

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 121

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

Public

Sort name: Israel Corporation

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Date of Transmission: January 27, 2015

Reference: 2015-01-019561

To:

To:

The Securities Authority

The Tel Aviv Stock Exchange

www.isa.gov.il

www.tase.co.il

Immediate Report

The Event: Accounting Following the Split

See the attached report.

The date when the event first became known to the corporation: January 26, 2015

Time: 16:00

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: January 27, 2015

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January 27, 2015

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

Immediate Report - Accounting Following the Split

The Company hereby announces as follows:

1. Following the completion of the split in the Company's holdings on January 7, 2015 and as part of the preparation of the financial statements of the Company for 2014, and after the listing of Kenon for trade, the company hereby announces that according to an initial examination the company is expected to classify in its financial statements as December 31, 2014, the assets which were transferred to Kenon as part of the split (hereinafter: the "Transferred Assets") as assets which are held for distribution to owners and as a discontinued activity, in accordance with IFRS 5. Accordingly, the Company is expected to present the group of Transferred Assets according to Kenon's value on the first day of trading and therefore the Company is expected to register a reduction in the financial statements for 2014 of approximately USD 400 million which will be included as part of the discontinued activity, as mentioned above. The said amount of reduction may increase or decrease depending on the results of the transferred companies in the fourth quarter of 2014.

The said amount was calculated based on the value of Kenon on its first trading day against the book value of the transferred companies on September 30, 2014, and in addition to the amounts invested in the Kenon and the transferred companies after September 30, 2014.

Such a reduction, insofar it shall be done, will effectively reduce the book value of the dividend-in-kind which was distributed by the company, and therefore the said reduction, if implemented, will not influence on the Company's equity and surplus on the day after the distribution of the dividend-in-kind distributed by the company as part of the completion of the split in its holdings. Additionally, the reduction will not affect the withholding tax calculation as stated in the transaction report issued by the Company on December 23, 2014 ("Transaction Report").

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2. As reported by the Company in the Transaction Report, following the completion of the split in the Company's holdings on January 7, 2015, and following the distribution of the dividend-in-kind and the cash dividend by the Company, the Company expects to recognize a tax income of approximately NIS 640 million. The company is examining the timing of registration of this income in one of two quarter - in the fourth quarter of 2014 or in the first quarter of 2015, in connection with tax returns it will be entitled to receive from the Israeli Tax Authority arising from tax payments in respect of dividends received by the Company whose source is an approved enterprise, which by law are returned to the Company after such dividend distribution by the Company to its shareholders.
3. Following the completion of the split, and after learning the value of Kenon in trading, the Company incurred a tax loss estimated by it in the amount of NIS 5 billion, nominal.

The information included in this report is forward-looking information, and there is no assurance that the Company will execute such a reduction and/or register a loss for tax purposes as stated, it is uncertain whether such a reduction and/or loss for tax purposes as stated would be in the amounts estimated by the Company on the date of this report, and there is no assurance that the Company will actually receive the tax returns to which it is entitled to, in its opinion, as stated above.

Sincerely,

Israel Corporation Ltd.

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: January 27, 2015