Israel Corporation Ltd.

July 26, 2026

Rating Affirmation

'ilA+' Rating Affirmed, Outlook Stable

Primary Credit Analyst:

Tom Dar 972-3-7539722 tom.dar@spglobal.com

Secondary Contact:

Sivan Mesilati, 972-3-7539735 sivan.mesilati@spglobal.com

Table of Contents

Overview 3
Outlook 6
  Downside Scenario 6
  Upside Scenario 6
Company Description 6
Base Case 7
  Key Assumptions 7
  Key metrics 7
Business Risk 8
Financial Risk 9
Liquidity 10
  Stand-Alone Debt Maturities 10
Covenant Analysis 10
Modifiers 10
Environmental, Social, And Governance 11
Recovery Analysis 11
  Rationale 11

Simulated Default Assumptions 11
Simplified Waterfall 12
Related Criteria And Research 12
Ratings List 13

Overview

Key Strengths	Key Risks
• Creditworthiness underpinned by the performance of the main holding, ICL Group Ltd. ("ICL"), one of the leading global potash producers and the largest global bromine producer. • ICL's competitive advantage, inter alia due to mining in the Dead Sea, which provides access to unique high-quality raw materials, logistical advantages, proximity to ports, and a more favorable cost position for potash and bromine than European peers. • Large cash reserves and a financial policy which includes maintaining net stand-alone debt of up to $1 billion. • High financial flexibility resulting from low LTV ratio.	• The Middle East war creates physical asset risk in Israel and potential phosphate production disruptions due to significantly higher sulfur prices and potentially constrained sulphur supply chains. • Cyclical and competitive nature of the fertilizer industry. Bromine segment has some exposure to cyclical end markets such as electronics and construction. • Exposure to regulatory changes and political pressure in Israel concerning the Dead Sea mining concession--valid until 2030--creates uncertainty regarding ICL's success in the competitive tender for renewal of the concession. • Large non-discretionary capital expenditures (capex) requirements at ICL related to its Dead Sea operations. • Dependence on a single major asset.

The value of Israel Corporation Ltd.'s ("Israel Corp" or "the Company") holding portfolio is highly correlated with ICL Group Ltd.'s ("ICL") performance and Israel Corp's 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.

We expect ICL will use its rating headroom to support strategic initiatives in 2026-2027. We project moderately higher leverage over the next two years, primarily driven by strategic initiatives that will limit free operating cash flow (FOCF) generation despite projected EBITDA margin expansion, resulting in adjusted debt to EBITDA increasing to 2.0x-2.5x, from 2.0x in 2025.This remains within the lower 2.0x-4.0x leverage range we view as commensurate with the rating. ICL's robust financial position provides significant flexibility to allocate capital toward growth opportunities, including organic investments and bolt-on acquisitions. We expect ICL to take advantage of this situation to fund initiatives that support its current strategy. Among other things, ICL's annual capex are expected to increase up to $950 million in 2026-2029, mostly driven by $600 million-$800 million annual expenditure on maintenance, environmental regulatory requirements and growth initiatives, and about $100 million-$150 million annual investments related to Dead Sea concessions. Furthermore, we believe ICL could pursue debt-funded acquisitions of about $300 million-$400 million in 2026-2029, with potential targets likely focused on strengthening its specialty crop nutrition and specialty food solutions businesses-- core growth segments. These initiatives, combined with increased working capital needs driven by higher sales, will temporarily weigh on FOCF generation in 2026, which we expect to be $200 million-$250 million in 2026, but to improve in 2027. Overall, we believe ICL will prudently balance growth opportunities and shareholder remuneration while maintaining its strong commitment to the investment-grade rating.

Despite significant market volatility due to the Middle East war, we project ICL will post resilient operating performance through 2026-2027. ICL saw a strong 2025, with sales of $7.2 billion and adjusted EBITDA of about $1.4 billion, and we anticipate that solid results will continue into 2026.While acknowledging the high degree of uncertainty surrounding the geopolitical situation in the Middle East, our base-case scenario forecasts revenue growth of about 5% in 2026, reaching $7.4 billion-$7.6 billion. This growth is primarily driven by higher fertilizer prices and sustained volumes in the first half of the year, effectively offsetting potentially softer demand and increased volatility anticipated in the second half. In 2027, we project sales will increase to $7.5 billion-$7.6 billion, thanks to normalizing fertilizer prices and improved farmer affordability linked to anticipated higher crop prices. We expect robust profitability to continue, with an adjusted EBITDA margin of about 20%-21% in both 2026 and 2027, translating to about $1.5 billion in absolute EBITDA, consistent with the ICL's guidance of $1.5 billion-$1.7 billion for 2026. This resilience is underpinned by a favorable pricing environment, tight supply mitigating demand volatility, and ICL's ongoing focus on cost efficiencies.

