in two main divisions:

1. The essential minerals division, which includes product lines for potash, magnesium, phosphate, and specialty fertilizers, and targets mainly various agricultural markets.
2. The specialty solution division, which includes three product lines: industrial products, advanced additives, and specialty food ingredients, and mainly targets various industrial markets.

For additional information on ICL's rating, see our rating report published on June 21, 2018.

Oil Refineries Ltd. is the largest refining and petrochemical company in Israel. For additional information on Oil Refineries' rating, see our rating report published April 3, 2018.

Business Risk

ICL's strong business position in the potash and bromine markets, competitive advantage stemming from ICL's Dead Sea concession, and ability to develop specialty products to offset lower profit margins in the fertilizers sector

Our assessment of Israel Corp's business risk profile and creditworthiness is underpinned by the operating performance of its main holding, ICL. We estimate that ICL's performance directly affects the market value of Israel Corp's holding portfolio, the size of dividends it receives from ICL to service its own debt, and its financial flexibility as reflected in its LTV ratio.

Our assessment of ICL"s business profile, and accordingly Israel Corp.'s business profile, is based, among other things, on ICL's position as the sixth largest global potash producer, a market with continuously growing demand and high manufacturers concentration, and the largest global bromine producer. ICL's business position is relatively strong, underpinned by inherent advantages including direct access to a concentrated source of unique high-quality raw materials in the Dead Sea; low costs of potash and bromine mining compared with competitors; lower storage costs and easier inventory maintenance due to the dry weather in the Dead Sea area; proximity to ports and strategic clients (China and India); and synergy in manufacturing specialty by-products with added value. Our assessment of ICL's business position is supported by its wide geographic sales spread, which we believe reduces its exposure to demand shifts due to regional factors (for example extreme weather), and by a diversified product portfolio used in many industries. We note that ICL's business position in the phosphate market is weaker than peers', due to relatively low quality phosphate rock in at the Negev desert in Israel, relatively high production costs and lack of alternative mining sites while reserves in the current site are dwindling.

Potash and phosphate prices somewhat recovered in the fourth quarter of 2017 and the first quarter of 2018, but remain lower than top-of-the-cycle levels. ICL's shift from fertilizer production to production of value-added complementary products continues to enable it to maintain stable profitability, despite significantly lower margins in the fertilizer segment. In addition, in the past few years, ICL implemented cost-reducing steps in its phosphate mines in China and potash mines in England in order to minimize its losses in these sites, including personnel cutbacks and a shift toward value-added products. ICL has also committed to invest in its Spanish mines in order to make potash production more efficient and comply with local regulatory requirements. In our base-case scenario, therefore, we assume an increase in capital expenditures (capex) in upcoming years, due to high investment needs in England, Spain, the Negev, and the Dead Sea (including the salt harvest project). We estimate that these actions will erode profit margins in the near future, as production decreases while fixed costs remain unchanged. However, we believe these moves will allow ICL to return to full capacity in the medium term at somewhat lower production costs.

Another constraining factor for ICL's business risk profile is its dependence on the extension of its Dead Sea concession by the Israeli Government in 2030, and its exposure to political pressures and regulatory changes.

Financial Risk

Deleveraging following ICL's sale of its fire safety unit and repayment of Kenon's loan to Israel Corp.; financial policy supportive of maintaining current leverage

ICL's performance is correlated with the market value of Israel Corp's holding portfolio, its LTV ratio and financial metrics based on its consolidated statements. We analyze Israel Corp's financial risk profile on the basis of its consolidated statements while adjusting its EBITDA to reflect any dividend receipts from Oil Refineries Ltd. At the same time, we examine its LTV ratio as an indicative metric for its financial flexibility and ability to refinance its debt.

Israel Corp.'s adjusted debt to EBITDA ratio improved to about 4.4x in 2017, compared with about 5.1x in 2016. This improvement is due to cash flows from sales by Israel Corp. and by ICL.

