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ISRAEL CORPORATION LTD

Registrar Number: 520028010

To: The Securities Authority
www.isa.gov.il

To: The Tel Aviv Stock Exchange Form 022 (public)
www.tase.co.il

Published in MAGNA: 4.1.2017
Reference: 2017-01-002073

Shelf Offering Report

Provision 23A(f) of the Securities Law, 1968

The Securities Regulation (Shelf Offering of Securities), 2005

Mark the following clauses, if applicable:

- Shelf offering report includes ATM program
- Within the shelf offering report only shares of real estate investments fund are offered
- Within the shelf offering report only commercial securities are offered
- Within the shelf offering report commercial securities and other securities are offered
- The shelf offering report includes an exchange offer
- The shelf offering report includes a complementary notice

1. Attached please find the shelf offering report PDF

Prospectus number: 29690 Note: please fill in for internal use of the ISA

2. The Publication date the Shelf Offering according to which the report is submitted is 05/05/2016 and the reference number (of Form 012) of the shelf offering is 2016-01-059611
3. The date and hour of the beginning of the period to submit invitations: 05/01/2017, on 09:00
4. The date and hour of the ending of the period to submit invitations: 05/01/2017, on 16:30
- The offered securities:

Type of security	Name of security	Number of security in the Stock Exchange	Amount	The securities are offered to:
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Debentures _____	Israel Corporation debenture 11	5760244	1,000	The Public
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5. A. The consideration which is expected to be received for all types of securities, in a division of immediate consideration, future consideration, and/or listing and in division of issuer consideration and offerer consideration, regarding the matter.

Please fill in the consideration's detail in NIS thousands

Number of security in the Stock Exchange	Security's Name	Issuer	Offerers*	Issuer	Offerers*
		immediate consideration (in NIS thousands)	immediate consideration (in NIS thousands)	futuristic consideration (in NIS thousands)	futuristic consideration (in NIS thousands)
5760244	Israel Corporation debenture 11	922,500	0		

*Please fill in the following details if there is an offerer who is not the issuer that his name appears in the headline.

In an event of listing:

Number of security in the Stock Exchange	Security's Name	Amount	Average closing rate*	Total
				0

*Note: the average closing rate of the same type of the security, in the first three trading days after the listing (if not known, please report revaluation and afterwards the calculation according to the final closing rate in a Form 028).

Calculated consideration in NIS: 922,500,000.000

B. Bill for prospectus fee

The permanent amount as was at the date of submitting the request for the prospectus publication approval from 2016: NIS 4,200

The total amount for calculation the fee: $922,500,000 * 0.03\% = \text{NIS } 280,950$

6. Please find attached minutes from the board of directors meeting which approved the shelf offering report.

Or

- ✓ The shelf offering report is signed by all the members of the board of directors.
7. Please find attached a report/other approval signed in a source of ____
8. ✓ Please find attached the Stock Exchange approval for the listing of the offered securities or the securities which will derive from their conversion or their execution.
9. Please find attached stamped trust deed

Or

- Please find attached a commitment for stamping the offered commitment letters
- 10. Please find attached underwriting agreement _____
- 11. Please find attached a document which was stated in the shelf offering report in the matter of ____
- 12. Please find attached a commitment document for the avoidance of committing settlements which are not detailed in the shelf prospectus or in the shelf offering report
- 13. Please find attached a limited partnership agreement and certificate of registration of the limited partnership
- 14. Please find attached a trust agreement of the limited partnership
- 15. Please find attached an approval according to The Income Tax Regulations
- 16. Please find attached a power of attorney which was used for the signing of the shelf offering report or other document
- 17. Please find attached a request according to section 24 for The Securities Law, 1968
- 18. Please find attached a file of the documents that were stated in sections 6-17 to this request PDF.
- 19. Please find attached an attorney's approval regarding the required permissions to the securities proposal PDF

Note: Wherever a file is attached, multiple files can be added.

Name of authorized signer on the report and authorized Electronic signer: Maya Alcheh Kaplan.
Position: VP, General Counsel and Company's Secretary.
Signature date: 4.1.2017

Reference numbers of former documents in this regard (referring does not constitute incorporation by reference):

Securities of the corporation listed security in Tel Aviv stock exchange

Abbreviated name: Israel Corporation

Address: P.O.B 20456, Tel Aviv 61204, Phone: 03-6844517, 03-6844500, Fax: 03-6844587

E-Mail: MAYAAK@ISRAELCORP.COM

Former names of reporting entity: The Israel Corporation Ltd.

Name of Electronic Reporter: Maya Alcheh Kaplan. Position: Vice General Manager, General Counsel and Company's Secretary.

Address: Aranha 23 street, Tel Aviv 61204 Phone: 03-6844517, Fax: 03-6844587, e-mail –

mayaak@israelcorp.com

January 4, 2017

Israel Corporation Ltd.

("The Company")

Shelf Offering Report

According to the shelf prospectus published by the Company on May 5, 2016¹ (hereinafter: the "**Shelf Prospectus**" or the "**Prospectus**"), and in accordance with the Securities Law, 5728-1968 (hereinafter: the "**Securities Law**") and the provisions of the Securities Regulations (Shelf Offering of Securities), 5765-2005, the Company is pleased to hereby published a shelf offering report for the publication and listing for trade on the Tel Aviv Stock Exchange Ltd. (hereinafter: the "**Stock Exchange**") of the Bonds (Series 11) of the Company, by way of a series expansion (hereinafter: the "**Shelf Offering Report**" or the "**Offering Report**").

1. The Offered Securities

- 1.1. Up to NIS 900,000,000 par value Bonds (Series 11), listed by name, par value NIS 1 each, that are offered by way of expansion of a marketable series first listed for trade on the stock exchange under a Shelf Offering Report dated May 25, 2016, published under the Shelf Prospectus (hereinafter: the "**First Shelf Offering Report**"). For details regarding the terms of the Bonds (Series 11), including regarding the linkage terms to the dollar rate of the Bonds (Series 11) and regarding the payment dates of the principal and interest borne by the Bonds (Series 11) and its rate, see Section 4 below (the "**Bonds (Series 11)**").
- 1.2. As of the date of this Shelf Offering Report, there are NIS 510,621,000 par value Bonds (Series 11) in circulation.
- 1.3. The terms of the Bonds (Series 11) offered in the framework of this Shelf Offering Report are identical to the terms of the Bonds (Series 11) as described in the first Shelf Offering Report. The Bonds (Series 11) issued under this Shelf Offering Report will constitute, as of the date on which they are listed for trade on the Stock Exchange, as one series for all intents and purposes, together with the Bonds (Series 11) in circulation.

¹ Reference No.: 2016-01-034110.

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- 1.4. For details regarding the rating of the Bonds (Series 11) offered under the Shelf Offering Report, see Section 8 below.

2. **Manner of Offering the Securities**

2.1. **Manner of Offering the Bonds (Series 11)**

- 2.1.1. The Bonds (Series 11) are offered to the public in a uniform offering as stated in the Securities Regulations (Manner of Offering Securities to the Public), 5767-2007 (hereinafter: the “**Manner of Offering Regulations**”) in 900,000 units, with each unit including NIS 1,000 par value Bonds (Series 11) (hereinafter: the “**Units**”), by way of a tender on the Unit price (hereinafter: the “**Tender**”), with the price of each Unit not being less than a total of NIS 1,025 (hereinafter: the “**Minimum Unit Price**”).
- 2.1.2. The period for the submission of requests for the purchase of Units will commence on Thursday, January 5, 2017 (hereinafter: the “**Tender Date**”) at 9:30 AM and end on the same day at 4:30 PM (the “**Closing Time of the List of Subscriptions**”). The Closing Time of the List of Subscriptions will not be before the end of seven hours, of which five are trading hours as of the publication of the Shelf Offering Report.
- 2.1.3. Any party seeking to submit a request for the Bonds (Series 11) within the Tender may submit up to three requests at different Unit Prices, which will not be below the Minimum Unit Price, in price increments as stated in Section 2.1.4 below.
- 2.1.4. The prices in the requests submitted within the Tender will be denominated in increments of NIS 1.00, such that the first increment at which requests can be submitted for the purchase of units in the Tender is a price of NIS 1,025, and requests for the purchase of Units can thereafter be submitted at a price of NIS 1,026, NIS 1,027 and the like. A price set forth in a request that is not equal to one of the price increments will be rounded to the nearest price increment downwards.

