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: 8/7/2019

Reference: 2019-01-069697

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 8/7/2019, 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
22/11/2016	*Israel Corporation Ltd*	*Maalot S&P ilA/Stable*	*Rating Downgrade*
23/11/2017	*Israel Corporation Ltd*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
13/3//2018	*Israel Corporation Ltd*	*Maalot S&P ilA/Negative*	*Intial rating*
9/7/2018	*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 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)	*5760251*	*13/3/2018*	*Debenture*	*Maalot S&P ilA/Stable*	*Initial rating*
Debenture (Series 13)	*5760269*	*13/3/2018*	*Debenture*	*Maalot S&P*	*Initial rating*
Debenture (Series 7)	*5760160*	*9/7/2018*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 10)	*5760236*	*9/7/2018*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 11)	*5760244*	*9/7/2018*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 12)	*5760251*	*9/7/2018*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*
Debenture (Series 13)	*5760269*	*9/7/2018*	*Debenture*	*Maalot S&P ilA/Stable*	*Rating Confirmation*

Attached is Maalot S&P Rating Report July 8/2019

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: 8/7/2019

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 8, 2019

Primary Credit Analyst:

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Table of Contents

Israel Corporation Ltd.

Affirmed Corporate Credit Rating	ilA/Stable

Overview

Key Strengths	Key Risks
• Israel Corp'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 its Dead Sea operations and from high synergy in specialty product production. • ICL's financial policy is supportive.	• The fertilizer market in which ICL operates is characterized by cyclicality and intense competition. • ICL is exposed to regulatory changes and political pressure in Israel pertaining to extending the Dead Sea mining concession, which is due to expire in 2030. • ICL has large non-discretionary capital expenditures (capex) requirements related to its Dead Sea operations.

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 business risk profile based on ICL's operating performance and its financial risk profile based on its consolidated reports.

Israel Corp's coverage ratios improved in 2018, due to cash flow from the repayment of a loan to related company Kenon Holdings Ltd. ("Kenon") and from the sale of ICL's fire safety unit. The Company's adjusted debt to EBITDA ratio improved to about 3.5x from about 4.4x in 2017.

In the first quarter of 2019, Israel Corp announced that it is updating its business strategy, which would now include new investments in addition to its holdings in ICL and Bazan. We believe the implementation of this strategy could increase the Company's leverage, but that it has sufficient headroom to make leveraged transaction without affecting the rating.

We also expect ICL to stick to its growth strategy, which may include prudent acquisitions while maintaining reasonable headroom from the ratios commensurate with its rating. This is in line with the communicated strategy of further increasing the share of specialty products in the portfolio, through the offering of value-added solutions for the industrial, food, and agriculture markets in the Phosphate Solutions division, and advanced crop nutrition offering in the Innovative Ag Solutions division. We believe that, over time, and along with already-established positons in more resilient markets such as bromine, this strategy will help ICL to gradually stabilize its profits over the fertilizer cycle.

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 a material increase in the LTV (loan-to-value) ratio.

Our outlook is underpinned, among other things, on the Company's commitment not to engage in aggressive acquisitions that would lead to a deviation from the coverage ratios noted above. It is also underpinned on our base case for ICL. We expect ICL to generate an EBITDA of about $1.1 billion in 2019-2020, and continue to benefit from a strong position in fertilizer markets and from low production costs in Israel. We estimate that ICL will maintain its current dividend distribution policy in 2019-2020 and undertake medium-sized mergers and acquisitions in the next few years.

Downside Scenario

We may 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 deteriorates or if ICL's operating performance deteriorates contrary to our expectations. In our view, this scenario is possible if, for example, Israel Corp implements an aggressive policy of leveraged acquisitions or distributes large dividends to its shareholders. It would also be possible if ICL implements 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 negative pressure on the rating. In such conditions we expect pressure on the Company's business risk profile, which is currently supported by its inherent advantages in the Dead Sea.

