

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

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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 13/3/2018, Maalot S&P published an updated rating report.

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)	--	Maalot S&P	Maalot S&P ilA/Stable	Initial rating
Debenture (Series 13)	--	Maalot S&P	Maalot S&P ilA/Stable	Initial rating

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

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<i>Debenture (Series 7)</i>	5760160	23/11/2015	<i>Debenture</i>	<i>Maalot S&P ilA+/Stable</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 9)</i>	5760202	23/11/2015	<i>Debenture</i>	<i>Maalot S&P ilA+/Stable</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 6)</i>	5760152	30/11/2015	<i>Debenture</i>	<i>Maalot S&P ilA+/Stable</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 7)</i>	5760160	30/11/2015	<i>Debenture</i>	<i>Maalot S&P ilA+/Stable</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 9)</i>	5760202	30/11/2015	<i>Debenture</i>	<i>Maalot S&P ilA+/Stable</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 6)</i>	5760152	26/01/2016	<i>Debenture</i>	<i>Maalot S&P ilA+/Negative</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 7)</i>	5760160	26/01/2016	<i>Debenture</i>	<i>Maalot S&P ilA+/Negative</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 9)</i>	5760202	26/01/2016	<i>Debenture</i>	<i>Maalot S&P ilA+/Negative</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 7)</i>	5760160	05/05/2016	<i>Debenture</i>	<i>Maalot S&P ilA+/Negative</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 9)</i>	5760202	05/05/2016	<i>Debenture</i>	<i>Maalot S&P ilA+/Negative</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 10)</i>	5760236	05/05/2016	<i>Debenture</i>	<i>Maalot S&P ilA+/Negative</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 11)</i>	5760244	05/05/2016	<i>Debenture</i>	<i>Maalot S&P ilA+/Negative</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 7)</i>	5760160	25/05/2016	<i>Debenture</i>	<i>Maalot S&P ilA+/Negative</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 9)</i>	5760202	25/05/2016	<i>Debenture</i>	<i>Maalot S&P ilA+/Negative</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 10)</i>	5760236	25/05/2016	<i>Debenture</i>	<i>Maalot S&P ilA+/Negative</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 11)</i>	5760244	25/05/2016	<i>Debenture</i>	<i>Maalot S&P ilA+/Negative</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 7)</i>	5760160	22/11/2016	<i>Debenture</i>	<i>Maalot S&P ilA/Stable</i>	<i>Rating Downgrade</i>
<i>Debenture (Series 9)</i>	5760202	22/11/2016	<i>Debenture</i>	<i>Maalot S&P ilA/Stable</i>	<i>Rating Downgrade</i>
<i>Debenture (Series 10)</i>	5760236	22/11/2016	<i>Debenture</i>	<i>Maalot S&P ilA/Stable</i>	<i>Rating Downgrade</i>
<i>Debenture (Series 11)</i>	5760244	22/11/2016	<i>Debenture</i>	<i>Maalot S&P ilA/Stable</i>	<i>Rating Downgrade</i>

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<i>Debenture (Series 7)</i>	<i>5760160</i>	<i>01/01/2017</i>	<i>Debenture</i>	<i>Maalot S&P ilA/Stable</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 9)</i>	<i>5760202</i>	<i>01/01/2017</i>	<i>Debenture</i>	<i>Maalot S&P ilA/Stable</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 10)</i>	<i>5760236</i>	<i>01/01/2017</i>	<i>Debenture</i>	<i>Maalot S&P ilA/Stable</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 11)</i>	<i>5760244</i>	<i>01/01/2017</i>	<i>Debenture</i>	<i>Maalot S&P ilA/Stable</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 7)</i>	<i>5760160</i>	<i>04/01/2017</i>	<i>Debenture</i>	<i>Maalot S&P ilA/Stable</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 9)</i>	<i>5760202</i>	<i>04/01/2017</i>	<i>Debenture</i>	<i>Maalot S&P ilA/Stable</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 10)</i>	<i>5760236</i>	<i>04/01/2017</i>	<i>Debenture</i>	<i>Maalot S&P ilA/Stable</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 11)</i>	<i>5760244</i>	<i>04/01/2017</i>	<i>Debenture</i>	<i>Maalot S&P ilA/Stable</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 7)</i>	<i>5760160</i>	<i>12/11/2017</i>	<i>Debenture</i>	<i>Maalot S&P ilA/Stable</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 9)</i>	<i>5760202</i>	<i>12/11/2017</i>	<i>Debenture</i>	<i>Maalot S&P ilA/Stable</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 10)</i>	<i>5760236</i>	<i>12/11/2017</i>	<i>Debenture</i>	<i>Maalot S&P ilA/Stable</i>	<i>Rating Confirmation</i>
<i>Debenture (Series 11)</i>	<i>5760244</i>	<i>12/11/2017</i>	<i>Debenture</i>	<i>Maalot S&P ilA/Stable</i>	<i>Rating Confirmation</i>