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2.1.5. For additional details regarding the manner of offering the Bonds (Series 11), see Sections 2.2 through 2.3 below.

2.2. Submitting Orders and Tender Procedures

2.2.1. The issuance coordinator is Bank Leumi of Israel Ltd., whose address is 9 Ehad Haam, 12th Floor, West Lobby (hereinafter: the “**Issuance Coordinator**”).

2.2.2. The requests for the purchase of the Units will be submitted to the Company on the forms used for this purpose, through the Issuance Coordinator, directly or through branches of the Bank of other members of the Stock Exchange (hereinafter: the “**Parties Authorized to Accept Requests**”), no later than the closing date of the subscription list.

2.2.3. Each request submitted to a Party Authorized to Accept Requests on the Tender Date will be considered as being submitted on the same day if received by the Party Authorized to Accept Requests by the Closing Time of the List of Subscriptions, and provided that it is provided by the Party Authorized to Accept Requests to the Issuance Coordinator, and received by the Issuance Coordinator, by the end of one hour from the Closing Time of the List of Subscriptions (hereinafter: the “**Deadline for Submission to the Coordinator**”).

2.2.4. Each applicant will list in its request the number of Units that it would like to purchase, as well as the Unit price offered thereby, which will be at least the Minimum Unit Price. A request that includes an offer with a price below the Minimum Unit Price will be considered to have not been submitted.

2.2.5. Subject to any law, the requests to purchase Units are irrevocable. Each request will be considered to be an irrevocable undertaking on the part of the party requesting the Bonds allocated thereto as a result of full or partial acceptance of the request and for payment through the Issuance Coordinator of the full price, under the Offering Report, of the Units allocated thereto due to the acceptance of its request

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- 2.2.6. Subscriptions may be submitted for the purchase of entire units only. A request for a portion of a unit shall be deemed a request for the number of whole units stated therein, and any fraction of a unit stated therein shall be deemed as if it was not included in the subscription. A subscription that indicates less than one unit will not be accepted.
- 2.2.7. The requests will be sent by the Parties Authorized to Accept Requests to the Issuance Coordinator in closed envelopes that will remain closed until after the Deadline for Submission to the Coordinator. The closed envelopes will be inserted into a closed box together with the requests, which will be submitted directly to the Issuance Coordinator.
- 2.2.8. On the Tender date, one hour after the Deadline for Submission to the Coordinator, the requests box will be opened in the presence of a representative of the Company and its accountant, who will supervise the proper compliance of the tender procedures, and the Tender results will be summarized and processed on the same day.
- 2.2.9. On the first trading day after the Tender date, no later than 9:30 AM, notice will be provided by the Issuance Coordinator, through the Parties Authorized to Accept Requests, to the requesting parties, whose requests were accepted in whole or in part. The notice will list the Unit price determined in the Tender, the number of Units that will be allocated to each requesting party and the consideration owed therefrom for the Units.
- 2.2.10. By 12:30 PM on the first trading day after the Tender Date (the “**Clearing Day**”), the requesting parties will provide the Issuance Coordinator (as defined in Section 2.2.1 above), through the stock exchange members, the entire consideration owed therefrom for the Units for which the offer was accepted to the special account opened by the Issuance Coordinator as stated in Section 2.4 of the Offering Report.

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2.2.11. On the first trading day after the Date of the Tender, the Company will report the results of the tender to the Securities Authority and the TASE by means of an immediate report.

2.2.12. The entities authorized to receive subscriptions will be responsible and liable to the Company and to the coordinator of the offering for the payment of the entire consideration due to the Company in respect of subscriptions that were submitted by means of the entities authorized to receive subscriptions, and which were accepted, in full or in part.

In this regard, a “**requesting party**” - together with a relative residing therewith and including a classified investor with which the Company has engaged in a prior agreement to purchase Units.

2.3. Manner of determining the price per Unit and allocation of the Bonds to the requesting parties

All of the Units for which requests are accepted will be issued at a uniform unit price (the “**Uniform Unit Price**”), determined in accordance with the results of the Tender, and the manner of allocation of the Units will be performed as follows:

2.3.1. In the event that the total number of Units included in the accepted requests (including Units whose purchase requests were received from classified investors who have entered into prior agreements with the Company as stated in Section 3 of the Report) is less than the total number of the Units offered under the Offering Report, all of the requests will be accepted in full, in which case the Uniform Unit Price will be the Minimum Unit Price. The remaining Units for which no requests were received will not be issued.

2.3.2. In the event that the total number of Units included in the accepted requests (including Units whose purchase requests were received from classified investors who have entered into prior agreements with the Company as stated in Section 3 of the Report) is equal to or more than the total number of Units offered to the public, the Uniform Unit

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Price will be equal to the highest Unit price (and/or higher prices) at which requests to submit all of the Units offered to the public under this Offering Report were submitted (including requests submitted by classified investors).

In such a case, allocation of the offered units will take place as follows:

- 2.3.2.1. Requests including a Unit price that is lower than the Uniform Unit Price will not be accepted.
- 2.3.2.2. Requests including a Unit price that is higher than the Uniform Unit Price will be accepted in full.
- 2.3.2.3. Requests (excluding requests submitted by classified investors that have engaged in prior agreements with the Company as stated in Section 3 of the Offering Report) that include a Unit price equal to the Uniform Unit Price will be accepted in part such that each requesting party will receive, from the total Units offered that remain for distribution after acceptance of the requests that include a unit price that is greater than the Uniform Unit Price (and after acceptance of the requests of the classified investors who have engaged in prior agreements with the Company, who submit requests at the Uniform Unit Price, as stated in Section 3 of the Report), a party equal to the ratio between the number of Units for which a request was submitted that includes the Uniform Unit Price and between the total number of the Units included in all of the requests submitted to the Company that include the Uniform Unit Price (less the share of the classified investors that have engaged in prior agreements with the Company as stated in Section 3 of the Offering Report).
- 2.3.3. If fragments of Units are created upon the allocation of securities based on the acceptance in the Tender as stated above, they will be

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2.3.4. Each requesting party will be considered to have undertaken, in the request, to purchase all of the Units allocated thereto as a result of the partial or full acceptance of the request, based on the rules set forth in this Section 2.3 above.

2.4. Special Account

2.4.1. Shortly before the Tender date, the Issuance Coordinator will open a special trust account in a banking corporation (the “**Special Account**”), and will provide the details of the Special Account to the Parties Authorized to Accept Requests. The Special Account will be used for funds received by the requesting parties. The Company considers the transfer of the issuance consideration to the Special Account to be receipt of the issuance consideration by the Company.

2.4.2. The Special Account will be managed exclusively by the Issuance Coordinator on behalf of the Company and for it in accordance with the provisions of Section 28 of the Securities Law. The funds that are paid for the requests that are accepted by the Company, in whole or in part, will be deposited in the Special Account. Funds that have accrued in the Special Account will be invested by the Issuance Coordinator in unlinked liquid deposits, bearing interest on a daily basis, if possible.

2.4.3. The Issuance Coordinator will provide the Company, no later than 12:00 PM on the second trade day after the Tender date with the balance of the funds that remain in the Special Account together with the profits that have accrued for the same, against the transfer of the Bonds to Mizrahi Tfahot Nominee Company Ltd. (the “**Nominee Company**”) and crediting the Stock Exchange member based on the instruction of the Issuance Coordinator.

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2.5. The offer of the Bonds (Series 11) under the Shelf Offering Report is not secured with underwriting.

3. **Classified Investors**

The Company will engage in a prior agreement regarding some of the Units offered under the Shelf Offering Report with classified investors² whereby the Company has received undertakings from the classified investors for the submission of applications in respect of the Units, as follows: receipt of the prior undertaking from the classified investors is performed based on the principles set forth in the Manner of Offering Regulations and as set forth in this Section 3 of the Offering Report.

3.1. From the units offered to the public, with respect to 789,970 units (constituting approximately 87.774% of all of the Units offered to the public), prior commitments were provided for their purchase from classified investors whose names are listed in Section 3.4 below, accordingly (the “**Classified Investors**”), whereby the Classified Investors will submit requests through the Issuance Coordinator for Units in a quantity and price that is at least that set forth beside their names, as provided in Section 3.4 below.