Escalating tensions in the Middle East are causing significant volatility in global fertilizer markets, with phosphate producers facing the greatest challenges. Disruptions in shipping through the Strait of Hormuz--a transit point for 25-30% of nitrogen fertilizer and 40%-55% of global sulphur trade--are constraining supply, driving up prices for key raw materials such as ammonia and sulphur. These affect the cost of urea and ammoniated phosphate fertilizers. The ultimate implications for fertilizer producers' performance remain uncertain, caught between the potential for increased revenue from higher prices and the risk of demand destruction. While rising fertilizer prices typically correlate with increased crop prices, theoretically supporting farmer affordability, excessively high costs could curtail fertilizer application altogether. More specifically, price spikes during the crucial first-quarter/early second-quarter 2026 application season are likely to be passed on to farmers, potentially reducing demand in the first half of 2026, particularly for urea and phosphates. This could lead to lower yields during the northern hemisphere's main harvest, further affecting crop prices and creating a feedback loop where higher crop prices eventually alleviate some fertilizer affordability concerns.

The long-term impact hinges on the conflict's duration and escalation. A swift resolution could entail volatility, but a prolonged conflict risks severe supply disruptions, especially for sulphur and nitrogen, potentially impairing phosphate and nitrogen production. Lasting higher costs could squeeze farmers' margins, influencing planting decisions and potentially reducing fertilizer use or shifting acreage to less input-intensive crops, affecting demand later in the year. Seasonal and weather-related factors will also play a crucial role in determining actual yields and overall market dynamics.

ICL has taken steps to mitigate the event risk associated with the expiration of its Dead Sea mining concession in 2030, but uncertainty surrounding its renewal persists. While a nonrenewal of ICL's Dead Sea concession in 2030 remains outside our rating horizon and is not factored into our base-case scenario, the outcome of the upcoming competitive tender is a key credit consideration.ICL recently signed a binding agreement with the State of Israel to address the concession's assets, aiming to reduce uncertainty and facilitate a smooth transition. This includes ICL relinquishing its right of first refusal, thereby opening the process to broader competition. The agreement provides ICL with $2.54 billion for the transfer of concession assets, plus reimbursement for investments made since Jan. 1, 2025, related to salt-harvesting and estimated at several-hundred-million dollars. Importantly, this consideration fully covers ICL's $2.5 billion gross financial debt as of Dec. 31, 2025. Payment will be structured with 95% due April 1, 2030, and the remaining 5% by Sept. 1, 2030. ICL views the agreement positively, citing clarity on asset valuation and payment timing, enabling long-term planning and avoiding potential legal disputes. ICL intends to review the terms of the future concession to assess its economic viability and believes its century-long operational experience, coupled with national security considerations favouring domestic operators, positions it favorably. Beyond the financial terms, ICL has committed to maintaining investment levels, providing transparency during the tender process, and ensuring pension provisions for future employees. The agreement also secures continued raw material supply of bromine for ICL's downstream operations through 2035, with extension options, ensuring operational continuity.

Despite these positive developments, the tender outcome remains uncertain. While ICL estimates that it is likely to win the concession, a failure to do so could weaken its business risk profile and negatively affect its competitive advantage due to the loss of access to the Dead Sea's unique resources. We will continue to monitor the tender process and assess its potential effect on ICL's credit rating. The State of Israel aims to choose the next concession holder by the end of 2027 and allocate the concession by the beginning of 2028.

As part of the Company's strategic investment plan, in March 2025 it completed the acquisition of 27.5% (fully diluted) of the shares of Prodalim Investments Ltd. ("Prodalim") for about $116 million. In February 2026, Prodalim was floated on the Tel Aviv Stock Exchange, and the Company currently holds about 23% (fully diluted) of its shares. We believe that this acquisition is not material to the Company's investment portfolio, which remains concentrated and based overwhelmingly on ICL's operations.

Outlook

The stable outlook reflects our assessment that Israel Corp will maintain an adjusted debt-to-EBITDA ratio of 2.0x-2.2x in the next 12 months. Our outlook is underpinned, among other things, by management's intention to continue making acquisitions in accordance with its strategic plan. We expect Israel Corp will present adjusted EBITDA of $1.5 billion - $1.6 billion on a consolidated basis in 2026, supported by ICL's solid position in the fertilizer markets and low production costs in Israel.

