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

Securities of the Corporation are listed in the Tel Aviv Stock Exchange

Sort name: Israel Corporation

Address: P.O.B. 20456, Tel Aviv 61204

Tel: 03-6844517, 6844500, Fax: 03-6844587

Email: MAYAAK@ISRAELCORP.COM

Form 121
Public

Date of Transmission: November 23, 2015

Reference: 2015-01- 161331

To:	To:
The Securities Authority	The Tel Aviv Stock Exchange
www.isa.gov.il	www.tase.co.il

Immediate Report

The Event: Ratification of Maalot Rating ilA+

See the attached Maalot report.

The date when the event first became known to the corporation: November 23, 2015
Time: 17:30

The name of the authorized signatory to the report and the name of the authorized electronic signatory: Maya Alcheh-Kaplan
Position: Vice President, General Counsel and Company Secretary
Date of signing: November 23, 2015

STANDARD & POOR'S MAALOT
McGRAW HILL FINANCIAL

Israel Corp. Ltd.

November 23, 2015

Rating Affirmation

'ilA+' Rating Affirmed; Outlook Stable

Primary Credit Analyst

Matan Benjamin, 972-3-7539731 matan.benjamin@standardandpoors.com

Secondary Credit Analyst

Alice Kedem, 972-3-7539739 alice.kedem@standardandpoors.com

Table of Contents

Please note that this translation was made for the company's use only and under no circumstances obligates Standard & Poor's Maalot. In the case of any discrepancy with the official Hebrew version published on November 23, 2015, the Hebrew version shall apply.

Rating Affirmation

'ilA+' Rating Affirmed; Outlook Stable

Summary

- In early 2015, Israel Corp completed a strategic spin-off of its holdings, and was left with only its holdings in Israel Chemicals Ltd. ("ICL") and in Oil Refineries Ltd. ("Bazan"), with the entire financial debt remaining in Israel Corp.
- Following the spin-off, we are changing our methodological approach to assessing Israel Corp's credit risk, by examining debt coverage ratios that arise from its consolidated statements, while continuing to examine its liquidity profile at the holding company level. In addition, we continue to examine the company's LTV (loan-to-value) ratio as an indicative metric for assessing its leverage and refinancing ability.
- Despite the deterioration in ICL's operating performance in the last 18 months, Israel Corp's anticipated debt coverage and LTV ratios, according to our operating base-case scenario, will remain commensurate with the current rating.
- We affirm our 'ilA+' rating for Israel Corporation Ltd, a holding company operating in the chemicals and energy sectors.
- Israel Corp's stable outlook reflects our expectation that ICL will maintain a dominant business position in its fields of operation, and continue to distribute about 70% of its net profit as dividend. The stable outlook also reflects our assessment that Israel Corp's debt coverage ratios will remain commensurate with the current rating, i.e. debt-to - EBITDA ratio will not materially exceed 3.5x and that its LTV ratio will not exceed 40%.

Rating Action

On November 23, 2015, Standard & Poor's affirmed its 'ilA+' rating on operating holding company Israel Corporation Ltd. The outlook remains stable.

Rationale

The rating affirmation on Israel Corp reflects our assessment that despite the deterioration in ICL's operating performance over the past 18 months, Israel Corp's debt coverage and LTV ratios, as anticipated according to our operating base-case scenario, will remain commensurate with the current rating.

In early 2015, Israel Corp completed a strategic spin-off of its holdings, and was left with only its holdings in Israel Chemicals Ltd. (BBB/Negative/ilAA/Stable) and in Oil Refineries Ltd. (ilBBB+/Stable), with the entire financial debt also remaining in Israel Corp. In its agreement with bond holders and banks prior to the spin-off completion, Israel Corp committed, among other things, to avoid making new investments and to comply with several restrictions on dividend distribution.

Following the spin-off, we are changing our methodological approach in assessing Israel Corp's credit risk. We are now examining the company's financial risk profile based on debt coverage ratios that arise from its consolidated statements, while continuing to examine its liquidity profile at the holding company level. In addition, we continue to examine the company's LTV (loan-to-value) ratio as an indicative metric for assessing its leverage and refinancing capabilities. It should be noted that ICL's results are fully consolidated into Israel Corp's financial statements, while Bazan is an affiliated company, and its results are listed using the equity method in the affiliated companies income section. Therefore, if Bazan distributes dividends, we will adjust Israel Corp's consolidated EBITDA by the received dividend amount.

As notes, following the spin-off, our assessment of Israel Corp's credit risk is based on the examination of its consolidated credit metrics, which mainly include ICL's results. ICL's operating results in 2015 were adversely affected by a 3½ month strike in its Israeli production facilities (Dead Sea and Neot Hovav) in response to management's restructuring plan, which completely halted production in those facilities. In addition, despite ICL's very diverse product range, it is particularly exposed to potash prices, which we believe that potash prices are under pressure because of the ongoing supply-demand imbalance. Demand for potash has been subdued by a new 13% value-added tax on fertilizers in China, low agricultural prices, and weakness in emerging market economies, including currency depreciation that further reduces farmers' purchasing power. At the same time, new supply is coming on stream due to expansion or new facilities. We also observe some industry players implementing revenue-maximizing strategies to protect their market share. Given the current market dynamics, we now anticipate that ICL's average selling price of potash could decline by about 10%, to $280 per ton in 2016-2017. Given a return to normal operations and capacity, we estimate that ICL's operating results will improve in 2016. However, we believe challenging market conditions may dampen its operating results. We also estimate that ICL will stick to its policy of distributing 70% of its net profit as dividends.