3.2. In this Section 3, “**Oversubscription**”- the ratio between the number of Bonds for which requests were submitted at a Unit price determined in the Tender and between the amount remaining for distribution (as defined below), provided that the same number exceeds one; the “**Number Remaining for Distribution**” - the number of Bonds offered in the Shelf Offering Report, after reducing the number of Bonds for which subscriptions were submitted at a unit price that exceeds the Unit price determined in the Tender.

3.3. According to the Manner of Offering Regulations, in the case of oversubscription, the allocation to the classified investors will be based on the prior commitments given, as follows:

3.3.1. In the event that the oversubscription does not exceed five, 100% of the quantity that it undertook to purchase will be allocated to each

² “**Classified Investor**” - an investor listed in Section 15a(b)(1) or (2) of the Securities Law. A Classified Investor will undertake to purchase Bonds in a scope of at least NIS 800,000.

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3.3.2. In the event that the number of Bonds (Series 11) remaining for distribution is not sufficient for the allocation as stated in Section 3.3.1 above, the Quantity Remaining for Distribution (as defined above) will be allocated to the Classified Investors based on the relative share of all of the prior commitments from the total prior commitments submitted at the same Unit price. Requests of the Classified Investors will be considered to be requests submitted by the public for the purpose of the determination of the Unit price in the Tender. The allocation to the Classified Investors will be at the Uniform Offer Price, as determined in the Tender.

3.3.3. In the case in which there is no oversubscription, the requests of the classified investors within the Tender will be considered to be requests submitted by the public for the division of the securities to the subscribers.

3.4. Each of the Classified Investors listed below has undertaken within the prior commitment to purchase the Bonds (Series 11) offered under this Shelf Offering Report, to submit requests to purchase Units in an amount and price per Unit that is at least the price listed beside its name, as follows:

Name of the Classified Investor	Unit Price in NIS	Number of Units
Aviv Segev Investment Management Ltd.	1,032	920
Oporto Distribution of Securities Ltd.	1,049	1,000
Orcom Strategies Ltd. (*)	1,040	19,000
Orcom Strategies Ltd. (*)	1,031	10,000
Orcom Strategies Ltd. (*)	1,025	7,000
IBI Amban Investment Management Ltd. (*)	1,036	16,305
IBI Amban Investment Management Ltd. (*)	1,037	5,768
IBI Investment House Ltd. (*)	1,040	5,000
IBI Investment House Ltd. (*)	1,035	2,000
IBI Trust Fund Management (1978) Ltd. (*)	1,035	8,150
Ayalon Trust Funds Ltd. - for Impact	1,048	800
Infine Capital Ltd.	1,031	2,000
Infine Capital Ltd.	1,027	3,000

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Name of the Classified Investor	Unit Price in NIS	Number of Units
Infinity Management of Advanced Study and Provident Funds Ltd.	1,038	5,880
Infinity Investment Portfolio Management (in Israel and Abroad) Ltd.	1,038	1,985
Alumot Trust Fund Management Ltd.	1,038	2,900
Alumot Trust Fund Management Ltd.	1,028	2,000
Altris Finance Ltd. (*)	1,035	12,300
Altris Finance Ltd. (*)	1,029	19,000
Altris Finance Ltd. (*)	1,038	8,000
Altshuler Shaham Netz Limited Partnership	1,035	4,000
Altshuler Shaham Netz Limited Partnership	1,027	4,000
Alfi Benedek Investment Management Ltd.	1,027	975
MD Group Underwriting Ltd.	1,030	3,000
Amtrain 2 Limited Partnerships (*)	1,037	5,000
Amtrain 2 Limited Partnerships (*)	1,032	7,500
Amtrain 2 Limited Partnerships (*)	1,027	19,500
Amtrain Limited Partnerships (*)	1,037	23,000
Amtrain Limited Partnerships (*)	1,032	17,000
Amtrain Limited Partnerships (*)	1,027	21,500
Enigma Capital Markets Ltd. for portfolio management	1,040	4,500
Analyst IMS – Trust Fund Management (1986) Ltd.	1,036	10,020
Analyst Provident Funds Ltd.	1,036	14,014
Excellence Nessuah Investment Management Ltd.	1,040	7,829
Arbitrage Group Ltd. (*)	1,045	40,000
Arbitrage Group Ltd. (*)	1,031	20,000
Bechora Investment and Consulting Services Ltd.	1,040	13,205
Bechora Investment and Consulting Services Ltd.	1,033	5,422
Brack Capital Investments 2006 Ltd. (*)	1,037	10,550
Brack Capital Investments 2006 Ltd. (*)	1,027	4,750
GFC Green Fields Capital Ltd.	1,039	2,000
GFC Green Fields Capital Ltd.	1,035	2,000
GFC Green Fields Capital Ltd.	1,029	3,000
Do-Tsach Ltd. (*)	1,050	5,000
DBM Investment House Ltd.	1,038	8,000
DBM Mutual Funds Ltd.	1,031	800
Dicilyon Capital Markets Ltd.	1,025	17,500
Discount Underwriting and Issuances Ltd. (*)	1,030	10,000
Management Company of Pension Funds of Dan Members	1,036	20,000
Hydroplane Engineering Ltd.	1,041	2,000
Hydroplane Engineering Ltd.	1,036	1,500
Harel Pia Trust Funds Ltd.	1,030	12,572
Harel Pia Trust Funds Ltd.	1,026	12,572

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Name of the Classified Investor	Unit Price in NIS	Number of Units
Harei Sapir Investment Management Ltd.	1,045	1,600
Vardan Investment House	1,028	2,476
IAZ Investments and Assets Ltd.	1,041	9,000
Yossi Willy Investment Management Ltd.	1,027	900
Yossi Willy Investment Management Ltd.	1,025	1,000
Leumi Partners Ltd. (*)	1,030	50,000
Lahava Investment Portfolio Management Ltd.	1,040	800
Lahava Investment Portfolio Management Ltd.	1,035	3,000
Lahava Investment Portfolio Management Ltd.	1,030	8,717
Lotus Derivatives Ltd.	1,035	2,000
Mor Trust Fund Management (2013) Ltd.	1,031	20,090
Machshava Consulting and Management Ltd.	1,026	870
Machshava Consulting and Management Ltd.	1,025	870
Meitav Dash Trust Funds Ltd.	1,026	2,079
Meitav Dash Trust Funds Ltd. - Lahava	1,030	1,500
Menorah Mivtachim Underwriting and Management Ltd. (*)	1,034	5,000
Menorah Mivtachim Underwriting and Management Ltd. (*)	1,026	8,000
Menorah Mivtachim Trust Funds Ltd. (*)	1,042	15,050
Sable Capital Markets Ltd.	1,036	1,000
Sable Capital Markets Ltd.	1,028	1,000
Aurec Capital Ltd.	1,036	800
Inbar Derivatives Ltd. (*)	1,039	36,500
Inbar Derivatives Ltd. (*)	1,027	14,500
Fidelity Risk Capital Ltd.	1,041	3,555
Fidelity Risk Capital Ltd.	1,040	2,155
Pailim Investment Portfolio Management Ltd.	1,036	9,081
Proxima Investment Management Ltd.	1,040	2,250
Proxima Investment Management Ltd.	1,034	3,750
Proxima Investment Management Ltd.	1,031	7,500
Priority Asset Management Ltd.	1,038	5,000
Priority Asset Management Ltd.	1,027	1,000
KHR Advanced Study Fund	1,038	800
Legendary Group Ltd.	1,038	2,100
Legendary Group Ltd.	1,036	1,100
Monbaz Fund Limited Partnership	1,040	13,000
Monbaz Fund Limited Partnership	1,033	9,000
Monbaz Fund Limited Partnership	1,028	2,000
RIL Spirit Management and Investments Ltd.	1,038	14,800
RIL Spirit Management and Investments Ltd.	1,035	13,400
RIL Spirit Management and Investments Ltd.	1,034	15,900
Record Fidelity Underwriting and Issuances Ltd.	1,045	10,000
Shaniv Paper Industries Ltd.	1,035	1,000
Shekel Derivative Investments Ltd.	1,041	4,970

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Name of the Classified Investor	Unit Price in NIS	Number of Units
Shekel Derivative Investments Ltd.	1,042	4,590
Shekel Derivative Investments Ltd.	1,034	1,550
Tachlit Indexes Ltd.	1,035	5,000
Tachlit Indexes Ltd.	1,027	4,000
Total		789,970

(*) A distributor in an issuance or classified entities related to the distributor in an issuance (see footnote 6 below).