We acknowledge that, due to geopolitical uncertainty in the Middle East, security and geopolitical risks may increase, which may affect macroeconomic indicators in Israel and increase capital market volatility. At this point, uncertainty remains regarding the scope, duration and effects of the war. As the situation evolves, we will update our assumptions and estimates accordingly.

Downside Scenario

A negative rating action may be possible if Israel Corp's adjusted debt to EBITDA exceeds 4.0x with no short-term prospects of improvement, or if ICL's operating performance weakens beyond our base case assumptions. In the first instance, this could occur due to weaker market conditions--for example, if potash or phosphate prices remain low for a prolonged period because of sluggish demand or ongoing oversupply in either market. We could also lower the rating if ICL deviated from its publicly stated dividend policy or embarked on sizable leveraged acquisitions.

Dividend distribution that is not in accordance with the Company's policy or acquisitions that are not in accordance with its strategic plan, which will weaken its liquidity profile, may also lead to a negative rating action.

Over the medium term, the rating could come under pressure if uncertainty related to the expiration of its Dead Sea mining concession in 2030 and related renewal continues. Given the benefits inherent to operating in the Dead Sea, ICL's business risk profile, and consequently Israel Corp's business risk profile, could weaken in this scenario, even though ICL would receive the replacement value of these assets as compensation, leading to potentially better credit metrics.

Upside Scenario

We may consider a positive rating action if the Company strengthens its financial risk profile such that its debt to EBITDA drops below 1.5x on a sustainable basis and as part of management policy, while ICL maintains at least its current operating performance in accordance with our base case scenario.

Company Description

Israel Corp. is traded on the Tel Aviv Stock Exchange and holds about 44% in ICL Group Ltd. (ilAA/Stable), about 18% in AKVA Group ASA ("AKVA"), about 9% in Nordic Aqua Partners AS

("NOAP") and about 23% (fully diluted) in Prodalim Investments Ltd. Israel Corp's main shareholders are Millennium Investments Elad Ltd. and Mr. Idan Ofer.

ICL is an international company producing and marketing fertilizers and specialty chemicals based on potash, phosphate and bromine. ICL has four major divisions: Industrial Products, Potash, Phosphate Solutions and Growing Solutions.

AKVA and NOAP are public companies traded on the Oslo Stock Exchange. AKVA is engaged in providing technological aquaculture solutions and services, and NOAP is engaged in the construction of an on-land salmon farm in China. Prodalim is engaged in creating natural solutions for a variety of industries. Among its products are concentrates, flavors and fragrances, beverage bases and other natural functional ingredients.

Base Case

Key Assumptions

- Revenue to increase to \$7.4 billion-\$7.6 billion in 2026 and 2027, mostly driven by higher phosphate and potash fertilizer prices compared with 2025 in light of the tight supply stemming from the Middle East war.
- Slight improvement in adjusted EBITDA margin to 20%-21% in 2026 and 2027, from 19% in 2025, reflecting very supportive prices for fertilizers more than offsetting potential volumes decline, as well as continued focus on ICL's portfolio optimization and cost efficiencies.
- Investments of about \$300 million in the coming years, in accordance with the Company's strategic plan.
- Dividend receipts from ICL of up to 50% of adjusted net profit in 2026-2027, in accordance with its dividend policy.
- Dividend distribution of 45% of total net dividends received minus \$75 million, in accordance with the Company's dividend policy.
- Consistently maintaining net stand-alone debt of about \$1 billion in accordance with company policy.

Key metrics

Financial Ratio	2025A	2026E	2027E
Debt/EBITDA	1.9x	2.0x-2.2x	2.2x-2.4x
FFO/debt	39.9%	32%-37%	30%-35%

A - actual. E – Estimate. FFO – funds from operations.

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 value of Israel Corp's holding portfolio, the size of dividends it receives from ICL, and its financial flexibility as reflected in its LTV (loan to value) ratio.

Our assessment of ICL's business risk, and accordingly of Israel Corp’s business risk, reflects ICL’s position as the sixth-largest global potash producer and the largest global bromine producer. Both markets are concentrated with high barriers to entry. Not only is there a lack of economically viable deposits with a high mineral concentration, but also new players would incur substantial construction costs and developing a new greenfield potash mine involves long lead time. In addition, the bromine industry is characterized by stringent regulatory requirements, which translate into expensive and complex logistics systems. The high barriers to entry mean more stable sales volumes and give ICL the ability to defend its market share.

