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

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Immediate Report regarding rating of debentures or corporation

On January 15, 2012, Standard & Poor's Maalot published a rating report regarding debentures of the Company:

Name and type of Securities	Securities No. in Stock Exchange	Rating Agency	Current Rating	Notes
Debenture (Series 6)	*5760152*	*Maalot*	*Maalot A+/Stable*	*Rating Confirmation*
Debenture (Series 7)	*5760160*	*Maalot*	*Maalot A+/Stable*	*Rating Confirmation*
Debenture (Series 8)	*5760178*	*Maalot*	*Maalot A+/Stable*	*Rating Confirmation*
Debenture (Series 9)	*5760202*	*Maalot*	*Maalot A+/Stable*	*Rating Confirmation*

Rating History:

Name and type of Securities	Securities No. in Stock Exchange	Rating Date	Rating	Notes
Debenture (Series 6)	*5760152*	*March 6, 2007*	*Maalot AA/Stable*	*Initial Rating*
Debenture (Series 7)	*5760160*	*March 6, 2007*	*Maalot AA/Stable*	*Initial Rating*
Debenture (Series 6)	*5760152*	*June 7, 2007*	*Maalot AA/Stable*	*Rating Confirmation*
Debenture (Series 7)	*5760160*	*June 7, 2007*	*Maalot AA/Stable*	*Rating Confirmation*
Debenture (Series 6)	*5760152*	*December 3, 2007*	*Maalot AA/Stable*	*Rating Confirmation*
Debenture (Series 7)	*5760160*	*December 3, 2007*	*Maalot AA/Stable*	*Rating Confirmation*
Debenture (Series 8)	*5760178*	*December 3, 2007*	*Maalot AA/Stable*	*Rating Confirmation*
Debenture (Series 6)	*5760152*	*January 13, 2008*	*Maalot AA/Stable*	*Rating Confirmation*
Debenture (Series 7)	*5760160*	*January 13, 2008*	*Maalot AA/Stable*	*Rating Confirmation*

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Debenture (Series 8)	*5760178*	*January 13, 2008*	*Maalot AA/Stable*	*Initial Rating*
Debenture (Series 6)	*5760152*	*February 12, 2009*	*Maalot AA-/Negative*	*Rating reduction*
Debenture (Series 7)	*5760160*	*February 12, 2009*	*Maalot AA-/Negative*	*Rating reduction*
Debenture (Series 8)	*5760178*	*February 12, 2009*	*Maalot AA-/Negative*	*Rating reduction*
Debenture (Series 6)	*5760152*	*September 21, 2009*	*Maalot A+/Stable*	*Rating reduction*
Debenture (Series 7)	*5760160*	*September 21, 2009*	*Maalot A+/Stable*	*Rating reduction*
Debenture (Series 8)	*5760178*	*September 21, 2009*	*Maalot A+/Stable*	*Rating reduction*
Debenture (Series 6)	*5760152*	*July 1, 2010*	*Maalot A+/Stable*	*Rating Confirmation*
Debenture (Series 7)	*5760160*	*July 1, 2010*	*Maalot A+/Stable*	*Rating Confirmation*
Debenture (Series 8)	*5760178*	*July 1, 2010*	*Maalot A+/Stable*	*Rating Confirmation*
Debenture (Series 9)	*5760202*	*July 1, 2010*	*Maalot A+/Stable*	*Initial Rating*

Attached is Maalot Report.

The Rating for the marketable debentures of the Company which are traded in the Tel Aviv Stock Exchange is valid also to the non-marketable debentures series of the Company which were issued to institutional investors.

Reference of former documents in this regard (referring does not constitute incorporation by reference):

Former name of reporting entity:
The Israel Corporation Ltd.

Form structure updated 04/01/2012

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

STANDARD
&POOR'S
Maalot

January 15, 2012

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The McGraw-Hill Companies

Israel Corp. Ltd.

Credit Rating
ilA+/Stable

Major Rating Factors

Strengths

- Strong creditworthiness of its major holding, Israel Chemicals (ICL), based on its particularly strong business and financial risk profiles.
- Good geographic spread of group sales and production sites.
- Relatively low leverage and good coverage ratios at the holding company level.
- "Strong" liquidity, strong relationship with banks, and good access to the Israeli capital market.

Weaknesses

- High asset concentration risk due to ICL's dominance in the portfolio.
- Activities in highly cyclical industries.
- Limited asset liquidity due to what we consider a low willingness to sell ICL shares in order to adjust leverage.