In total, prior commitments were provided for the purchase of 425,373 Units by institutional entities related to Distributors, constituting approximately 53.8% of the total Units for which prior commitments were provided by Classified Investors.

- 3.5. The Classified Investors will be entitled to a prior commitment fee in the rate of 0.6% of the total consideration for the Units with respect to which they have undertaken to submit subscriptions as set forth above, calculated based on the Minimum Unit Price.
- 3.6. The Classified Investors may order additional units within the offer to the public, in which case they will be subject to the provisions that apply to subscriptions from the public, and will not be entitled to any fee for the additional Units requested as stated.
- 3.7. A Classified Investor may, on the Tender date, increase the Unit price compared to the Unit price set forth in the prior commitment mentioned above (in increments of NIS 1.00), by providing written notice to the Issuance Coordinator, which will be received by the Issuance Coordinator by the Closing Time of the List of Subscriptions.
- 3.8. The consideration paid by the Classified Investors will be transferred to the Issuance Coordinator through Stock Exchange Members, on the first trading day following the Tender date, by 12:30 in the morning, and will be deposited by it in the Special Account as stated in Section 2.4 above.
4. **Terms of the Securities Offered under the Shelf Offering Report**

The trustee for the Bonds (Series 11) is Hermetic Trusts (1975) Ltd. (the “Trustee”).³

³ Details of the contact person at the Trustee: Mr. Dan Avnon and/or Ms. Merav Ofer, Tel.: 0305544553, Fax: 03-5271039, Email: hermetic@hermetic.co.il.

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The Bonds (Series 11) were first issued under the Deed of Trust dated May 25, 2016, which is attached as Appendix A2 of the first Shelf Offering Report (the “**Deed of Trust for Series 11**” or the “**Deed of Trust**”). The deed of trust for Series 11 is hereby attached by way of reference.

4.1. The Bonds (Series 11) that are issued under the first Shelf Offering Report bear annual interest at a rate of 5.00% (for details regarding the linkage terms of the Bond (Series 11), see Section 4.2 below). On November 22, 2016, the Company published an immediate report in which it announced that as of December 1, 2016, an additional interest of 0.25% will be added to the annual interest rate of the principal of the Bonds (Series 11), for the downgrade of the Bonds and based on the provisions of the Deed of Trust for Series 11. Accordingly, the updated annual interest rate that the principal of the Bonds (Series 11) will bear will amount to 5.25% (the “**Updated Interest Rate for Series 11**”), and accordingly, the updated biannual interest rate for Series 11 will amount to 2.625%. The Updated Interest Rate for Series 11 will remain in force until the full payment of the unpaid balance of the principal of the Bonds (Series 11) or until the first interest period after the change in the rating of the Bonds (Series 11) in accordance with the terms of the Deed of Trust for Series 11.

4.2. The Bonds (Series 11) will be payable (principal) in six annual payments (unequal) on May 31 of each of the years 2019 through 2024, as follows: the first payment for the principal will be paid on May 31, 2019 and will be in a rate of 10% of the par value of the principal; the second payment for the principal will be paid on May 31, 2020, and will be in a rate of 10% of the par value of the principal; the third payment for the principal will be paid on May 31, 2021, and will be in a rate of 15% of the par value of the principal; the fourth payment for the principal will be paid on May 31, 2022 and will be in a rate of 20% of the par value of the principal; the fifth payment for the principal will be paid on May 31, 2023 and be in a rate of 20% of the par value of the principal; the sixth payment (and last) for the principal will be paid on May 31, 2024 and be in a rate of 25% of the par value of the principal.

The interest on the unpaid balance, as it may be from time to time, of the principal of the Bonds (Series 11) is paid as of November 2016, twice per year,

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It is clarified that the holders of the Bonds (Series 11) that are issued under this Shelf Offering Report will not be entitled to receive payment on account of principal and/or interest for the Bonds (Series 11), for which the payment date will apply prior to the date of their issue as stated.

The first interest payment that is paid for the Bonds (Series 11) offered under this Shelf Offering Report will be paid on May 31, 2017.

The last payment for the interest of Bonds (Series 11) will be done on May 31, 2024, together with the last payment of the principal of the Bonds, against the delivery of the certificate of the Bond (Series 11) to the Company.

The principal of the Bonds (Series 11) and interest for it are attached to the exchange rate of the dollar based on the following linkage terms: if it is discovered that the payment rate of the payment on account of the principal and/or interest of the Bonds (Series 11) is higher than the exchange rate of the dollar as of May 25, 2016 (3.855)⁴ (hereinafter: the “**Base Rate**”), the Company will make the same payment of principal and/or interest, when increased relative to the increase rate of the payment rate compared to the Base Rate. In the case in which the payment rate is lower than the Base Rate, the Company will then make the same payment of principal and/or interest when decreased proportionately to the rate of decrease of the payment rate compared to the Base Rate. The linkage method of the principal and/or interest will not be changed during the term of the Bond. For additional details, see also Sections 3, 4 and 5 of the overleaf conditions of the Bonds (Series 11), attached to the Trust Deed for Series 11.

⁴ 3.855 - the exchange rate of the dollar on May 25, 2016. This is the base rate as defined in the Deed of Trust for the Bonds (Series 11) of the Company.

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The terms “exchange rate,” “dollar” and “payment rate” shall have the meanings listed beside them in the Series 11 Deed of Trust.

4.3. For additional details regarding the terms of the Bonds (Series 11), see the Deed of Trust for Series 11, attached by way of reference as stated in this section above.

5. Additional Terms of the Securities Offered under the Shelf Offering Report

5.1. In any event in which the Company is late in payment on account of the principal and/or interest of the Bonds (Series 11), for a reason due to the Company, if the appears is for a period of up to 14 days, the Company will pay the holders of Bonds (Series 11) arrears interest in an annual rate that is 3% more than the interest of the Bonds for this period (calculated pro-rata), and for any arrears in excess of 30 days, the Company will pay the holders of the Bonds as stated arrears interest in the arrears interest date accepted by the Comptroller General of the Ministry of Finance as of the end of the aforesaid 14 day period and until the actual payment (the “**Arrears Interest**”). The Company shall give notice of the rate of arrears interest and well as the payment date, in an immediate report four trading days before the date of actual payment. For the avoidance of doubt, it is clarified that postponing the payment date under circumstances as set forth in Section 5.3 below does not constitute arrears in payment.

5.2. The payments on account of the interest and/or principal for the Bonds (Series 11) will be paid to individuals whose names are listed in the register of bondholders as stated on May 25 and November 24 regarding each relevant period, which preceded the date of payment of the same amount, other than the last payment of the interest and principal, which will be paid on May 31, 2024, against the delivery of certificates of Bonds as stated to the Company on the payment date, at the registered office of the Company or any other place for which the Company will provide notice. Such notice by the Company will be published no later than five (5) business days before the date of the final payment.

It is clarified that anyone who is not included amongst the Register of Bondholders (Series A) as stated on one of the effective dates will not be entitled to an interest payment in respect of the interest period that began prior to that

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- 5.3. In any event in which a payment date on account of a principal and/or interest amount payment applies on a day that is not a business day, the payment date will be postponed to the first business day thereafter, without any additional payment of any kind (including arrears interest).
- 5.4. **Early Payment** - for details regarding the early repayment of the Bonds (Series 11) at the initiative of the Stock Exchange, see Section 9.1 of the terms on the overleaf of the Deed of Trust. For details regarding the Company's right to perform early repayment of the Bonds (Series 11) at the initiative of the Company, see Section 9.2 of the terms on the overleaf of the Deed of Trust. The Company may, at its sole discretion, carry out early redemption (partial or complete) of the Bonds (Series 11). In the case of partial early repayment, if any, the Company will pay the Bondholders (Series 11) on the partial early repayment date, only the interest that has accrued for the part paid in the partial early repayment, and not for the entire unpaid balance.
- 5.5. **Securities** - the Company's undertaking for payment of the Bonds (Series 11) is not secured with any security or in any other manner. For details, see Section 6 of the Deed of Trust.
- 5.6. **Company's undertakings** - for details regarding the Company's undertakings, see Section 5 of the Deed of Trust.
- 5.7. **Terms for a series expansion** - for the provisions related to the issuance of additional securities and the increase of a series, see Section 3.2 of the Deed of Trust.
- 5.8. **Interest adjustment mechanism in the case of a change in the rating of the Bond** - see Section 5.5 of the Deed of Trust.
- 5.9. **Grounds for calling for immediate repayment** - regarding the manner and grounds for calling the Bonds (Series 11) for immediate repayment, see Section 8 of the Deed of Trust.
- 5.10. For details of the complete and binding terms of the Bonds offered under the Offering Report, see the Deed of Trust (including the provisions with respect to the transfer and splitting of the Bonds (Section 27 of the Deed of Trust)).