Our base case scenario for Israel Corp for 2015-2016 is based on the following assumptions:

- Challenging conditions in the potash market – an average selling price of about $315 per ton in 2015 dropping to about $280 per ton in 2016;
- Gradual improvement in profitability as a result of the restructuring plan in ICL;
- Investments by ICL of about $1 billion in 2015 and about $750 million-$850 million in 2016;
- Dividend distribution by ICL amounting to 70% of net profit;
- Relatively low dividends from Bazan in 2016.

Based on these assumptions, we expect Israel Corp's coverage ratios to be as follows:

- Gross debt to adjusted EBITDA of about 3.5x-4.0x in 2015 and about 2.5x-3.0x in 2016;
- LTV ratio of about 35%-40%.

Liquidity

Our assessment of Israel Corp's liquidity reflects its liquidity profile at the holding company level, and is "adequate" according to our criteria, underpinned by material cash balances and dividend receipts from ICL. We estimate that the ratio between the company's liquidity sources and uses will exceed 1.2x in the upcoming year. The company has a proven ability to refinance its debt in the banking industry and in the capital market. In addition, about 52% of company owned ICL shares are unencumbered.

In our base case scenario we estimate that the company's liquidity sources as of September 30, 2015, are:

- Cash and liquid financial assets of about $338 million;
- Dividend receipts from ICL of about $210 million-$230 million till the end of 2016;
- New bank loan of $50 million (taken in Q4 2015);
- Tax rebate of about $160 million until the end of 2016.

Our assumptions regarding the company's uses as of September 30, 2015, are:

- Principal payment of about $430 million by the end of 2016;
- Interest, administrative and other expenses of about $100 million by the end of 2016.

Due to agreements with banks and bond holders prior to the spin-off, the company is committed to a single financial covenant: net liabilities/ICL share value of up to 60%. At the moment, this ratio is at approximately 47%.

Outlook

Israel Corp's stable outlook reflects our assessment that ICL will maintain its dominant business position in its fields of operations and continue to distribute about 70% of its net profit as dividends. The stable outlook also reflects our assessment that Israel Corp will report debt coverage ratios commensurate with the current rating, i.e. a debt-to-EBITDA ratio that will not materially exceed 3.5x and an LTV ratio that will not exceed 40%.

Downside Scenario

There will be negative pressure on the rating if the debt-to-EBITDA ratio consistently exceeds 3.5x or if the LTV ratio exceeds 40%. This scenario may come about if ICL's operating performance deteriorates beyond our current estimates, and if the subsidiaries' value decreases. We may consider a negative rating action if ICL alters its dividend policy, which is essential for Israel Corp's debt service.

Upside Scenario

We may consider a positive rating action if ICL's operating results improve and consistently lower Israel Corp's debt-to-EBITDA ratio below 2.5x and if Israel Corp's LTV ratio falls below 20%.

Related Criteria And Research

- Criteria For Rating Non-Financial Corporate Issuances On Standard & Poor's Maalot's Local Rating Scale, September 22, 2014.
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, December 16, 2014
- National And Regional Scale Credit Ratings, September 22, 2014
- Standard & Poor's National And Regional Scale Mapping Tables, September 30, 2014
- Standard & Poor's Ratings Definitions, November 20, 2014
- Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, October 24, 2013
- Use of CreditWatch And Outlooks, September 14, 2009
- Corporate Methodology: Ratios And Adjustments, November 19, 2013
- Group Rating Methodology, November 19, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, November 13, 2012
- Methodology: Industry Risk, November 19, 2013
- Country Risk Assessment Methodology And Assumptions, November 19, 2013
- Key Credit Factors For The Commodity Chemicals Industry, November 31, 2013
- Corporate Methodology, November 19, 2013

- Key Credit Factors For The Real Estate Industry, November 19, 2013

Rating Details (As of 23-Nov-2015)	
Israel Corp. Ltd.	
Issuer rating	ilA+/Stable
Senior Unsecured Debt	
Series 6,7,9	ilA+
Rating history	
21-Sept-2009	ilA+/Stable
11-Feb-2009	ilAA-/Negative
30-Nov-2008	ilAA/Watch Neg
1-Jan-2007	ilAA/Stable
12-July-2006	ilAA/--
3-July-2005	ilAA/Negative

Standard & Poor's Maalot ratings are based on information received from the Company and from other sources that Standard & Poor's Maalot believes to be reliable. Standard & Poor's Maalot does not audit the information it receives nor does it verify the correctness or completeness of such information.

It is hereby clarified that Standard & Poor's Maalot rating does not reflect risks relating to and/or arising from breaches, through intent or oversight, of any of the obligations included in the bond documents and/or the incorrectness or inaccuracy of any of the representations contained in the documents relating to the bond offering that is the subject of this rating, Standard & Poor's Maalot report or the facts that form the basis for the opinions expressed to Standard & Poor's Maalot as a condition for the giving of the rating, fraudulent or dishonest acts of commission or omission, or any other act that contravenes the law.

The ratings could be revised as a result of changes to the information received or for other reasons. The rating should not be perceived as expressing any opinion concerning the price of the securities on the primary or secondary market. The rating should not be perceived as expressing any opinion concerning the advisability of buying, selling or holding any security.