Rationale

The rating on Israel-based operating holding company, Israel Corp. Ltd., mainly reflects modest leverage at the holding company level, and the proven ability of its major holding, Israel Chemicals Ltd. (ICL; ilAA+/Stable), to generate strong cash flows over time and to distribute dividends which Israel Corp. uses for debt service and investments. The group also benefits from good geographic diversification both in terms of income generation and production sites of its portfolio companies. The high concentration of its investment portfolio in a single holding (albeit a sound one) continues to be the major constraint on the rating, alongside our assessment that the liquidity of its asset portfolio is limited, de facto, due to what we consider a low willingness to sell ICL shares in order to manage holding level leverage, particularly in a negative equity price cycle.

Key Business Developments

There were no recent material changes in the composition of the company's investment portfolio or in its financial standing, so we have not changed our assessment on the group's business and financial risk profiles. However, there has been a recent worsening in the credit quality of Zim Integrated Shipping Services Ltd. (ilBB-/Negative), reflecting a sharp downturn in its liquidity profile due to significantly reduced ability to generate cash flow as a result of highly unfavorable terms of trade in the shipping industry. Zim constitutes some 4.5% of the company's investment portfolio and is currently pursuing a solution to its financial covenant standing which threatens its liquidity in the second half of 2012. We believe that even if this covenant issue is solved, Zim will still likely have a deficit between its expected sources and uses starting from the end of 2012. In our opinion, Israel Corp. could support its subsidiary as it has done in the past, though we believe that such assistance, should it be forthcoming, will not be on the scale seen in 2009 and 2010. In our assessment, limited assistance could be extended to Zim without harming Israel Corp.'s credit rating.

Israel Corp. is heavily dependent on the performance of ICL, which accounts for 77% of its portfolio value and for more than 90% of dividends received. ICL, which operates in the manufacture and marketing of chemicals, enjoys one of the strongest business and financial profiles of any company rated by Standard & Poor's Maalot. Israel Corp. in effect relies on ICL, *inter alia*, for capital injections into its budding companies such as IC Green Energy, OPC Rotem, Chery Quantum and Better Place. ICL reported very good operating performance in the first three quarters of 2011, and continues to benefit from a stable trend in potash prices, potash demand, commodity prices (grain) and the consolidation of major manufacturers in the sector. Despite the industry's inherent cyclicality, we believe that the long-term trends in the potash market will remain positive and that ICL's financial results will be favorable in the near future.

Key Cash Flow and Capital-Structure Developments

As of Sept. 30, 2011, the company's gross debt was $2.5 billion, with cash of $0.7 billion and a portfolio value (according to our estimation) of $9.4 billion. The company's loan-to-value ratio (LTV) increased slightly to 19% at the end of 2011 from 15% a year earlier. The moderate increase in leverage derives mainly from a 28% drop in ICL's share value in the past year. The company's leverage is relatively low and allows for good financial flexibility, mitigated by the fact that the company holds the controlling stake in ICL, which, in our opinion, reduces its willingness to sell shares beyond a certain amount (in other words, it enjoys a control premium). In our opinion, given the company's rating, this relatively low leverage gives the company a buffer to take on additional debt or to withstand a drop in portfolio value all the while maintaining its current rating. Given our current assessment of portfolio risk, we believe the current rating is commensurate with an LTV of up to 35%.

In our opinion, the company's total coverage ratio, as expressed in the ratio between dividends and management fees received, to interest expenses, G&A expenses and dividends paid to shareholders, will have reached 2.2x in 2011, and is likely to be higher than 2.0x in 2012. This ratio testifies to the cash surplus at the holding company level that could be used for new investments or debt repayment. We believe this ratio is relatively high compared to peers' and leaves room for unexpected negative developments in dividends received.

Liquidity

We view Israel Corp.'s liquidity as "strong", relying on significant liquid balances and stable dividend flow from ICL. We believe that the ratio of company's sources to uses will reach 1.8x and 1.3x in 2012 and 2013, respectively. The company has a proven ability to refinance in the banking system and to service its current needs (G&A and finance expenses). About 36% of the company's debt is bank debt, and in this framework, the company must meet two major financial covenants, under which the company maintains significant headroom. The company has also pledged about a third of its holdings in ICL as collateral for bank debt. In our understanding, the company is currently compliant with all covenants with sufficient headroom.