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- 5.11. Any compulsory payment required under law (including any tax) will be withheld from any payment for the Bonds. For details regarding the taxation of the Bonds, see Section 6 of the Offering Report.

6. Taxation and Discounting

As is customary when making decisions regarding financial investments, one must consider the tax consequences arising from investing in the offered securities in this Offering Report. The provisions included in this Offering Report regarding the taxation of securities offered herein do not purport to be an authoritative interpretation of the statutory provisions referred to in this Offering Report, and do replace professional advice based on the specific parameters and particular circumstances of each investor.

Under the current law, the securities offered to the public in this Offering Report are subject to the tax arrangements described in brief below:

- 6.1. On July 25, 2005, the Knesset passed the Law to Amend the Income Tax Ordinance (No. 147), 5765-2005 (hereinafter: the “**Amendment**”), which was published in the Official Gazette on August 10, 2005 (and entered into force on January 1, 2006). The Amendment significantly changed the provisions of the Income Tax Authority [New Version], 5721-1961 (the “**Ordinance**”), related to the taxation of securities traded on the stock exchange. Additionally, on the publication date of the Offering Report, no new amendments have been published that are expected to be published following the Amendment. In addition, on the publication date of this Shelf Offering Report, there is no accepted practice regarding part of the provisions of the Amendment, and there is no case law that interprets the new tax provisions of the Amendment.

In addition, on December 29, 2008, the Knesset approved the Law to Amend the Income Tax Ordinance (No. 169 an Temporary Order), 5769-2008, which was published in the Official Gazette on December 31, 2008 (and entered into force on January 1, 2009), and caused further changes with respect to the taxation of securities.

On December 5, 2011, the Knesset passed the Law to Change the Tax Burden (Legislative Amendments), 5772-2011, which was published in the Official

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Gazette on December 6, 2011, and entered into force as of January 1, 2012 (the “**Law to Change the Tax Burden**”). In accordance with the Law to Change the Tax Burden, the trend to reduce the tax rates for units and companies was terminated, as determined in the Economic Efficiency Law (Legislative Amendments for the Application of the Economic Plan for 2009-2010), 5769-2009, and an increase in the tax rate for income by individuals for capital gains, interest and dividend was determined from 20% to 25%, and for a substantial shareholder from 25% to 30%.

On August 6, 2012, the Knesset passed the Law to Limit the Deficit and Change the Tax Burden (Legislative Amendments), 5772-2012, which was published in the Official Gazette on August 13, 2012 (and entered into force as of January 1, 2013). Within this amendment, Section 121b was added to the Ordinance, which provided that an individual taxable income in the tax year exceeds NIS 810,720 (the amount adjusted to the index and updated for the 2016 tax year), will be subject to additional tax for the part of the taxable income that exceeds the aforesaid amount by 2% in addition to the above (hereinafter: the “**Surtax**”). Taxable income includes all income types, including income from capital gains and real estate betterment (the sale of a right to real estate in a residential apartment will only be included if the value of its sale is greater than NIS 4 million and the sale is not exempt from tax under any law), excluding an inflationary amount as defined in Section 88 of the Ordinance, and an inflationary amount as defined in Section 47 of the Land Taxation Law (Betterment and Purchase), 5723-1963.

On January 4, 2016, the Knesset passed the Law to Amend the Income Tax Ordinance (No. 216), 5776-2016, which was published in the Official Gazette on January 5, 2016 (and entered into force on January 1, 2016), within which the corporate tax rate was reduced by 1.5% from a rate of 26.5% to 25% (as of January 1, 2016).

On December 22, 2016, the Knesset passed the Economic Efficiency Law (Legislative Amendments to Achieve Budgetary Objectives for the 2017 and 2018 Budgetary Years), 5777-2016, and which was published in the Official Gazette on December 29, 2016, within which it was decided to reduce the

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individual tax rate set forth in Section 121 of the Ordinance from a rate of 48% in the 2016 tax year to a rate of 47% as of the 2017 tax year and thereafter. It was also determined that a Surtax would be applied at a rate of 3% to taxable income of an individual that exceeds NIS 640,000 (which will be adjusted each year to the index) for 2017 and thereafter, instead of a rate of 2% for income of NIS 810,720 in the 2016 year. Additionally, it was determined that the corporate tax rate has decreased from a rate of 25% in 2016 to 24% in 2017 and 23% in 2018.

- 6.2. The tax rate applicable to income from interest of bonds - in accordance with Section 125c(b) of the Ordinance, an individual will be subject to tax on income from interest or discount fees originating in bonds and/or marketable securities fully linked to an index (including bonds attached to foreign currency) at a tax rate of 25%, and this income will be considered to be the highest stage on the scale of taxable income (as defined in the Ordinance).

In accordance with Section 125C(d) of the Ordinance, tax rates as stated shall not apply, inter alia, if one of the following conditions is fulfilled: (1) the interest constitutes income in accordance with Section 2(1) of the Ordinance or is recorded or required to be recorded in the individual's account books; (2) the individual claimed a deduction on interest expenses in respect of the Bonds; (3) the individual is a substantial shareholder in the company paying the interest; (4) the individual is an employee of the company paying the interest or provides services or sells products to it, or has some other special relationship with the company, unless it shall be proven to the satisfaction of the tax assessor that the interest rate was set in good faith and was not influenced by the existence of such a relationship between the individual and the paying company; (5) some other condition set by the Minister of Finance with the approval of the Knesset Finance Committee is fulfilled. In such cases, the individual will be subject to a marginal tax rate on the interest or discount fees in accordance with Section 121 of the Ordinance.

The tax rate applying to income from interest (including linkage differentials) or discount fees of an Israeli-resident body of persons other than a body of persons regarding which the provisions of Section 9(2) of the Ordinance apply to the determination of its income, excluding accrued interest in accordance with

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Section 3(h) of the Ordinance arising from bonds traded on the stock exchange, is the corporate tax rate in accordance with Section 126(a) of the Ordinance). For additional details see Section 6.1 above.

An exempt mutual fund as well as entities listed under Section 9(2) of the Ordinance are exempt from tax on income from interest or discount fees, as stated, subject to the provisions of Section 3(h) of the Ordinance that have accrued in the period of holding by another party. The income of a taxable mutual fund from interest or from discount fees will be liable to the tax rate applying to the income of an individual which is not income from a "business" or "profession," unless expressly determined otherwise.

In accordance with Section 9(15d) of the Ordinance, as of January 1, 2009, interest, discount fees or linkage differentials paid to a foreign resident on bonds traded on the Stock Exchange in Israel that are issued by an Israel resident body of persons are exempt from tax, provided that the income is not from a permanent enterprise of the foreign resident in Israel. The exemption will not apply to foreign residents in the following cases: a. The foreign resident is a material shareholder of the issuing body of persons; or b. the foreign resident is a relative as defined in paragraph (3) of the definition of a resident in Section 88 of the Ordinance of the issuing body of persons; or c. the foreign resident is an employee, service provider, or seller of products to the issuing body of persons or has a different special relationship therewith, unless it is proven that the interest rate or discount fees are determined in good faith and without being impacted from the existence of the special relationship. This exemption shall not apply to a foreign-resident company, in the event that Israeli residents are controlling shareholders, beneficiaries, or entitled to 25% or more of the income or profits of the foreign-resident, directly or indirectly, as provided in Section 68A of the Ordinance. If the exemption as stated does not apply, the interest rate applicable to interest income of a foreign resident (individual and body of persons) arising from securities will be charged in accordance with the provisions of the Ordinance, as explained above, or in accordance with the provisions of the treaty for the avoidance of double taxation (if any) that was made between the State of Israel and the country of domicile of the foreign resident.