Upside Scenario

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

Base Case Scenario

Key Assumption

- $5.7 billion - $5.8 billion in consolidated revenues in 2019-2020.
- About $1.1 billion in reported consolidated EBITDA per year in 2019-2020.
- At ICL – annual dividend distributions of up to 50% of adjusted net profit in 2019-2020.
- About $20 million - $40 million in dividend receipts from Oil Refineries Ltd. (company's share) in 2019-2020.

- No dividend distribution by Israel Corp to, as part of the Company's new strategic investment plan in 2019-2020.
- Capital expenditures (capex) of about $650 million, including the Dead Sea salt harvest project, works in Spain and in the Dead Sea and the Dead Sea water pumping station project.
- In our base case scenario we assume no acquisitions at ICL, because the timing, magnitude, and contribution to profits is uncertain,
- Debt refinancing of about $300 million in 2020.

Key Metrics

Financial Metric	2018A	2019E	2020E
Debt/EBITDA	3.5x	3.5x-4.0x	3.5x-4.0x
FFO/Debt	21.6%	~20%	~20%
EBITDA/interest expense	4.5x	5.0x-5.5x	5.0x-5.5x

A – Actual. E – Estimate.

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. ("Bazan", ilA/Stable). ICL is fully consolidated into Israel Corp's financial statements, while Bazan is an associated company whose results are reported using the equity method, as part of Israel Corp's share in the income of associated 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 based on Potash, Phosphate and Bromine. ICL has four main divisions: in two main divisions: Industrial Products, Potash, Phosphate Solutions and Innovative Ag Solutions. For additional information on ICL's rating, see our rating report published on July 4, 2019.

Bazan is the largest refining and petrochemical company in Israel. For additional information on Bazan's rating, see our rating report published April 7, 2019.

Business Risk

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 (e.g. 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 the Negev desert in Israel, relatively high production costs and lack of alternative mining sites while reserves in the current site are dwindling.

Potash prices recovered in 2018, and remained stable in the first half of 2019. We expect these prices to remain stable until year end 2019, but believe they may decrease in 2020 due to potential overcapacity in the market as Eurochem and K+S ramp up new production. 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. Therefore, our base case scenario assumes 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 cost-reducing steps in Spain and England will start bearing fruit in 2020-2021, when management expects investments to be completed.

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, because it translates into uncertainty as to whether the business will continue in its current form beyond 2030. There are currently no firm developments in this area.

Our view on ICL's business is further constrained by the highly cyclical nature of the fertilizer industry. This cyclicality reflects the industry's changing supply-demand balance, which is difficult to predict as it depends on fertilizer price expectations, harvests, the crop mix, farmers' earnings (which themselves depend of crop prices), the weather, and inventory levels. New supply tends to come on-stream and higher cost capacities are curtailed. Political decisions influence both demand and supply, through export allowances or taxes and subsidies in various core markets, especially in India and China.

ICL's ongoing shift from the production of commodity fertilizers to the production of value-added complementary products is an important strategic step to help it stabilize profits through the cycle.

Financial Risk

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 Bazan. 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 3.5x in 2018, compared with about 4.4x in 2017. This improvement is due to cash flows from the repayment of a ~$240 million loan to related company Kenon and from the sale of ICL's fire safety unit completed in March 2018 and netting about $900 million in cash.

We expect Israel Corp to implement its updated investment strategy in the medium term. Possible implementation scenarios are private-equity-like acquisitions and increasing leverage. We expect ICL to continue to be ICL's core holding and thus our base case scenario is underpinned by our assessments on ICL.

We understand ICL's board of directors approved the current dividend distribution policy for 2019, which has not changed since 2016, despite the deleveraging following the fire safety unit sale, as mentioned above.

In the upcoming years, ICL plans investments in its mines in England and in Spain, aimed at improving production efficiency and meeting regulatory requirements in these countries. We also expect maintenance work in the Dead Sea sites to cause a temporary reduction in capacity in the fourth quarter of 2019. Therefore, in our base case scenario we assume an increase in capital expenditures (capex) in upcoming years.

