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**Israel Corporation Ltd.**

Registrar Number: 520028010

**Form 121  
Public**

Date of Transmission: 22/11/2016

Reference: 2016-01-130720

To:

The Securities Authority

[www.isa.gov.il](http://www.isa.gov.il)

To:

The Tel Aviv Stock Exchange

[www.tase.co.il](http://www.tase.co.il)

**Immediate Report**

**The Event: Adjusting Interest Rates of Bonds**

Attached hereto is an immediate report regarding adjusting interest rates of the Company's Bonds.

The date when the event first became known to the corporation: 22/11/2016

Time: 17:50

Name of report authorized signatory and name of authorized electronic signatory: Maya Alcheh Kaplan

Position: Vice President, General Counsel and Company's Secretary.

Signature date: 22/11/2016

Form structure updated: 31/10/2016

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

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To  
The Securities Authority  
3 Kanfei Nesharim St.  
Jerusalem

To  
Tel-Aviv Stock Exchange  
2 Ahuzat Bayit St.  
Tel Aviv

To whom it may concern,

**Immediate Report: Adjusting Interest Rates of the Company's Bonds Following Rating Downgrade**

Following the rating report published by the Company on 22 November 2016 in which Standard & Poor's Maalot announced that the Company's rating was downgraded from a ilA+/Negative to a ilA/Stable rating (Reference no.: 2016-01-130708) as of 22 November 2016 ("**Date of Downgrade**"), the Company announces the adjustment of the interest rates of its Bonds series (Series 7,9,10,11) ("**Company's Bonds Series**") in accordance with the terms of the trust deeds of the said bonds<sup>1</sup>, as follows:

1. In accordance with Sections 4.5 – 4.8 of the amendment of the Trust Deed of Bonds (Series 7, linked to CPI) dated 8.3.2007, such rating downgrade would increase the interest rate of Bonds (Series 7) as follows:
  - 1.1. As of the Date of Downgrade, an additional 0.25% will be added to the annual interest rate on the balance of the principal of Bonds (Series 7).
  - 1.2. The balance the principal of Bonds (Series 7) will bear an interest rate of 4.7% during the period from 13.09.2016 until the Date of Downgrade.
  - 1.3. The interest rate on the principal Bonds (Series 7) from the Date of Downgrade until the date of the next interest payment on 13.3.2017 is 4.95%.
  - 1.4. The weighted interest rate payable by the Company to the holders of Bonds (Series 7) at the next interest payment date on 13.3.2017 is 2.42%. Furthermore, the annual weighted interest rate that the principal of the Bonds (Series 7) will bear is 4.8525%.
  - 1.5. The adjusted annual interest rate (after the interest rate increase mentioned above), that the principal of Bonds (Series 7) will bear as of the next interest period from 14.3.2017 shall be 4.95%. Furthermore, the adjusted semi-annual interest rate (after the interest

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<sup>1</sup> For details regarding the terms of the Bonds, including the adjustment mechanism of the interest rate concerning the Bonds (Series 7) and the Bonds (Series 9) see amendments of the Trust Deeds in the report dated 21.12.2014 (Reference no. 2014-01-226965); For details regarding the terms of the Bonds, including the adjustment mechanism of the interest rate concerning the Bonds (Series 10) and the Bonds (Series 11) see Trust Deeds in the Company's report dated 25.5.2016 (Reference no. 2016-01-034110).

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rate increase mentioned above) that the principal of Bonds (Series 7) will bear as of the next interest period shall be 2.475%.

- 1.6. The adjusted interest rate of Bonds (Series 7) will remain in effect until full repayment of the balance principal of the outstanding Bonds (Series 7) or until a change in the rating of Bonds (Series 7).
2. In accordance with Sections 5.5 – 5.8 of the amendment to Trust Deed of Bond (Series 9, NIS) dated 7.7.2010, such rating downgrade would increase the interest rate of Bonds (Series 9) as follows:
  - 2.1. As of the Date of Downgrade, an additional 0.25% will be added to the annual interest rate of the balance of the principal of Bonds (Series 9).
  - 2.2. The balance the principal of Bonds (Series 9) will bear an interest rate of 6% during the period from 1.7.2016 until the Date of Downgrade.
  - 2.3. The interest rate on the principal of Bonds (Series 9) from the Date of Downgrade until the date of the next interest payment on 31.12.2016 is 6.25%.
  - 2.4. The weighted interest rate payable by the Company to the holders of Bonds (Series 9) at the next interest payment date on 31.12.2016 is 3.0514%. Furthermore, the annual weighted interest rate that the principal of Bonds (Series 9) will bear is 6.053%.
  - 2.5. The adjusted annual interest rate (after the interest rate increase mentioned above), that the principal of Bonds (Series 9) will bear as of the next interest period from 1.1.2017 shall be 6.25%. Furthermore, the adjusted semi-annual interest rate (after the interest rate increase mentioned above) that the principal of Bonds (Series 9) will bear as of the next interest period shall be 3.125%.
  - 2.6. The adjusted interest rate of Bonds (Series 9) will remain in effect until full repayment of the balance principal of the outstanding Bonds (Series 9) or until a change in the rating of Bonds (Series 9).
3. In accordance with Section 5.5 of the Trust Deed of Bonds (series 10, NIS) dated 25.5.2016, such rating downgrade would increase the interest rate of Bonds (series 10) as follows:
  - 3.1. As of the next interest period, on 1.12.2016, an additional 0.25% will be added to the annual interest rate of the balance of the principal of Bonds (Series 10).
  - 3.2. The adjusted annual interest rate (after the interest rate increase mentioned above), that the principal of Bonds (Series 10) will bear shall be 4.1% (“**Adjusted Interest Rate**”),

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and the adjusted semi-annual interest rate that the principal of Bonds (Series 10) will bear shall be 2.05%.

- 3.3. The adjusted interest rate of Bonds (Series 10) will remain in effect until full repayment of the balance principal of the outstanding Bonds (Series 10) or until the first interest period after a change in the rating of Bonds (Series 10) in accordance with the terms of the Deed of Trust of Bonds (Series 10).
- 3.4. With regard to the interest period ending on 30.11.2016, no additional interest will be paid.
4. In accordance with Section 5.5 of the Trust Deed of Bonds (Series 11, linked to the exchange rate of the dollar) dated 25.5.2016, such rating downgrade would increase the interest rate of Bonds (Series 11) as follows:
  - 4.1. As of the next interest period, on 1.12.2016, an additional 0.25% will be added to the annual interest rate of the balance of the principal of Bonds (series 11).
  - 4.2. The adjusted annual interest rate (after the interest rate increase mentioned above), that the principal of Bonds (Series 11) will bear shall be 5.25% ("**Adjusted Interest Rate**"), and the adjusted semi-annual interest rate that the principal of Bonds (Series 11) will bear shall be 2.625%.
  - 4.3. The adjusted interest rate of Bonds (Series 11) will remain in effect until full repayment of the balance principal of the outstanding Bonds (Series 11) or until the first interest period after a change in the rating of Bonds (Series 11) in accordance with the terms of the Deed of Trust of Bonds (Series 11).
  - 4.4. With regard to the interest period ending on 30.11.2016, no additional interest will be paid.

Sincerely,

Israel Corporation Ltd.

Name of report authorized signatory and name of authorized electronic signatory: Maya Alcheh Kaplan  
Position: Vice President, General Counsel and Company's Secretary.  
Signature date: 22/11/2016