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**Israel Corporation Ltd.**

Registrar Number: 520028010

**Form 081  
Public**

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

Sort name: Israel Corporation

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To:

The Securities Authority

www.isa.gov.il

To:

The Tel Aviv Stock Exchange

www.tase.co.il

**Immediate Report of Distribution of Cash Dividends for Securities**

Regulation 37 (A) of the Securities Regulations (Periodical and Immediate Reports), 5730-1970

1. We hereby report that on August 20, 2015 it was resolved to pay dividends for securities of the Company: *For shares*
2. The total amount of the dividends that will be paid is: *USD 100 million.*
3. The balance of the profits of the corporation as defined in Section 302 of the Companies Law, 5759-1999, following the distribution that is the subject of this report amounts to: *USD 247 million.*
4. Dividend distribution approval procedure: *see the attached.*  
  
The above mentioned distribution is according to court's approval pursuant to Section 303 to the Companies Law: *No.*
5. The record date (cum day): *September 1, 2015*  
The ex-day: *September 1, 2015*  
The payment date: *September 17, 2015*
6. Payment details
  - o Dividends for which no tax was withheld overseas

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Qualifying security No.	Name of security	Dividend amount per security	Dividend amount currency	Payment currency	Date of the determining representative rate	Individuals tax %	Corporate tax %
576017	Regular shares 1	13.11279	Dollar	NIS	September 1, 2015	25	0

Notes:

1. *The amount mentioned in section 6 is not final. The exact dividend amount per share in NIS will be set according to the dollar representative rate (which will be determined on the record date, September 1, 2015).*
2. *The amount mentioned in section 2 above is denominated in USD.*
3. *The dividend will be paid in NIS.*
4. *The dividend amount does not include dividend for shares, which are held by a wholly owned company.*

7. Is the dividend amount per security final: *yes*

❖ Composition of the dividend sources:

	% of dividend	Individuals	Companies	Overseas residents
<b>Corporate tax liable incomes (1)</b>	100%	25%	0%	25%
<b>Incomes whose source is overseas (2)</b>	0	25%	26.5%	25%
<b>Income from an approved / beneficiary enterprise</b>	0	15%	15%	15%
<b>Ireland approved establishment incomes</b>	0	15%	15%	4%
<b>Preferred incomes</b>	0	20%	0%	20%
<b>Tourism / agricultural approved establishment incomes (3)</b>	0	20%	20%	20%
<b>Income classified as capital gains</b>	0	25%	26.5%	0%
<b>Other</b>	0	0	0	0

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- (1) Income subject to corporate tax – income from the distribution of profits or from a dividend whose source is income produced or accrued in Israel, which was received directly or indirectly from another body corporate which is subject to corporate tax.
- (2) Income whose source is overseas is income produced or accrued overseas which was not taxed in Israel, and also a dividend from overseas in respect of which tax was not deducted overseas.
- (3) Including income from a tourist beneficiary enterprise.

8. The number of dormant securities of the Corporation that are not entitled to dividend payment and for which a dividend payment waiver letter must be received: 72,322.

9. Effect of the dividend distribution over convertible securities:

- o The Company has no convertible securities
- o The dividend distribution has no effect on the convertible securities
- *The effect of the dividend distribution on the convertible securities is as follows:*

<b>Name of security</b>	<b>Number of security</b>	<b>Comments</b>
2012 options plan.	5760228	Other The exercise price of the option warrants into shares of the Company will be adjusted by the cash dividend amount.

10. Recommendations and decisions of the directors concerning the dividend distribution according to Regulation 37(A)(1) of the Securities Regulations (Periodical and Immediate Statements), 5730-1970:

*See the attached.*

Comment to section 8: *72,322 Shares which are held by H.L. Consulting and Management (1986) Ltd., a wholly owned company.*

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 & Company Secretary

Date of signature: August 20, 2015

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Dividend distribution approval procedure:

The Board of Directors of the Company held a discussion, after the Finance And Balance Sheet Committee held a discussion and recommended a dividend distribution, regarding the company's compliance with the distribution tests as defined in Section 302 of the Companies Law 5759-1999 (“the Companies Law”), within which the following factors and parameters, among others, were examined and considered:

- A. The Board of Directors and the Finance And Balance Sheet Committee were provided with, *inter alia*, the financial statements of the Company for June 30, 2015 and an external expert opinion concerning the Company’s compliance with the “solvency test” as defined in the Companies Law, which includes various scenarios regarding cash flows, including sensitivity analyses and additional indications of the solvency of the Company (“**Solvency Work**”).
- B. The Board of Directors of the company and the Finance And Balance Sheet Committee have examined the Company’s compliance with the profit test – the profits of the Company that were accrued according to the adjusted, reviewed financial statements of the Company for the period ended June 30, 2015 total at 347 million dollars. Therefore it has been found that the proposed dividend is in compliance with the profit test, meaning that the dividend distribution is made out of the Company's profits.
- C. Within the examination of the Company’s compliance with the solvency test, the effect of the distribution, *inter alia*, on the financial status of the Company was examined, while examining, *inter alia*, data on the liquidity status and the cash balances of the Company and the Company’s cash flow forecast, including data concerning the Company’s assets against its liabilities, the value of the cash and investments of the Company, as well as the financing sources that the Company estimates to be available to it for repayment of its existing and expected liabilities, once they mature, including receipt of dividends from held companies, loan refinancing (and the ability to refinance existing loans) and funds raising (and the ability to raise funds). In addition, cash flow scenarios in regards with the Company were analyzed while conducting rigorous sensitivity analyses and analyzing risk factors for unexpected cases of adverse effect on the business affairs of the Company and the held companies. In addition, the Company has “additional safety nets”: partial realization of holdings, capital raising in Israel or overseas, receipt of dividends from Bazan, as well as and early repayment or sale of the loan to Kenon.
- D. The effect of the dividend distribution on the leverage level of the Company was also examined, including the financial strength of the Company and the Company’s ability to serve its debts as these are reflected in the analysis of forecasted financial covenant of the Company (financial leverage ratios and various coverage ratios).

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- E. Furthermore The Board of Directors was also presented with the dividends that the Company expects to receive from ICL; reference to rigorous external scenarios and risk factors concerning the business affairs of the Company; and data concerning the Company's fulfillment of the financial requirements and the restrictions applying to it pursuant to the financing agreements to which the Company is a party.
- F. In addition, the Board of Directors has examined the ramifications of payment of the dividends for the capital structure of the Company, and the ramifications of the dividend distribution for the activity of the Company in its existing form, including considering that after completion of the restructuring of the holdings of the Company (the subject of the transaction report of the Company dated December 23, 2014), the Company does not intend to make investments in new companies.

In view of the foregoing, and after the Board of Directors was presented with the data, information the Solvency Work and the aforesaid scenarios as well as the recommendation of the management on the matter, the Board of Directors is satisfied that the Company is able to meet its existing and expected liabilities once they mature (including in rigorous scenarios), using the cash balances in its possession, using cash flow sources that derives from the held companies, by way of refinancing loans and, to the extent required, by raising credit. The Board of Directors has also found that the distribution is not expected to affect adversely the capital structure of the Company, its liquidity state or ability to continue to operate in its existing form of activity and implement its strategy. Therefore, the Board of Directors believes that there is no reasonable concern that the dividend distribution will deny the Company the ability to meet its existing and expected liabilities once they mature.

It should be clarified that everything stated in this immediate report, to the extent that it relates to forecasts and/or estimates and/or forward looking information, constitutes forward looking information, as this term is defined in the Securities Law, 5728-1968. Such estimates, forecasts and forward looking information are based, *inter alia*, on data that the Company possesses as of the date of this report (including cash balances and credit), on the financial status of the economy, on data of the held companies of the Company and on the investments of the Company. It should further be clarified that such estimates, forecasts and forward looking information may fail to materialize, in part or in full, or materialize in a manner different from that expected, *inter alia*, following changes in the market conditions in which the Company and/or the companies held thereby operate, materialization of risk factors, changes in conditions in the capital market and/or regulatory changes in countries in which the Company and/or the held companies operate, which may affect the situation of the Company.