In March 2018, ICL completed the sale of its fire safety unit for gross proceeds of about $1 billion. ICL used the net cash proceeds from the sale, about $900 million, to repay about $800 million of its debt. In January 2018, Kenon, Israel Corp.'s fellow subsidiary, repaid a loan it had received from Israel Corp., generating about $240 million in free cash flow for Israel Corp., in addition to a dividend distribution of about $120 million and repayment of bank loans as part of the group's deleveraging policy, both at Israel Corp. and at ICL. On the other hand, ICL declared that it intends to undertake mergers and acquisitions (M&A) in the medium term, in accordance with its strategy to expand its specialty chemicals activity.

We understand ICL's board of directors approved the current dividend distribution policy, which is lower than the previous policy, despite the deleveraging following the fire safety unit sale, as mentioned above. In the upcoming years, ICL plans cost producing investments in its potash mines in England and in Spain, therefore in our base case scenario we assume an increase in capital expenditures (capex) in upcoming years. We also assume Oil Refineries will distribute about $60 million - $100 million (total amount) in dividends in 2018-2019.

Taking into accounts the conditions in the potash and phosphate markets, capex needs and potential for some further operating cost reductions, we estimate Israel Corp.'s adjusted debt to EBITDA ratio to be about 4.0x-4.5x in 2018-2019 and adjusted FFO to debt to be about 14%-16% in the same period, depending on the pace of M&A

activity by ICL. In 2017 these ratios were about 4.4x and 14.4%, respectively, and in 2016 they were about 5.1x and 12.6%.

We estimate that Israel Corp's financial flexibility remains adequate, as reflected in an LTV ratio still around 30% at the time of this report, compared with 40% at the same time last year.

Table 1.

Israel Corp. Ltd. -- Financial Summary					
	--Fiscal year ended Dec. 31--				
(Mil. $)	**2017**	**2016**	**2015**	**2014**	**2013**
Revenues	5,418.0	5,363.0	5,405.0	6,111.0	11,040.0
EBITDA	1,137.0	1,031.5	1,212.9	1,458.4	1,912.0
Funds from operations (FFO)	729.1	668.3	965.7	1,045.5	972.0
Interest Expense	241.3	290.5	233.1	278.9	522.4
Net income from continuing operations	135.0	(116.0)	440.0	(1.0)	(620.0)
Working capital changes	21.0	270.0	(42.0)	39.0	(194.0)
Cash flow from operations	736.5	1,100.3	626.7	1,144.5	1,211.0
Capital expenditures	434.0	610.0	598.0	1,256.0	1,165.0
Free operating cash flow	302.5	490.3	28.7	(111.5)	46.0
Dividends paid	124.0	87.0	478.0	427.0	330.0
Discretionary cash flow	178.5	403.3	(449.3)	(538.5)	(284.0)
Cash and short-term investments	697.0	842.0	787.0	1,397.0	1,680.0
Debt	5,051.5	5,297.2	5,350.3	4,284.1	8,683.0
Equity	2,638.5	2,261.0	2,722.0	3,723.5	3,948.3
Adjusted ratios					
Annual revenue growth (%)	1.0	(0.8)	(11.6)	(44.6)	(3.7)
EBITDA margin (%)	21.0	19.2	22.4	23.9	17.3
Return on capital (%)	9.2	8.0	9.7	6.7	6.6
EBITDA interest coverage (x)	4.7	3.6	5.2	5.2	3.7
Debt/EBITDA (x)	4.4	5.1	4.4	2.9	4.5
FFO/debt (%)	14.4	12.6	18.0	24.4	11.2
Cash flow from operations/debt (%)	14.6	20.8	11.7	26.7	13.9
Free operating cash flow/debt (%)	6.0	9.3	0.5	(2.6)	0.5
Discretionary cash flow/debt (%)	3.5	7.6	(8.4)	(12.6)	(3.3)

(*) We note that 2013-2014 are atypical as they reflect the holding structure prior to the spin-off of Kenon's activity from Israel Corp.

Liquidity: Adequate

We examine Israel Corp's liquidity profile at the stand-alone level, i.e. cash balances held by the company plus dividends from subsidiaries ICL and Oil Refineries. We estimate the company's liquidity as adequate, reflecting our expectations that its sources to uses ratio will exceed 1.2x in the 12 months starting April 1, 2018. Our assessment is based on the company's adequate cash balance and relatively good predictability of dividends from ICL, based on its stated dividend distribution policy.