ICL's sound cost position underpins the quality of its earnings. ICL benefits from access to high-quality and cost-efficient resources based on a concession from Israel to extract minerals from the Dead Sea until 2030. As a result, production costs are lower than underground potash mining operations or places where bromine is extracted from resources that have a lower mineral concentration (the lower the concentration, the more-difficult and expensive it is to extract). This translates into high margins and robust earnings and cash flow performance during down cycles.

There are additional benefits directly related to the Dead Sea operations, such as the hot and dry climate, which allows ICL to store large amounts of potash outdoors at a low cost and utilize the less energy-intensive solar evaporation production process. In addition, the strategic location of ICL’s Dead Sea assets ensures proximity to key markets such as China, India and Brazil, which reduces shipping costs and allows ICL to fill short lead-time orders. These increase ICL’s bargaining power.

Given that 80% of the potash produced is exported, transportation cost is a key element in potash prices. ICL's ongoing shift from the production of commodity fertilizers to value-added complementary products is an important strategic step that will also help the company to stabilize profits through the cycle.

Our view of ICL's credit profile is further supported by its geographical sales spread, which reduces exposure to changes in demand caused by regional factors, such as extreme weather. The balanced geographic profile also exposes ICL to different planting calendars, which smooth out the effects of seasonality in earnings.

ICL's main business risk relates to 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. This creates uncertainty as to whether the business will continue in its current form beyond 2030. In 2025, ICL reached a binding agreement with Israel regarding its Dead Sea concession, receiving a commitment for $2.54 billion compensation plus investment reimbursement for relinquishing its right of first refusal and opening the process to competitive bidding. The outcome of the tender remains uncertain, and a loss could weaken ICL’s competitive position, but the agreement provides financial clarity and secures bromine supply through 2035. We will monitor the tender, expected to conclude by early 2028, because it is a key consideration for ICL’s future business risk profile and consequently for Israel Corp’s future business risk profile.

Our view of ICL's business risk profile is further constrained by the highly cyclical nature of the fertilizer industry. The industry's changing supply-demand balance is difficult to predict because it depends on fertilizer price expectations, harvests, the crop mix, farmers' earnings (which depend on crop prices), the weather, and inventory levels. When new supply comes on stream, higher-cost capacities tend to be curtailed. Political decisions influence both demand and supply, through export allowances or taxes and subsidies in various core markets, especially India and China.

Finally, demand for potash and phosphate is more volatile than for nitrogen fertilizers, as farmers can skip or reduce their application for one or more seasons, without immediately affecting yield.

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 AKVA and Prodalim. At the same time, we examine its LTV ratio as an indicative metric for its financial flexibility and ability to refinance its debt.

As of the date of this report, the Company’s LTV ratio is negative, since it has negative net debt. We believe that Israel Corp’s financial flexibility remains adequate, and that it can refinance its debt if needed.

We expect ICL to remain the Company’s core holding and thus our base case scenario is underpinned by our assumptions regarding ICL. ICL’s dividend policy since 2016 includes distribution of up to 50% of adjusted net income.

The fertilizer industry's cyclicality is a structural constraint to ICL’s financial risk profile, and therefore to Israel Corp’s financial risk profile, because it translates into volatility in profits outside of the Company's control, as well as large seasonal working capital swings.

Liquidity

We examine the Company's liquidity profile on a stand-alone basis. We assess the Company's liquidity as strong, reflecting our expectations that its sources to uses ratio will exceed 1.5x in the 12 months starting April 1, 2026. Our liquidity assessment is based on Israel Corp's cash balance, committed credit facilities and expected dividends from ICL on the one hand, and on debt maturities and G&A expenses on the other hand. We note that in our liquidity calculation we excluded any unannounced dividend distributions and unannounced dividend receipts from ICL for H2 2026 and Q1 2027.

Following are the Company's liquidity sources and uses on a stand-alone basis for the 12 months beginning April 1, 2026:

Principal Liquidity Sources	Principal Liquidity Uses
• About $748 million in cash and cash equivalents. • About $260 million in unutilized committed credit facilities. • $30 million in dividends received from ICL in June 2026.	• Ongoing maturities of long-term loans and bonds of about $183 million. • Interest, general and administrative expenses of about $25 million-$30 million. • $13 million in dividends distributed in April 2026.

Stand-Alone Debt Maturities

Year	2026	2027	2028	2029	2030 and onwards
Maturities (Mil. $)	131	175	226	55	55

Covenant Analysis

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

Modifiers

Diversification/portfolio effect: Neutral (no impact)

Capital structure: Neutral (no impact)

Liquidity: Adequate (no impact)

Financial policy: Neutral (no impact)

Management and governance: Neutral (no impact)

Comparable ratings analysis: Negative impact

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.