We expect Israel Corp to receive about $40 million - $45 million in dividends from Bazan in 2019-2020.

Taking into accounts the conditions in the potash and phosphate markets, capex needs at ICL and potential for some further operating cost reductions, we estimate Israel Corp.'s adjusted debt to EBITDA ratio to be about 3.5x-4.0x and adjusted FFO to debt to be about 20% in 2019-2020, depending on the progress in ICL's cost-reduction plan. In 2018 these ratios were about 3.5x and 21.6%, respectively, and In 2017 they were about 4.4x and 14.4%, respectively. We note that our base case does not factor in any acquisitions, due to lack of information regarding their timing, magnitude, and pace. Nevertheless, we expect the magnitude any M&A activity at Israel Corp or at ICL to be such that maintain the rating's target ratios.

We estimate that Israel Corp's financial flexibility is adequate, as reflected in an LTV ratio that remains about 30% as of the date of this report, similarly to the same period last year. We estimate that, due to the implementation of the Company's new business strategy, its leverage will gradually increase in the medium term, as mentioned above. However, it has adequate headroom from an LTV ratio of about 40%, which is commensurate with the current rating.

Table 1.

Israel Corp. Ltd. – Financial Summary (Mil. $)

Industry Sector: Chemical Companies

	2018	2017	2016	2015	2014*
Revenues	5,556.0	5,418.0	5,363.0	5,405.0	6,111.0
EBITDA	1,159.0	1,137.0	1,031.5	1,212.9	1,458.4
FFO	864.8	748.7	661.0	960.8	849.5
Interest Expense	257.2	241.3	290.5	233.1	278.9
Cash Interest Paid	235.2	256.3	240.5	219.1	390.9

	2018	2017	2016	2015	2014*
Cash flow from operations	643.8	732.7	1,104.0	598.8	1,135.5
Capital expenditures	550.0	434.0	610.0	598.0	1,256.0
Free operating cash flow	93.8	298.7	494.0	0.8	(120.5)
Discretionary cash flow	(155.2)	174.7	407.0	(477.2)	(547.5)
Cash and short-term investments	628.0	697.0	842.0	787.0	1,397.0
Gross available cash	628.0	697.0	842.0	787.0	1,397.0
Debt	3,998.9	5,051.5	5,297.2	5,350.3	4,284.1
Equity	3,610.0	2,637.0	2,261.0	2,722.0	3,635.0
Adjusted ratios					
EBITDA margin (%)	20.9	21.0	19.2	22.4	23.9
Return on capital (%)	9.5	9.5	8.4	10.1	7.1
EBITDA interest coverage (x)	4.5	4.7	3.6	5.2	5.2
FFO cash interest coverage (x)	4.7	3.9	3.7	5.4	3.2
Debt/EBITDA (x)	3.5	4.4	5.1	4.4	2.9
FFO/debt (%)	21.6	14.8	12.5	18.0	19.8
Cash flow from operations/debt (%)	16.1	14.5	20.8	11.2	26.5
Free operating cash flow/debt (%)	2.3	5.9	9.3	0.0	(2.8)
Discretionary cash flow/debt (%)	(3.9)	3.5	7.7	(8.9)	(12.8)

* 2014 is not representative as it reflects the holding structure prior to the divestment from Kenon.