We believe Israel Corp has some financial flexibility due to the fact that 14% of ICL issued capital shares is encumbered to secure loans and cross-currency swaps (compared with about 31% at YE 2017). We believe the company has good access to the Israeli capital market and is meeting its financial covenants with adequate headroom.

We estimate that the company's principal sources and uses from April 1, 2018, until March 31, 2019, are as follows:

Principal Liquidity Sources	Principal Liquidity Uses
• Available cash and cash equivalents of about \$850 million. • Dividend receipts from ICL and Oil Refineries totaling about \$80 million-\$100 million per year.	• Current maturities of Long term debt and early repayment of bank loans of about \$380 million; • Administrative and general expenses and interest expenses of about \$100 million. • Dividend distribution of about \$120 million (completed in April).

Modifiers

Diversification portfolio effect: Neutral

Capital structure: Neutral

Liquidity: Neutral

Financial policy: Neutral

Management/Governance: Neutral

Comparable ratings analysis: Negative

The fact that most of the company's operation is performed through the holding of public companies and not through direct ownership of assets adversely affects the rating.

Recovery Analysis

Key analytical factors

- We are raising our recovery rating on Israel Corp.'s unsecured bond series (7, 10, 11, 12, 13) to '3' from '4'. The recovery rating reflects our assessment that in a hypothetical default scenario, the recovery rate would be at the higher end of the **5**0%-**7**0% range. The rating on Israel Corp.'s unsecured bond series remains unchanged, 'ilA', identical to the issuer rating.
- Our recovery rating assessment is supported by the holding of tradable shares of two companies from different areas of operation that are not necessarily correlated.

Simulated default assumptions

- Year of default: 2022
- A deep recession in various economies leading to competitive pressure and price drops in the chemicals and energy industries, materially devaluating the company's holdings.

- The company will be liquidated, an assessment based on the fact that it has no independent activity and that its entire value at default will be derived from its share holdings.
- The company will use most of its large cash balance to repay its debt in accordance with its amortization table. Thus, the company will repay its entire secured bank debt in the deterioration path, and will attempt to refinance most of the maturities on its unsecured bond series.
- On the day of the default, the company's LTV will be close to 100%, following a sharp drop in the market value of Israel Chemicals Ltd and Oil Refineries Ltd shares. We also assume an additional 30% reduction in share value at liquidation (amounting to a total reduction of about 70%).

Simplified waterfall

- Gross discrete asset value at liquidation: about $770 million
- Administrative costs: 5%
- Enterprise value available to secured creditors: about $730 million
- Unsecured debt claims: about $1,100 million
- Unsecured debt recovery expectation: 50%-70%
- Recovery rating for unsecured debt (1 to 6): 3

All debt amounts include six months' prepetition interest.

Mapping Recovery Percentages To Recovery Ratings - Group A Jurisdiction

For issuers with a speculative-grade issuer credit rating

		Nominal recovery expectations		
Recovery rating*	**Recovery description**	**Greater than or equal to**	**Less than**	**Issue rating notches relative to ICR**
1+	Highest expectation, full recovery	100%	N/A	+3 notches
1	Very high recovery	90%	100%	+2 notches
2	Substantial recovery	70%	90%	+1 notch
3	Meaningful recovery	50%	70%	0 notches
4	Average recovery	30%	50%	0 notches
5	Modest recovery	10%	30%	-1 notch
6	Negligible recovery	0%	10%	-2 notch

Recovery ratings are capped in certain countries to adjust for reduced creditor recovery prospects in these jurisdictions. Recovery ratings on unsecured debt issues are generally also subject to caps (see Step 6, paragraphs 90-98 of Recovery Rating Criteria For Speculative-Grade Corporate Issuers, December 7, 2016, for further detail). ICR--Issuer credit rating.

Reconciliation

In order to create a basis for comparison with other rated companies, we adjust the data reported in the Company's financial statements that we use to calculate coverage ratios. The main adjustments we made to Israel Corporation's consolidated data for 2017 are as follows:

- Deducting cash reserves of about $700 million from financial debt.
- Deducting $93 million in derivatives from financial debt.

