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

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Immediate Report

The Event: Zim - Maalot Rating Report

Enclosed herewith is Maalot Report provided by Zim Integrated Shipping Services Ltd. - ilCCC rating..

The date when the event first became known to the corporation: May 2, 2013
time: 19:23

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: May 05, 2013

STANDARD
& POOR'S
MAALOT

Zim Integrated Shipping Service Ltd.

May 2, 2013

Rating Update

Rating Lowered To 'ilCCC' On Our Assessment Of Debt Restructuring

Primary Credit Analyst:

Sophia Grach, Tel Aviv, sophia.grach@standardandpoors.com

Secondary Credit Analyst:

Etai Rappel, Tel Aviv, etai.rappel@standardandpoors.com

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Ratings Update

Rating Lowered To 'ilCCC' On Our Assessment Of Debt Restructuring

Overview

- We believe that in light of Zim's capital restructuring actions, there is a relatively high likelihood of restructuring bank debt in the near term, which, given the company's credit rating, we would likely regard as a "distressed exchange offer", a step, according to our methodology, which is considered equivalent to a default of the issuer.
- In recent months, company management has taken several steps to improve its liquidity, which, we believe, will allow Zim to meet its obligations up to mid-2014. However, given the continued weakness of terms of trade in the shipping industry, we believe the company will face difficulties meeting its obligations in the second half of 2014.
- We are lowering the rating of the Israel-based shipping company, Zim Integrated Shipping Services Ltd., to 'ilCCC' from 'ilB'.
- The negative outlook reflects the shortfall of projected sources to uses in 2014, and our assessment of a likelihood that steps will be taken that will change Zim's debt repayment schedule, which we could view as a selective default, according to our definition.

Rating Action

On May 2, 2013, Standard & Poor's Maalot lowered the rating on Israel-based shipping company, Zim Integrated Shipping Services Ltd., to 'ilCCC' from 'ilB'. The outlook is negative.

Rationale

Zim's downgrade reflects the announcement by its parent company, the Israel Corp. (ilA+/Stable), to the Tel Aviv Stock Exchange, on May 1, 2013, regarding the presentation to funding banks of Zim's capital restructuring plans, designed to achieve long-term stability, including a proposal for restructuring bank debt. In light of this announcement, we see a tangible possibility that despite the steps taken to reduce cash flow pressures up to mid-2014, Zim will act to restructure its bank debt in the coming months, which, according to our methodology, we may regard as a "distressed exchange offer", (in that we deem the restructuring of obligations under pressure), and which would lead to a selective default (SD) rating for Zim.

Zim has taken several steps since the start of 2013 to improve its liquidity, including deferring some of its principal payments to funding banks due in 2013 to the end of 2014, obtaining easing on financial covenants, and reaching an agreement with shipyard to cancel some ship orders and delay delivery of the others. In our opinion, these steps will allow the company to meet its obligations up to mid-2014, if there is no unexpected deterioration in shipping terms of trade. However we regard these steps as only temporary, since we believe the company will find it difficult to satisfy its covenants in 2014, and even be unable to meet its obligations in the second half of 2014.

We therefore believe that to achieve long-term stability the company will aim, if it is able, to extend the duration of its financial obligations. In our opinion, the company's vulnerable financial risk profile and, in particular, its "weak" liquidity, by our definition, point to the need to restructure debt in order to avoid possible payment default in the next two years. We believe that the banks' agreement to such restructuring, should they agree, will result from the lack of more attractive alternatives taking into account the company's current situation.

Liquidity

According to our criteria, Zim's liquidity is "weak". However, deferral of some of the principal payments to banks from 2013 to end-2014, together with easing of financial covenants, have improved Zim's liquidity in 2013. We believe the company's new uses in 2013 are commensurate with expected sources.

However we believe that during 2014 Zim will find it very difficult to satisfy its liquidity covenants with the banks, and may even reach a cash shortfall in the second half of 2014. Our base-case liquidity scenario assumes that Zim will not obtain external support and that there will be no substantial change (currently unexpected) in shipping terms of trade. A change in repayment schedule to the banks should make it easier for Zim to meet its obligations, but, as mentioned, this development would be regarded as debt restructuring under pressure and will lead to a selective default) for the company, according to our methodology.

Outlook

The negative outlook reflects our assessment that the company will take steps to restructure its capital, which could be regarded as a selective default. In such an event, the capital restructuring would likely be construed, by our criteria, as a "distressed exchange offer" which would lead to a downgrade of the issuer to an SD (selective default) rating. The rating of Zim's bond series would not be affected if the company continues to meet its obligations to its bondholders according to the current payment schedule, and if there is no demand for immediate payment by the bondholders.

We would consider a positive rating action if there is significant improvement in the company's operating cash flow or any positive external change which improves the company's liquidity significantly, allowing it to safely cover its uses in the next two years. However, we would have to examine the company's situation over time to ensure that any positive change in its operating performance was sufficient and sustainable.

Related Criteria And Research

- General Criteria | Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2004.
- Criteria | Corporates | General: Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011.
- Rating Implications Of Exchange Offers And Similar Restructurings, Update, May 12, 2009.

These articles may be found on www.standardandpoors.com

Ratings List

	To	From
Zim Integrated Shipping Services Ltd.		
Issuer credit rating	ilCCC/Negative	ilB/Negative
Series 1	ilCCC	ilB
Series 2	ilCCC	ilB
Series 3	ilCCC	ilB