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- 6.3. Withholding tax at source from income - in accordance with the provisions of Section 164 of the Ordinance and the Income Tax Regulations (Withholding from Interest, Dividend and Certain Profits), 5766-2005 (hereinafter: the **“Withholding from Interest and Dividend Regulations”**), the tax rate that must be withheld at source from income (as defined in the aforesaid regulations) paid on bonds traded on the market, attached in full to foreign currency, is 25%. Notwithstanding the above, in the case of an individual who is a material shareholder or an individual who works at the Company that pays the interest or provides services thereto or sells products, the maximum tax rate set forth in Section 121 of the Ordinance will apply. For a body of persons (an Israeli resident and foreign resident), tax will be deducted at the corporate tax rate prescribed in Section 126(a) of the Ordinance, subject to the provisions of Section 9(15d) of the Ordinance. For additional details see Section 6.1 above.

The Interest and Dividend Deduction Regulations will not apply to an entity defined as a “mutual fund” in accordance with Section 88 of the Ordinance, and therefore, no withholding at source will be performed for the interest distributed to a mutual fund.

It is noted that in accordance with the guidelines of the Tax Authority dated December 27, 2010, as of 2011, withholding tax at source from interest paid for a security traded on the Tel Aviv Stock Exchange will be withheld and transferred to the Tax Authority by a member of the stock exchange in lieu of the issuing companies. The Company shall transfer to the stock exchange members (through the stock exchange) the gross interest amount as well as the information in its possession regarding the holders and the security in respect of which such interest is being paid. In the case in which interest is paid to a material shareholder or an individual who works in a company paying the interest or a person that provides services or sells to a company paying the interest, the company will be liable to complete the withholding of interest at source to the maximum rate as set forth in the Withholding From Interest and Dividend Regulations.

For a body of persons (an Israeli resident and foreign resident), tax will be deducted at the corporate tax rate prescribed in Section 126(a) of the Ordinance.

- 6.4. Capital gains from the sale of the securities - in accordance with Section 91 of the

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Ordinance, a real capital gain on the sale of securities by an individual will be subject to tax at the marginal tax rate applying to the individual under Section 121 of the Ordinance, subject to a maximum of 25%, and the capital gain will be regarded as the highest bracket in the scale of his taxable income. The above excludes the sale of securities by an individual who is a substantial shareholder of the Company, for whom the tax rate regarding real capital gains will be at a tax rate that does not exceed 30%. As to the calculation of the real capital gain in the sale of a Bond by an individual, of a Bond whose value is linked to or denominated in a foreign currency, the foreign currency exchange rate will be regarded as the index. Furthermore, where an individual claimed real interest expenses and linkage differences on securities, the capital gain on the sale of the securities will be liable to tax at a rate of 30%, this, until the determination of provisions and conditions for the deduction of real interest expenses under Sections 101A(a)(9) and 101A(b) of the Ordinance. The reduced tax rate as mentioned shall not apply to an individual whose income from the sale of securities constitutes "business" income, in accordance with the provisions of Section 2(1) of the Ordinance. In this case, the individual will be charged a marginal tax rate in accordance with the provisions of Section 121 of the Ordinance and will also be charged tax. A body of persons shall be liable to tax on real capital gains on the sale of securities at the corporate tax rate prescribed in Section 126 of the Ordinance.

An exempt mutual fund as well entities listed in Section 9(2) of the Ordinance are exempt from tax on capital gains from the sale of securities, as stated, in accordance with and subject to the conditions of the section. The income of a taxable mutual fund from the sale of securities is subject to the tax rate applying to the income of an individual that does not constitute income from a "business" or "profession," unless explicitly determined otherwise. In the absence of a special tax rate for the income, the income will be charged at the maximum rate determined in Section 121 of the Ordinance.

As a rule, foreign residents (individuals and a body of persons) are exempt from tax on capital gains from the sale of securities traded on the Stock Exchange in Israel, if the gains are not attributed to a permanent establishment of the foreign residents in Israel subject to the provisions of Section 97(b2) of the Ordinance.

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This exemption shall not apply to a foreign-resident company, in the event that Israeli residents are controlling shareholders, beneficiaries, or entitled to 25% or more of the income or profits of the foreign-resident, directly or indirectly, as provided in Section 68A of the Ordinance. In the case in which the exemption as stated does not apply, generally, the provisions of the exemption of the relevant treaty to prevent double taxation (if any) between the State of Israel and the country of residence of the foreign resident will apply.

- 6.5. Withholding at source from capital gains - With regard to Income Tax Regulations (Withholding from Proceeds, Payment or Capital Gain on the Sale of Securities, Sale of a Mutual Fund Unit or a Future Transaction), 5763-2002 (hereinafter: the “**Withholding from Proceeds Regulations**”), a person liable to tax (as this term is defined in aforementioned Regulations) who pays the seller consideration for the sale of securities is required to deduct tax at a rate of 25% from the real capital gain. According to the Withholding from Proceedings Regulations, in the event that the payer owes a seller that is a body of persons consideration in the sale of securities, corporate tax will be withheld from the real capital gains or payment, as applicable, in the rate set forth in Section 126(a) of the Ordinance. The above is subject to the confirmations of exemption from withholding tax at source (or withholding tax at source at a reduced rate) and subject to offsetting losses that the withholder may perform. Tax will not be withheld at source for provident funds, mutual funds and other entities exempt from withholding tax at source under law, after the suitable approvals are provided by them. Withholding tax will not be deducted by a bank or a stock exchange member for a foreign resident if certain conditions are met. It is noted that if at the time of the sale the full withholding tax was not deducted from the real capital gain, Section 91(d) of the Ordinance and the provisions pursuant thereto regarding reporting and prepayment in respect of such a sale will apply.
- 6.6. Offsetting losses- In accordance with Article 9(a) of the Withholding From Proceeds Regulations, within the calculation of capital gains for the purpose of withholding tax at source for the sale of the marketed securities, the entity required to withhold taxes shall set-off the capital loss from the sale of the securities in accordance with Section 92 of the Ordinance, provided that the profit was created in the same tax year in which the loss was created, whether before or

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Capital loss that occurs in the tax year from the sale of the securities offered in the tax year and that, if capital gains, would be subject to tax by the recipient thereof, will be offset against capital gains and real estate betterment, including profit from the sale of a security, marketable or non-marketable, Israeli or foreign, and against interest and dividend paid for the same security (or for other securities provided that the tax rate applicable to the interest or dividend as stated does not exceed the rate set forth in Section 126(a) of the Ordinance for a Company and the rate set forth in Section 125b(1) and Section 125c(b) of the Ordinance, i.e. 25% for an individual in the same tax year. Set-off of losses shall be carried out by way of set-off of capital loss against capital gain or income from interest or dividend as stated. Loss that cannot be offset as stated above may be offset against capital gains and land betterment only as stated in Section 92(b) of the Ordinance in the tax years that follow, after the year in which there was the loss, provided that a report is submitted to the tax assessor for the tax year in which the loss occurred.

In accordance with Article 9(a) of the Withholding From Proceeds Regulations, within the calculation of capital gains for the purpose of withholding tax at source for the sale of the marketed securities, the entity required to withhold taxes shall set-off the capital loss from the sale of the securities in accordance with Section 92 of the Ordinance, provided that the profit was created in the same tax year in which the loss was created, whether before or after the creation of the loss.

If the security set forth in foreign currency or whose value is linked to foreign currency, and in calculating the capital gains, the foreign currency is taken as the index, and in the period from the purchase and until the sale, the exchange rate of the foreign currency decreases and the same security is sold at a loss, an amount in the sum of the loss created from the impairment of the exchange rate will be reduced from the loss.

- 6.7. The Bonds (Series 11) in circulation were issued without a discount. As of the date of this Shelf Offering Report, the adjusted value of the Bonds (Series 11) NIS 1 par value (including interest and linkage differentials) is about NIS 1.0065. The Bonds (Series 11) issued under this Shelf Offering Report are offered at a

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The above general description included in Section 6 above does not come in the stead of individual advice by experts, taking into consideration the specific circumstances of each investor. The provisions are not updated to changes that have occurred in the tax laws and their applicable after the Offering Report date, do not purport to constitute an agreed interpretation of the provisions of the law mentioned in the Offering Report, and do not replace individual professional counsel as stated.