- Adjusting debt by about $255 million in respect of the company's obligations for operating leasing, in order to create a basis for comparison with companies with a different ownership/leasing mix. Respectively, we added about $50 million to EBITDA and $15 million to interest expenses.
- Adjusting financial debt, EBITDA and interest expenses to reflect pension expenses.
- Adding $23 million in capitalized interest expenses to interest expenses

Table 2.

Reconciliation Of Israel Corp. Ltd. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)

	--Fiscal year ended Dec. 31, 2017--						
Israel Corp. Ltd. reported amounts							
	Debt	**Shareholders' equity**	**EBITDA**	**Interest expense**	**EBITDA**	**Cash flow from operations**	**Capital expenditures**
Reported	5,093.0	1,013.0	1,063.0	191.0	1,063.0	935	457
Standard & Poor's adjustments							
Interest expense (reported)	--	--	--	--	(191.0)	--	--
Interest income (reported)	--	--	--	--	21.0	--	--
Current tax expense (reported)	--	--	--	--	(186.0)	--	--
Operating leases	254.5	--	48.0	15.3	32.7	32.7	--
Postretirement benefit obligations/deferred compensation	494.0	1.5	16.0	12.0	2.8	3.8	--
Surplus cash	(697.0)	--	--	--	--	--	--
Capitalized interest	--	--	--	23.0	(23.0)	(23.0)	(23.0)
Share-based compensation expense	--	--	16.0	--	16.0	--	--
Dividends received from equity investments	--	--	35.0	--	35.0	--	--
Non-operating income (expense)	--	--	--	--	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	(212.0)	--
Non-controlling Interest/Minority interest	--	1,624.0	--	--	--	--	--
Debt - Derivatives	(93.0)	--	--	--	--	--	--
EBITDA - Other	--	--	(41.0)	--	(41.0)	--	--
D&A - Impairment charges/(reversals)	--	--	--	--	--	--	--
Total adjustments	(41.5)	1,625.5	74.0	50.3	(333.5)	(198.5)	(23.0)
Standard & Poor's adjusted amounts							
	Debt	**Equity**	**EBITDA**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Capital expenditures**
Adjusted	5,051.5	2,638.5	1,137.0	241.3	729.5	736.5	434.0

Related Criteria And Research

- Use Of CreditWatch And Outlooks, September 14, 2009
- Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, October 24, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, November 13, 2012
- Group Rating Methodology, November 19, 2013
- Corporate Methodology: Ratios And Adjustments, November 19, 2013
- Corporate Methodology, November 19, 2013
- Country Risk Assessment Methodology And Assumptions, November 19, 2013
- Methodology: Industry Risk, November 19, 2013
- Key Credit Factors For The Commodity Chemicals Industry, December 31, 2013
- Key Credit Factors For The Specialty Chemicals Industry, December 31, 2013
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, December 16, 2014
- Recovery Rating Criteria For Speculative-Grade Corporate Issuers, December 7, 2016

- Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- S&P Global Ratings' National And Regional Scale Mapping Tables, August 14, 2017
- S&P Global Ratings Definitions, April 19, 2018

Rating Details (As of 9-July-2018)	
Israel Corporation Ltd.	
Issuer rating(s)	
Local Currency LT	ilA/Stable
Issue Ratings	
Senior Unsecured Debt	
Series 10,11,12,13,7	ilA
Issuer Rating history	
Local Currency LT	
22-Nov-2016	ilA/Stable
25-Jan-2016	ilA+/Negative
21-Sept-2009	ilA+/Stable
11-Feb-2009	ilAA-/Negative
30-Nov-2008	ilAA/Watch Neg
01-Jan-2007	ilAA/Stable
12-July-2006	ilAA
03-July-2006	ilAA/Negative
Other Details	
Time of the event	16:55 09/07/2018
Time when the analyst first learned of the event	16:55 09/07/2018
Rating requested by	Issuer

Credit Rating Surveillance

S&P Maalot is the commercial name of S&P Global Ratings Maalot Ltd. S&P Maalot conducts surveillance activities on developments which may affect the creditworthiness of issuers and specific bond series which it rates, on an ongoing basis. The purpose of such surveillance is to identify parameters which may lead to a change in the rating.