In our base-case scenario, we assume that the company's sources as of Sept. 30, 2011 are:

- Cash and liquid financial assets of $0.7 billion;
- Dividends received and management fees of $1.2 billion to the end of 2013;
- Bank credit refinancing of $0.4 billion to the end of 2012.

Our assumptions for the company's uses as of Sept. 30, 2011 are:

- Debt maturities of $1.2 billion to the end of 2013;
- Interest payments of $0.3 billion to the end of 2013;
- G&A expenses of $54 million to the end of 2013;
- Investments and capital injection to held companies of $0.5 billion to the end of 2013;
- Dividends to shareholders of $140 million to the end of 2013.

Outlook

The stable outlook reflects our assessment that Israel Corp. will be able to maintain LTV of no more than 35%, while balancing the level of its new investments with shareholders' compensation. We would consider a negative rating action should there be a significant deterioration in ICL's ability to generate cash flow thus jeopardizing its ability to distribute the dividends essential to Israel Corp. for servicing its debt and its investment obligations. In addition, negative pressure on the rating could occur if the company decides to inject considerable sums into its subsidiary, Zim, which could harm the company's financial profile. Given the high asset concentration in its portfolio and the company's long-term investment horizon (effectively limiting its financial flexibility), we believe that a positive rating action would require an improvement in the diversification of the investment portfolio and overt communication of a clear financial policy.

Business Description

Israel Corp. is Israel's largest publicly listed operating holding company with a market value of about $5 billion, investing mainly in chemicals, energy and infrastructure. Its core holding (about 52% of ICL) constitutes the lion's share (about 77% by value) of its investment portfolio. Other major holdings include Oil Refineries Ltd. (ORL; ilA-/Watch Negative), Zim, and Inkia Energy. All of these companies, except for ORL, are consolidated in the company's financial statements, although as with most operating holding companies (and a considerable number of conglomerates), there is limited insight to be gained from the consolidated financial reports. Israel Corp. also has a modest portfolio of private holdings, mostly stakes of less than 50%, in stages of investment and growth supported by shareholder loans and capital injections.

Table 1

Israel Corp. Ltd. Investment Portfolio (Mil. $)

Industry Sector: Investment and operating holding companies

Holding	Rating	Industry	Israel Corp. stake	Listed/ Private	Market value of stake	Book value	Share of Portfolio Value
Israel Chemicals	ilAA+/Stable	Chemical	52.3%	listed	7,262	N.R.	76.9%
Oil Refineries	ilA-/Watch Neg	Energy	37.1%	listed	474	N.R.	5.0%
Tower Semiconductor	NR	SemiConductors	30.7%	listed	150	N.R.	1.6%
Inkia Energy	NR	Energy	100.0%	private	NR	N.R.	NA
Zim	ilBB-/Negative	Transportation	99.0%	private	NR	N.R.	NA
All private holdings	NR	Transportation, Energy	NA	private		1,552	16.4%
Total					7,887	1,552	100%

NR--Not rated. N.R.--Not relevant. NA--Not applicable.

Rating Methodology

We classify Israel Corp. as an "operating holding company". Such companies have majority stakes in core holdings, which are operating companies (generally generating cash flow). An operating holding company has significant influence on the management and business strategy of its core holdings, although portfolio investments are managed as independent operating entities and regarded as long-term strategic investments. Operating holding companies focus on generating cash flow in their subsidiaries, ,and feed on the dividends that flow to the holding company. Therefore, operating holding companies are exposed to the business activity of portfolio assets, and not only to movements in the share price. Nevertheless, the fact that the operating holding company holds shares as its major assets, grants it far better financial flexibility compared to operating companies or conglomerates.

Our business risk assessment for operating holding companies is based on the credit quality of held companies, the diversity of its assets, the diversity of portfolio industries, level of liquidity of held shares and based on our assessment of management's willingness to sell shares in order to manage holding level gearing. In assessing financial risk, the central parameter is the holding company's financial leverage as expressed in the ratio of stand-alone net debt to assessed portfolio market value (LTV). Cash flow adequacy is expressed as the ratio of dividends and management fees received, to finance expenses, G&A expenses and dividends paid to shareholders. The marriage between business and financial risks testify to the level of the company's financial flexibility and its ability to refinance debt or sell assets quickly in order to pay off debt.