7. Avoiding Making Arrangements

The Company and the directors undertake, by signing this Shelf Offering Report:

- 7.1. To avoid from making arrangements that are not included in the Shelf Prospectus and Shelf Offering Report in connection with the offer of the securities under the Shelf Offering Report, their distribution and public circulation, and undertake to refrain from providing a right to purchasers of the securities offered under the Shelf Offering Report to sell the securities purchased beyond the terms in the Shelf Prospectus and the Shelf Offering Report.
- 7.2. To notify the Securities Authority of any arrangement known to them with a third party that conflicts with their undertakings as stated in Section 7.1 above.
- 7.3. To refrain from engaging with any third party which, to the best of their knowledge, has performed arrangements contrary to Section 7.1 above.
- 7.4. The controlling shareholders of the Company that are not directors of the Company have undertaken to act based on the terms of Sections 7.1 through 7.3 above.

8. Rating of the Offered Securities

- 8.1. On January 1, 2017, Standard & Poors Maalot Ltd. (above and hereinafter: “**Maalot**”) approved a rating of ‘ilA/Stable’ for the Bonds in a scope of up to NIS 400 million par value, issued by the Company through the expansion of Series 10

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- 8.2. Maalot has provided its consent to the attachment of the updated rating report, including by way of reference, to the Shelf Offering Report. Additionally, Maalot confirmed that as of the date of its consent as stated, the updated rating as stated above is in force. A copy of the consent by Maalot as stated in attached to this Shelf Offering Report as **Appendix A.**

9. Permits and Approvals

- 9.1. The Company has contacted the Stock Exchange with a request to list thereon for trade the Bonds (Series 11) offered under the Shelf Offering Report, and the Stock Exchange has provided its confirmation of the same.
- 9.2. The aforesaid confirmation of the Stock Exchange does not constitute confirmation as to the details included in the Shelf Offering Report, their reliability and completeness, and does not serve as an expression of any position of the Company as to the nature of the securities offered in the Shelf Offering Report or the price at which they are offered.
- 9.3. The Company has received all of the permits and approvals required under any law for the publication of the Shelf Offering Report and the offer of the Bonds offered thereunder.

10. Payment of Fee

In accordance with the provisions of Article 4a of the Securities Regulations (Request Fee to Provide a Permit for Publication of a Prospectus), 5755-1995, the Company will pay the Securities Authority the additional fee for the Bonds offered under this Shelf

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11. Issuance Consideration

11.1. The expected proceeds for the Company from this issuance, assuming that all of the units offered in the Offering Report were purchased at the Minimum Unit Price, less the expenses involved in the issue, will be as follows:

The expected immediate consideration (gross) about NIS 922.5 million.

Less prior undertaking fees⁵ of about NIS 4.9 million.

Less distribution fees⁶

Other expenses of about NIS 1.7 million.

11.2. For the prior undertaking fees for classified investors, see Section 3.5 above.

11.3. No minimal amount to be achieved in this issue was set.

11.4. The consideration received from the offer of the Bonds under this Shelf Offering Report will be used by the Company primarily for cycling the debt and the Company's current activity.

12. Updates to the Description of the Company's Business as of the Publication of the Shelf Prospectus

As of the publication of the Shelf Prospectus and until the publication of this Shelf Offering Report, no material changes and events have occurred regarding matters that must be described in the Shelf Prospectus, excluding as set forth in the periodic, quarterly and immediate reports published by the Company in the aforesaid period.

The full version of the aforesaid reports may be reviewed on the distribution

⁵ See Section 3.5 above.

⁶ Leumi Partners Underwriters Ltd. ("**Leumi**"), Brack Capital Underwriting Ltd. ("**Brack**"), Menorah Mivtachim Underwriting and Management Ltd., Poalim IBI Underwriting and Issuance Ltd., Discount Underwriting and Issuances Ltd., Inbar Issuances and Finances Ltd., and Egoz Issuances and Finances Ltd. (the "**Distributors**") will be paid a total cash fee (the "**Distribution Fee**") at a rate of 0.15% of the gross issuance consideration received by the Company from the issuance under this Shelf Offering Report in addition to lawful VAT. The fees will be distributed among the Distributors at the sole discretion of Leumi and Brack, provided that the distributor will not be entitled to a fee for securities actually purchased as a result of the execution of prior commitments submitted by the same distributor within the preliminary tender for Classified Investors. The Issuance Coordinator will be paid a coordination fee in the amount of NIS 30 thousand. For details regarding the prior commitment fees that will be paid to the Classified Investors for the Units regarding they the Classified Investors have undertaken to submit offers, see Section 3.5 above.

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website of the Securities Authority at: www.magna.isa.il and the website of the Tel Aviv Stock Exchange Ltd. at: www.maya.tase.co.il.

13. Events Report

In accordance with the provisions of Article 4a of the Securities Regulations (Shelf Offer of Securities), 5766-2005, attached to this Shelf Offering Report as **Appendix B** is an events report (as defined in Article 56a of the Securities Regulations (Prospectus Details and Prospectus Draft - Structure and Form), 5729-1969) regarding material events (as defined in the aforesaid Article) that have occurred during the period after the signing date of the financial statements of the Company as of September 30, 2016 (which were signed on November 30, 2016) and until the date of this Shelf Offering Report.

14. Letters of Consent by the Auditors

Attached as **Appendix C** to this Shelf Offering Report is a letter of consent by the Auditors of the Company, which includes their consent that their opinion and review reports to the financial statements, as set forth in the letter of consent, be included in this Shelf Offering Report by way of reference.

15. Legal Opinion

Below is the Opinion received by the Company:

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January 4, 2017

To
Israel Corporation Ltd.

Re: **Israel Corporation Ltd. - Shelf Offering Report dated January 4, 2017**

At your request, we hereby confirm that in our opinion:

- (a) The rights attached to the offered securities were described properly, in our opinion, in the Shelf Prospectus dated May 5, 2016 (hereinafter: the **“Shelf Prospectus”**) and the aforementioned Shelf Offering Report by your company.
- (b) In our opinion, your company is authorized to issue the offered securities in the form described in the Shelf Prospectus and the aforementioned Shelf Offerir Report.
- (c) The directors of your company have been lawfully appointed, and their names are included in the Shelf Prospectus and the aforementioned Shelf Offering Report.

We agree that this Opinion of ours will be included in the Shelf Offering Report.

Sincerely,

Adv. Yair Shiloni Adv. Itamar Ben Yehuda

Gornitzky & Co., Advocates

יובן
 ל משלוח
 פרת
 וית
 יום
 יוסבר
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 אל
 *הודעת
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 אטראוריק
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 מא-חורב
 יעני
 רונשטין-בראל
 אביע ודר
 חתק
 לון
 פרבר
 יטלמן-ברך
 אמאם-תוינה
 אהרני (רו"ח)
 נמנת-אבן*
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 בוס
 ביק-בילו (רו"ח)
 רמן
 רינוביץ
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 אורינשוני
 אורינשוני (רו"ח)
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 לרני
 ננשווק
 יד
 ישן
 ס גניד
 פלשור
 יוד
 שרעבי
 תר, יועץ
 ג. האן-יחיא. יועץ

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Signatures

The Company

Israel Corporation Ltd.

The Directors

Aviad Kaufman, Chairman

Amnon Leon

Zehavit Cohen

Dan Ziskind

Michael Bricker

Oded Dagani

Yaakov Amidror

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Appendix A

Consent of Maalot to Inclusion of the Rating Report

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

**Standard & Poor's
Maalot**
S&P Global

12 Abba Hillel
Ramat Gan, 5250606, Israel
972-3-7539700 Tel
972-3-7539710 Fax
www.maalot.co.il

To:
Israel Corporation Ltd.

To whom it may concern,

Re: Rating for Bonds

We hereby notify you that S&P Maalot has determined a rating of 'ilA' (hereinafter: the "Rating") for the bonds that will be issued to the public by Israel Corporation Ltd. (ilA/Stable) (hereinafter: the "Company") through an expansion of Series 11 in a total scope of up to NIS 1 billion par value.

With respect to the same, we would like to emphasize that the Rating for the bonds was determined, *inter alia*, on the basis of a draft Shelf Offering Report dated January 4, 2017, which the Company has provided to us, and on the basis of the information provided to us, including with regard to the structure of the issuance offered and the purpose of the issuance as stated in the rating report.