Environmental, Social, And Governance

We capture environmental factors, including risks posed to natural capital, as a moderately negative consideration in our credit rating analysis of Israel Corp, due to the operations of its main subsidiary, ICL, since our assessment of the Company's creditworthiness is based on ICL's operating performance.

ICL relies on the production and sale of generic phosphate and potash, which exposes it to mining restoration costs, water and land management, and changes in environmental regulation, that require significant capital expenditure. While ICL faces operational risks from the receding Dead Sea shoreline, it significantly mitigates those challenges, inter alia through investments. ICL's mining concession in the Dead Sea is valid until 2030.

Social factors are also a negative consideration, as ICL's operations jeopardize infrastructure near Dead Sea's Pond 5. ICL endeavors to reduce these risks. While exposure remain, to date, this has not resulted in significant social tensions or claims.

Governance factors are an overall neutral consideration in our credit rating analysis of Israel Corp.

Recovery Analysis

Rationale

- We are affirming our 'ilA+' issue rating, identical to the issuer rating, on Israel Corp's unsecured bond series (Series 12, 13, 14, 15).
- 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 three companies from different areas of operation that are not necessarily correlated.

Simulated Default Assumptions

- Simulated year of default: 2031
- 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 there is no activity at the holding company level and its entire value at the time of default will be based on the shares it holds.
- In the deterioration process, the Company will use 55% of its signed credit facilities.
- On the day of the default, the Company's LTV ratio will be close to 100%, following a sharp drop in the market value of ICL, Prodalim and AKVA. We also assume an additional 30% reduction in share value at liquidation (amounting to a total reduction of about 70%).

Simplified Waterfall

- Gross enterprise value according to DAV method: about $460 million
- Administrative costs: 5%
- Available value to cover secured debt: about $440 million
- Senior debt: about $235 million
- Net value available for unsecured debt: about $205 million
- Unsecured debt claims: about $328 million
- Secured debt recovery expectations: 50%-70%
- Unsecured recovery rating (1 to 6): 3

All debt amounts include six months' prepetition interest.

Mapping Recovery Percentages To Recovery Ratings

Recovery expectations (%)	Description	Recovery rating	Notching above/below issuer rating
100%	Full recovery	1+	+3 notches
90%-100%	Very high recovery	1	+2 notches
70%-90%	Substantial recovery	2	+1 notch
50%-70%	Meaningful recovery	3	0 notches
30%-50%	Average recovery	4	0 notches
10%-30%	Modest recovery	5	-1 notch
0%-10%	Negligible recovery	6	-2 notches

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.

Related Criteria And Research

- Principles Of Credit Ratings, February 16, 2011
- Methodology: Industry Risk, November 19, 2013
- Country Risk Assessment Methodology And Assumptions, November 19, 2013
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, December 16, 2014
- Recovery Rating Criteria For Speculative-Grade Corporate Issuers, December 7, 2016
- Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Group Rating Methodology, July 1, 2019
- Environmental, Social, And Governance Principles In Credit Ratings, October 10, 2021
- Methodology For National And Regional Scale Credit Ratings, June 8, 2023
- Corporate Methodology, January 7, 2024

- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, January 7, 2024
- Sector-Specific Corporate Methodology, April 4, 2024
- S&P Global Ratings Definitions, December 2, 2024

Ratings List

Israel Corporation Ltd.	Rating	Date when the rating was first published	Date when the rating was last updated
Issuer rating(s)			
Long term	ilA+/Stable	03/07/2005	20/07/2024
Issue rating(s)			
Senior Unsecured Debt			
Series 12, 13	ilA+	13/03/2018	20/07/2024
Series 15	ilA+	27/04/2021	20/07/2024
Series 14	ilA+	02/12/2019	20/07/2024
Issuer Credit Rating history			
Long term			
July 04, 2023	ilA+/Stable		
November 22, 2016	ilA/Stable		
January 26, 2016	ilA+/Negative		
September 21, 2009	ilA+/Stable		
February 12, 2009	ilAA-/Negative		
November 30, 2008	ilAA/Watch Neg		
December 31, 2006	ilAA/Stable		
July 12, 2006	ilAA		
July 03, 2005	ilAA/Negative		

Additional details	
Time of the event	26/07/2025 11:09
Time when the event was learned of	26/07/2025 11:09
Rating requested by	Issuer