Attached is Maalot S&P Rating Report March 13, 2018.

Name of report authorized signatory and name of authorized electronic signatory: Maya Alchek Kaplan

Position: Vice President, General Counsel and Company's Secretary.

Signature date: 13/03/2018

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

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Name of Electronic Reporter: Maya Alchek 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

Israel Corporation Ltd.

March 13, 2018

Bond Rating Affirmation & New Issuance

Rating On Existing Bond Series Affirmed, 'iIA' Rating Assigned to New Issuance Of Up To NIS 400 Million Par Value

Primary Credit Analyst

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Bond Rating Affirmation & New Issuance

Rating On Existing Bond Series Affirmed, 'ilA' Rating Assigned to New Issuance Of Up To NIS 400 Million Par Value

S&P Maalot hereby affirms its rating to bond series 7, 10 and 11 issued by Israel Corporation Ltd. (ilA/Stable) following the implementation of recovery rating criteria, and assigns its 'ilA' rating to bonds of up to NIS 400 million par value to be issued by the company through the issuance of new bond series 12 and 13. The proceeds will be used for debt refinancing.

For additional information about the company's issuer rating and for additional regulatory requirements, see our rating report dated November 23, 2017.

Recovery Analysis

Key analytical factors

- Following the initial implementation of our recovery rating criteria for corporate issuers, we are examining the recovery expectations of the various bond series in the case of a hypothetical default.
- We are assigning Israel Corp.'s unsecured bond series (7, 10 and 11) and the unsecured bond series it intends to issue (12 and 13) our 'ilA' rating, identical to the issuer rating. The recovery rating for these series is '4', reflecting our assessment that in a hypothetical default scenario, the recovery rate would be 30%-50% (at the middle of the range).
- 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: 2021
- A deep recession in various economies leads 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 its large cash balance to repay its debt in accordance with its amortization table.
- 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 a 30% reduction in share value at liquidation (amounting to a total reduction of about 70%).

Simplified waterfall

- Gross discrete asset value at liquidation: about \$900 million
- Administrative costs: 5%

- Enterprise value available to secured creditors: about \$870 million
- Debt claims secured by tradable shares: about \$500 million
- Secured debt recovery expectation: 100%
- Enterprise value available to unsecured creditors: about \$370 million
- Unsecured debt claims: about \$840 million
- Unsecured debt recovery expectation: 30%-50% (in the middle of this range)
- Recovery rating for unsecured debt (1 to 6): 4

*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

Recovery rating*	Recovery description	Nominal recovery expectations		Issue rating notches relative to ICR
		Greater than or equal to	Less than	
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

Related Criteria And Research

- [Use Of CreditWatch And Outlooks](#), September 14, 2009
- [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
- [National And Regional Scale Credit Ratings](#), September 22, 2014
- [Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), December 16, 2014
- [S&P Global Ratings' National And Regional Scale Mapping Tables](#), August 14, 2017
- [S&P Global Ratings Definitions](#), August 18, 2016

Rating Details (As of 13-March-2018)**Israel Corporation Ltd.****Issuer rating(s)**

Local Currency LT	ilA/Stable
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Issue Ratings

Senior Unsecured Debt Series 7,10,11,12,13	ilA
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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	13:07 23/11/2017
Time when the analyst first learned of the event	13:07 23/11/2017
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.

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