

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
Public**

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

Short name: Israel Corporation

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Date of Transmission: March 20, 2016

Reference: 2016-01- 009477

To:

The Securities Authority

www.isa.gov.il

To:

The Tel Aviv Stock Exchange

www.tase.co.il

Immediate Report

The Event: Amendment to Loan Agreement - Kenon

See the attached report.

The date when the event first became known to the corporation: March 17, 2016

Time: 19:00

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: March 20, 2016

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Israel Corporation Ltd.

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Attorney Maya Alcheh-Kaplan

Vice President

General Counsel and Company Secretary

ISRAEL CORPORATION

March 20, 2016

TO:
THE SECURITIES AUTHORITY
Through the MAGNA system

TO:
THE TEL AVIV STOCK EXCHANGE LTD.
Through the MAGNA system

Dear Sir/Madam,

Re: **Update on the Occurrence of a Potential Event or Matter in Accordance with Regulation 37A.2 of the Securities Regulations (Periodic and Immediate Reports), 5730 - 1970**

The Company hereby reports that a modification of a pledge that was provided to the Company to secure a loan that was provided to Kenon Holdings Ltd. (a company that was spun off from Israel Corporation in the course of a distribution act that was completed at the beginning of 2015, as described in a transaction report dated December 23, 2014, Reference No.: 2014-01-229107 – hereinafter: the “**Loan**”, “**Kenon**” and the “**Transaction Report**”, respectively) following a reorganization of Kenon’s holdings in a wholly-owned subsidiary, I.C. Power Ltd. (hereinafter: “**ICP**”), as described below. In accordance with the terms and conditions of the loan agreement, the repayment of the loan was secured by a pledge on 66% of the shares of ICP (For details with respect to the loan agreement and the pledge that was provided to secure the Loan, and the possibility of implementing a reorganization that would require a modification of the pledge that had been provided to the Company, see Section 3.2.1.10 of the Transaction Report and also with respect to the creation of the pledges, see the immediate reports that were issued by the Company on February 5, 2015, Reference No.: 2015-01-025345; on April 30, 2015, Reference No.: 2015-01-009615; and on January 5, 2016, Reference No.: 2016-01-003562).

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The reorganization of Kenon's holdings in ICP - In accordance with the provisions of the loan agreement and subject to the terms and conditions that were set forth therein, as of the date of this Immediate Report, Kenon has engaged in an agreement for the implementation of a reorganization of Kenon's holdings in the shares of ICP.

In the course of the reorganization act, the ICP shares will be transferred to a holding company which is wholly-owned by Kenon and which was incorporated under Singaporean law (hereinafter: "**ICPS**"), in consideration of shares of ICPS that were allocated to Kenon and ICPS's undertaking to pay to Kenon the amount of US \$220 million (that will be deemed to be a loan that was provided by Kenon to ICPS – the "**Vendor's Loan**"). The Vendor's Loan may be converted into shares of ICPS.

Retention of the existing pledge on the shares of ICP – In addition to the creation of new pledges, as required by the provisions of the Loan Agreement (as described below), it was agreed between Kenon and the Company that the current pledge on 66% of the shares of ICP would continue to secure the Company's Loan, until shortly prior to the implementation of a public offering of the shares of ICPS. Accordingly, ICPS will pledge 66% of the shares of ICP that it receives in the course of the reorganization act (which are also currently pledged in favor of the Company) in order to secure Kenon's obligations to the Company pursuant to the Loan Agreement. In the event that the current pledge is removed ahead of the implementation of the public offering, and the public offering is not implemented, Kenon has undertaken to cause ICPS to reinstate the pledge that was removed.

The creation of new pledges as a consequence of the implementation of the reorganization act - In accordance with the provisions of the loan agreement between the Company and Kenon, which, as aforesaid, was signed in the course of the distribution act that was approved by the Company's general meeting on December 31, 2014 (hereinafter: the "**Loan Agreement**"), Kenon may implement the reorganization act as described above subject to making a modification to the existing pledge [as described in Section 3.2.1.10 (f) of the Transaction Report]. In accordance with that stated, it was determined between the Company and Kenon and ICPS that upon the completion of the reorganization act in respect of Kenon's holdings as aforesaid, the repayment of the Company's Loan to Kenon will be secured by securities on the shares and the assets that Kenon receives in consideration of the transfer of the shares of ICP, as set forth below: (a) the pledge of 66% of the shares

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original of ICPS; (b) a pledge by way of assignment of Kenon's rights with respect to 66% of the repayment amounts of the Vendor's Loan (a total of approximately USD 145 million) or a pledge on the shares that will arise from the conversion of part of the pledged loan (hereinafter: the "**New Pledges**"); it should be recalled that in accordance with the provisions of the Loan Agreement, the pledges that were provided to secure the loan will be removed after a public issue of the shares of ICP (subject to the retention of a financial ratio of 2:1) and the term of the loan will be shortened to 18 months. This provision will apply, accordingly, to the New Pledges with respect to the public offering of ICPS. The new pledge agreements have been done in accordance with the terms of the existing pledges, *mutatis mutandis*.

Sincerely yours,

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 & Company Secretary.

Date of signature: March 20, 2016.