Business Risk Profile: Strong Creditworthiness Of Major Holding, High Asset Concentration Risk In Portfolio

Israel Corp.'s business risk profile is based, in our opinion, on the following supporting factors:

- Its (52.3%) holding in ICL which delivers consistently strong dividends. ICL enjoys one of the strongest business and financial risk profiles of any company rated by Standard & Poor's Maalot, and despite the cyclicality of its core activity, ICL has reported very good operating performance over time, as influenced by long-term trends in the competitive structure of its core industry and by demand for its products worldwide.
- Control of its major subsidiaries, and as a result, control of dividend flow. ICL constitutes the greatest potential for dividends (according to its current dividend policy, and beyond) since it generates significant free cash flow and enjoys particularly low leverage. Israel Corp.'s control of the boards of its major subsidiaries, ICL, ORL, Inkia and Zim, grants its control and constant oversight of these companies' business and financial policies.
- Liquidity of portfolio assets. Approximately 84% of its investment portfolio by value is listed for trade, with ICL accounting for 77% of this total. ICL is one of the most traded securities on the Tel Aviv Stock Exchange (by volume). In theory, the company could sell 2.3% of ICL shares without lowering its holding to below 50%, and augment its liquid reserves by about $350 million.
- Good business diversity of activities, including chemicals, energy, shipping and infrastructure. The company also benefits from good geographic spread of group sales and production sites in Israel, South America, North America and Europe.

These supporting factors are mitigated, in our opinion, by the following constraints:

- High asset concentration risk in the portfolio given ICL's dominance. Israel Corp. is heavily dependent and very highly exposed to ICL and to its operating performance. ICL is currently responsible for more than 90% of the company's dividend inflow.
- The company's reluctance, in our opinion, to sell shares. Despite the high proportion of listed shares, we believe that the asset liquidity is restricted due to what we regard as the company's reluctance to sell shares in order to manage leverage. Most of its holdings, especially ICL, are long-term core holdings, and we believe Israel Corp. will be reluctant to sell these shares, possibly bringing its stake to below 50%, in order to manage its leverage, particularly in times of falling share prices.
- Exposure to industries with high cyclicality. This includes activities in oil refining (ORL), shipping (Zim) and chemicals (ICL). Also, a significant proportion of the products marketed by the group are characterized or linked to commodity prices. High cyclicality could, in extreme cases, lead to high volatility in dividends received.

Financial Risk Profile: Low Leverage Over Time And 'Strong' Liquidity

Israel Corp.'s financial risk profile is supported, in our opinion, by the following factors:

- Low leverage (LTV) of 19% compared to a threshold of 35% that we consider commensurate with the current rating, given our current assessment of the company's business parameters (the risk inherent in the asset portfolio). Israel Corp. has maintained an LTV lower than 35% for the past three years. Assuming no new investments or realizations, the asset portfolio would need to lose 45% in value in order to push leverage above the 35% threshold.
- Good coverage ratios. The total coverage ratio at the holding company level, as expressed by the ratio of expected dividends to finance expenses, G&A expenses and dividends paid to shareholders, is consistently above 2.0x, which provides the company with a sufficient buffer for unexpected developments in dividends received from subsidiaries.
- "Strong" liquidity according to our criteria, and excellent access to the capital market and banks. Israel Corp.'s liquidity relies on a high level of cash reserves and stable dividend inflow from ICL. The company also has a proven ability to refinance debt in the banks in order to service its uses at the holding level.

These strengths, in our opinion, are mitigated by:

- Lack of a clear declared financial policy regarding the level of leverage that the company is willing to tolerate. While we appreciate the company's conservative financial policies, management does not indicate its willingness to maintain any particular financial ratio or level of financial debt. As a result, and also due to the concentration risk of the company's portfolio, we are obliged to rate the company to a level of potential leverage that is significantly higher than the company's historical level of leverage.
- Close relations with the portfolio assets, including weak companies such as Zim. Despite the fact that Zim constitutes only a very small proportion of the investment portfolio value, there is still a possibility that Israel Corp. will inject further considerable sums into the shipping company in the future. In the event that such a development would occur and reach significant proportions, this could damage Israel Corp.'s financial standing.