Liquidity: Adequate

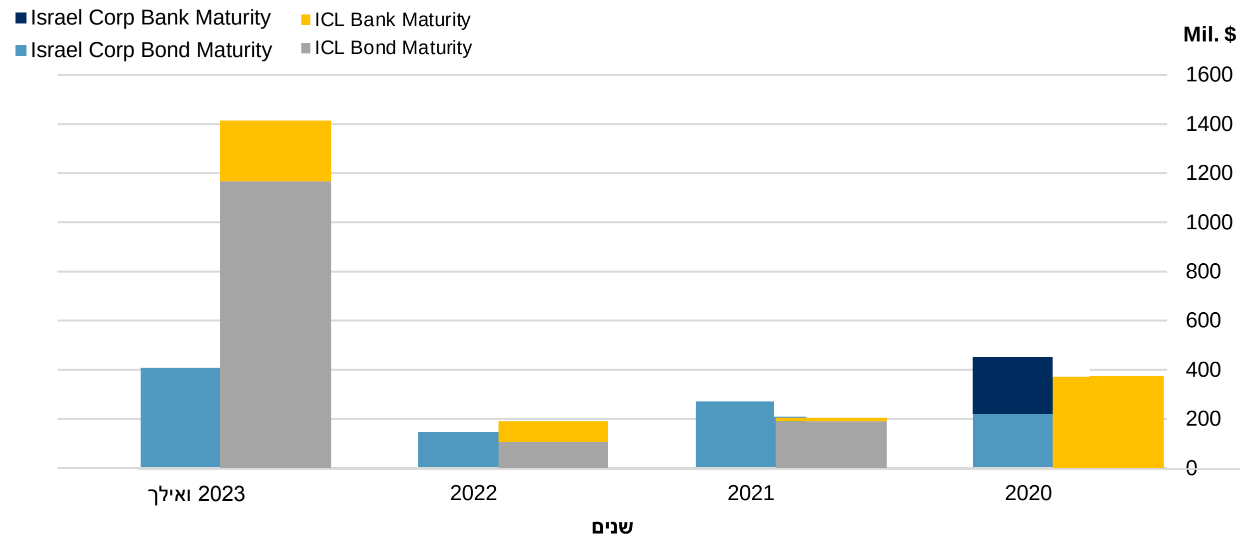
We examine Israel Corp's liquidity profile on a consolidated basis. We estimate the company's liquidity as adequate, reflecting our expectations that its sources to uses ratio will exceed 1.2x in the 12 months starting April 1, 2019. Our assessment is based on the Company's and ICL's adequate cash balance, on committed credit facilities for about three years at the Company and ICL, expected cash from operations and, on the other hand, the Company's and ICL's debt maturities, and ICL's working capital and capex.

We estimate that the company's principal sources and uses in the 12 months starting April 1, 2019, are as follows:

Principal Liquidity Sources	Principal Liquidity Uses
• Available cash and cash equivalents of about $468 million. • Credit facilities totaling about $1,140 million. • Expected cash from operations of about $885 million.	• Long term debt maturities of about $821 million. • Working capital of about $200 million. • Capital expenditures of about $650 million. • No dividend distribution, as part of the plan to implement the Company's new investment strategy in the medium term.

Debt Maturities

Following are Israel Corp's and ICL's debt maturities:



Source: S&P Global Ratings.

Covenant Analysis

Compliance Expectations

We expect the Company to maintain adequate headroom (over 15%) on all of its financial covenants.

Requirements

According to the terms of its bonds, the Company must maintain at least $360 million in equity and a ratio of equity to total assets of at least 20%.

Environmental, Social and Governance

As Israel Corp's main holding is ICL, we have analyzed ICL in terms of environmental, social and governance risks. ICL may be subject to regulatory and environmental requirements that relate to its use of natural resources under its concession agreement with the Israeli government. Two major projects are the harvest project and the pumping station, both at the Dead Sea.

The minerals from the Dead Sea are produced by means of solar evaporation, in which salt sinks to the bottom of one of the pools. This creates a layer on the bottom of the pool, which increases the water level. Raising the water above a certain level may cause damage to the foundations and hotel buildings located near the shoreline and to other infrastructure on the beach. ICL, together with the Israeli government, is working on both the establishment of coastal defenses and the permanent solution of the harvest of salt from the bottom of the sea.

As part of the production process, ICL draws water from the northern basin of the Dead Sea through a dedicated pumping station and transfers them to the pools of salt and carnallite at the southern part of the sea. As a result, there was a decrease in the water level of the northern basin of the Dead Sea along the years. This may create pressure on ICL to reduce the use of minerals from the Dead Sea, which can have an adverse effect on its business in the long term.