Financial Statistics And Peer Comparisons

Table 2

Israel Corp. Ltd. -- Peer Comparison

	Israel Corp.	Wendel	Franz Haniel & Cie GmbH	Dogus Holding A.S.	CIR SpA
(Mil. €)					
Country	Israel	France	Germany	Turkey	Italy
Rating as of Jan. 15, 2012	ilA+/Stable	BB-/Negative/B	BB+/Stable/B	BB/Stable/B	BB/Stable/B
Data as of	**Dec. 31, 2011**	**March 31, 2011**		**Dec. 31, 2010**	
Business Profile		Satisfactory	Satisfactory		Weak
Portfolio Risk	Weak	Satisfactory	Satisfactory	Weak	Weak
Estimated portfolio value (PV)	7,432	8,697	9,507	7,200	1,799
Number of core holdings	5	7	5	7	7
Three largest assets/PV	89%	90%	87%	83%	55%
Market value of listed assets	6,210	7,262	8,257	5,456	621
Listed stocks as share of PV	84%	84%	87%	76%	35%
Portfolio Quality	Adequate	Strong	Adequate	Weak	Weak
Portfolio diversification	Very Weak	Weak	Weak	Very Weak/Weak	Weak
Portfolio liquidity	Weak	Adequate	Weak/Adequate	Weak	Weak
Majority owned assets/PV	90%	46%	32%	100%	55%
Financial Profile	Significant	Aggressive	Intermediate	Significant	Intermediate
Net debt (less cash & deposits)	1,409	3,461	2,570	1,625	209
Net debt/PV	19%	40%	27%	23%	12%
Net debt/PV listed assets	23%	48%	31%	30%	34%
Net debt/PV ceiling	35%	55%	35%	30%	20%
Cash Flow & Liquidity					
Dividends received	413	210	194	85	NA
Dividends paid out	55	50	60	16	NA
Operating charge cover (x)¶	22.0	4.4	3.0	3.4	NA
Interest cover (x)§	3.2	0.6	1.0	2.0	NA
Total cover (x)†	2.2	0.5	0.8	1.5	NA

¶Dividends received and management fees / operating expenses at holding level. §Dividends received and management fees / operating expenses and net interest paid. †Dividends received and management fees / operating expenses and net interest paid and dividends paid. NA--Not applicable.

Table 3

Israel Corp. Ltd. -- Key Summary Data (Mil. $)						
	2011	2010	2009	2008	2007	2006
Business Profile						
Portfolio Risk						
Estimated portfolio value (PV)	9,439	13,529	10,595	7,351	11,235	6,974
Number of core holdings	5	4	4	4	4	3
Three largest assets/PV	89%	91%	91%	92%	92%	93%
Core assets/PV	94%	94%	95%	95%	95%	99%
Market value of listed assets	7,887	11,739	9,557	5,745	9,565	5,719
Listed stocks/PV	84%	87%	90%	78%	85%	82%
Portfolio quality	Adequate	Adequate	Weak	NA	NA	NA
Portfolio diversification	Very Weak	Very Weak	Very Weak / Weak	NA	NA	NA
Portfolio liquidity	Weak	Weak	Weak	NA	NA	NA
Financial Profile						
Total gross debt	2,477	2,487	2,269	2,333	1,989	1,000
Cash & equivalents	687	601	217	481	280	666
Net debt	1,790	1,886	2,052	1,852	1,709	334
Net debt/PV	19%	14%	19%	25%	15%	5%
Net debt/Listed assets	23%	16%	21%	32%	18%	6%
LTV ceiling	35%	35%	35%	35%	25%	25%
Cash Flow at Holding Level						
Dividends & fees received	524	489	393	567	262	130
G&A	24	NA	NA	NA	NA	NA
Interest expense	140	NA	NA	NA	NA	NA
Dividends paid out	70	0	0	51	65	71
Operating charge cover (x)	22	23	20	29	13	11
Interest cover (x)	3.2	4.3	2.8	4.2	2.1	3.0
Total cover (x)	2.2	4.3	2.8	3.1	1.4	1.1

NA--Not applicable.

Ratings Details (As Of Jan. 15, 2012)	
Issuer Credit Rating (Israel Corporation)	**ilA+/Stable**
Senior Unsecured (Series 3, 4, 5, 6, 7, 8, 9)	ilA+
Senior Unsecured (Institutional 2002)	ilA+
Ratings History	
21-Sept-2009	ilA+/Stable
11-Feb-2009	ilAA-/Negative
30-Nov-2008	ilAA/Watch Negative
01-Jan-2007	ilAA/Stable
Debt Maturities	
As Of Sept. 30, 2011:	

2011:	$ 132 million
2012:	$ 549 million
2013:	$ 536 million
2014 & thereafter:	$ 1,260 million

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