In addition, ICL is exposed to lawsuits in connection with malfunctions at its plants with ecological environmental impact. For example, in 2017, a pool used to store water gypsum formed in production processes in the Negev collapsed. This event led to a severe environmental pollution and ICL immediately began rehabilitation procedures, to the extent possible. However, class action suits were filed against ICL in which the company was required to bear long-term costs relating to rehabilitation programs. Such costs are hard to predict but could influence the financials and credit metrics of the company once incurred.

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 affirming our 'ilA' issue rating, identical to the issuer rating, on Israel Corp's unsecured bond series (Series 7, 10, 11, 12, 13).
- The recovery rating for these series is 3, reflecting our assessment that in the case of default, the recovery rate would be 50%-70%.
- 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: 2023
- A deep recession in various economies will lead 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 ICL and Bazan 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 $920 million
- Administrative costs: 5%
- Enterprise value available to secured creditors: about $875 million
- Total secured debt: about $235 million
- Enterprise value available to unsecured creditors: about $640 million
- Unsecured debt claims: about $1,112 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 2018 are as follows:

- Deducting cash reserves of about $628 million from financial debt.
- Adjusting debt by about $265 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 $18 million to interest expenses.
- Adjusting financial debt, EBITDA and interest expenses to reflect pension expenses.
- Adding $22 million in capitalized interest expenses to interest expenses

Table 2.

Reconciliation Of Israel Corp. Ltd. Reported Amounts with S&P Global Ratings Adjusted Amounts (Mil. $) for the Fiscel Year Ended Dec 31, 2018

Israel Corp. Ltd. reported amounts

	Debt	Shareholders' equity	EBITDA	Operating income	Interest expense	S&P Global Ratings' adjusted EBITDA	Cash flow from operations	Capital expenditure
Reported	3,982.0	1,393.0	1,935.0	1,491.0	205.0	1,159.0	782.0	572.0
S&P Global Ratings adjustments								
Cash taxes paid	--	--	--	--	--	(59.0)	--	--
Cash taxes paid - Other	--	--	--	--	--	--	--	--
Cash interest paid	--	--	--	--	--	(195.0)	--	--
Operating leases	264.9	--	50.0	18.2	18.2	(18.2)	31.8	--
Postretirement benefit obligations/deferred compensation	381.0	--	(27.0)	(27.0)	12.0	--	--	--
Accessible cash & liquid investments	(628.0)	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	22.0	(22.0)	(22.0)	(22.0)
Share-based compensation expense	--	--	19.0	--	--	--	--	--
Dividends received from equity investments	--	--	23.0	--	--	--	--	--
Nonoperating income (expense)	--	--	--	64.0	--	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	--	(148.0)	--
Noncontrolling interest/minority interest	--	2,217.0	--	--	--	--	--	--
Debt - Derivatives	(1.0)	--	--	--	--	--	--	--
EBITDA - Gain/(loss) on disposals of PP&E	--	--	(841.0)	(841.0)	--	--	--	--
D&A - Impairment charges/(reversals)	--	--	--	19.0	--	--	--	--
Total adjustments	**16.9**	**2,217.0**	**(776.0)**	**(766.8)**	**52.2**	**(294.2)**	**(138.2)**	**(22.0)**

S&P Global Ratings adjusted amounts

	Debt	Equity	EBITDA	EBIT	Interest expense	Funds from operations	Cash flow from operations	Capital expenditure
Adjusted	3,998.9	3,610.0	1,159.0	724.2	257.2	864.8	643.8	550.0

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
- Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, October 24, 2013
- Group Rating Methodology, 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 16, 2014
- 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
- Corporate Methodology: Ratios And Adjustments, April 1, 2019
- S&P Global Ratings Definitions, October 31, 2018

Ratings List

Rating Details (As of 8-July-2019)	
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 08/07/2019
Time when the analyst first learned of the event	16:55 08/07/2019
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.