In any event in which the final Shelf Offering Report includes changes to the structure of the issue, the purpose of the issuance and/or other changes compared to the information provided to us on the determining date of the Rating, or in any case in which a material change occurs to a material entity that might impact the Rating in any manner (hereinafter: "**Changes and Additions**"), S&P Maalot reserves the right to reassess the matter and amend the Rating as stated. You are therefore requested to notify us and provide us in writing with any details regarding any Changes and Additions.

The validity of the Rating is for 60 days from the date of this letter, i.e. until March 1, 2017. The Company shall refrain from including the rating in the Shelf Offering Report after the same date without our prior written consent.

Subject to the above, we agree that the rating report will be included in full in the final Shelf Offer Report, including by way of reference.

It is clarified that for the determination of the Rating, S&P Maalot examines the Shelf Offer Report only and has not examined additional documents related to the issuance, including a description of the documents as stated in the Shelf Offering Report draft.

For additional details of the Rating of Israel Corporation Ltd., see the rating report published on November 22, 2016.

Sincerely,

Standard & Poor's Maalot

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the binding version is the Hebrew original

Appendix B

Events Report

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.

("The Company")

Events Report

For a period between November 30, 2016 and January 4, 2017

The following are details regarding material events (as defined in Article 56a(c) of the Securities Regulations (Prospectus Details and Prospectus Draft - Structure and Form), 5729-1969) that have occurred during the period after the signing date of the financial statements as of September 30, 2016, which were signed on November 30, 2016 and published thereby on November 30, 2016 (reference: 2016-01-134998), and by the date of this Report:

1. Reporting regarding the updated state of the senior offices and appointment of Mr. Aviad Kaufman as chairman of the Company's board of directors. For details, see the Company's immediate reports dated December 1, 2016, reference nos.: 2016-01-135286 and 2016-01-135370, respectively), which are contained hereby by way of reference.
2. Reporting regarding the notice of Israel Chemicals Ltd. (hereinafter: "ICL"), whereby it received a request for disclosure and review of information and documents under Section 198a of the Companies Law, 5759-1999, as a preliminary proceeding for the submission of a request for approval of a derivative claim in connection with the manner of managing and concluding the harmonization project. For additional details, see the Company's immediate reports dated December 8, 2016, reference no.: 2016-01-137806), which is contained hereby by way of reference.
3. Reporting regarding the notice of ICL whereby it has withdrawn the appeal submitted thereby in February 2015 with respect to the tax assessment, such that the additional tax amount for payment is about NIS 228 million. For additional details, see the Company's immediate reports dated December 8, 2016, reference no.: 2016-01-137812), which is contained hereby by way of reference.
4. Reporting regarding the updated interest rates of the Bonds (Series 7 and 9) of the Company, as set forth in the Company's immediate reports dated December 13, 2016, reference no.: 2016-01-139117), which is contained hereby by way of reference.
5. Reporting regarding the dismissal of a motion to certify a class action on the grounds of a misleading detail, deception, and non-disclosure regarding a material detail in the

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6. Reporting regarding the expiration of a number of options in the Company's 2012 plan, as set forth in the Company's immediate reports dated December 25, 2016, reference no.: 2016-01-142381), which is contained hereby by way of reference.
7. Reporting regarding the updated state of holdings of interested parties, as set forth in the Company's immediate reports dated December 29, 2016 (reference no.: 2016-01-144694), which is contained hereby by way of reference.
8. Reporting regarding examining the options to expand Bond Series 10 and 11 of the Company, as set forth in the Company's immediate reports dated January 1, 2017, reference no.: 2017-01-000033), which is contained hereby by way of reference.
9. Reports regarding granting a rate of ilA/Stable by Maalot to the Bonds in a scope of up to NIS 1 billion par value, issued by the Company, as set forth in the Company's financial statements dated January 1, 2017 and January 4, 2017 (reference nos.: 2017-01-000126 and 2017-01-002007, respectively), included herein by way of reference.
10. Reporting regarding the registry of shareholders and changes to the state of the Company's capital, as set forth in the Company's immediate report dated January 1, 2017 (reference no.: 2017-01-000189), which is contained hereby by way of reference.
11. Reporting regarding the results of the institutional tenders in connection with examining the option of expanding Bond Series' 10 and 11 of the Company, as set forth in the Company's immediate report dated January 4, 2017 (reference no.: 2017-01-001641), which is contained hereby by way of reference.

Aviad Kaufman, Chairman of the Board

Avishar Paz, CEO

Date: January 4, 2017

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the binding version is the Hebrew original

Appendix C

Letter of Consent by the Auditors

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

KPMG [logo]
Somekh Chaikin
KPMG Millennium Tower
17 Haarbaah Street, P.O. Box 609
Tel Aviv 6100601
036848000

To:
The Board of Directors of Israel Corporation Ltd.
Tel Aviv

Re: Consent to Inclusion of Auditor Reports and Review Reports of the Shelf Offering Report of Israel Corporation Ltd. (hereinafter: the “Company”) which will be published during January 2017

We hereby notify you that we agree to the included of the reports listed below, including by way of reference, in the Shelf Offering Report referenced above:

- (1) The auditors' report dated March 31, 2016 on the consolidated financial statements of the Company as of December 31, 2015 and 2014 and for each of the three years in the period ending on December 31, 2015.
- (2) The auditors' report dated March 31, 2016 regarding an audit of the internal control components of financial reporting of the Company as of December 31, 2015.
- (3) A special accountant report dated March 31, 2016 as to the separate financial information of the Company as of December 31, 2015 and 2014, and for each of the three years in the period ending on December 31, 2015 according to Article 9c of the Securities Regulations (Financial and Immediate Reports), 5730-1970.
- (4) A review report dated November 30, 2016 as to condensed consolidated financial information of the Company as of September 30, 2016 and for periods of nine and three months ending on the same date.
- (5) A special report of the auditor dated November 30, 2016 as to separate interim financial information under Article 38d of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 of the Company as of September 30, 2016 and for periods of nine and three months ending on the same date.

Sincerely,
Somekh Chaikin
Accountants
January 4, 2017

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Tel Aviv Stock Exchange [logo]

January 4, 2017

287449

To:

Israel Corporation Ltd.

P.O. Box 20456

Tel Aviv 61204

Dear Sirs,

Re: **Approval for Listing Securities for Trade on the Stock Exchange under a Shelf Offering Report**

1. Further to our approval in principal of May 2, 2016, reference no. 270202 and our confirmation dated May 25, 2016, reference no. 271723, we hereby provide our approval to listing for trade up to NIS 900,000,000 par value bonds (Series 11 – from the series traded on the Stock Exchange), issued to the public.
2. The validity of this approval is contingent on the listing for trade of the Bonds (Series 11) within 60 days as of January 4, 2017.
3. This confirmation is provided on the basis of the Shelf Prospectus dated May 5, 2016, the Shelf Offering Report dated May 25, 2016, the draft of the Shelf Offering Report dated January 1, 2017 and the amendment pages by January 4, 2017, provided to us, subject to the confirmations required under any law as to payment of the registration fees for listing on the Stock Exchange the fulfillment of all of the other conditions set forth in the bylaws of the Stock Exchange.
4. This Confirmation of the Stock Exchange shall not be deemed confirmation as to the details included in the Shelf Offering Report or the reliability or completeness thereof, and will not serve as an expression of any opinion of the company as to the nature of the securities offered in the Shelf Offering Report or the price at which they are offered.
5. You are requested:
 - a. To provide us, on the Shelf Offering Report date, with three copies thereof.
 - b. To indicate any change between the Shelf Offering draft provided to us and the final Shelf Offering Report.
 - c. To provide us with any amendment made to the Shelf Offering Report for our approval.
 - d. Upon the allocation of the Bonds (Series 11), to discuss with us their listing for trade on the Stock Exchange.

Sincerely,

[Signature]

Tel Aviv Stock Exchange Ltd.

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Gornitzky & Co. [header]

January 4, 2017

To:

The Securities Authority
22 Kanfei Nesharim Street
Jerusalem

To whom it may concern:

Re: **Israel Corporation Ltd. – Shelf Offering Report dated January 4, 2017**

We hereby confirm that the Company referenced above has received all of the permits required under law to offer the Bonds (Series 11) to the public under the Shelf Offering Report referenced above, which was published under the Company's Shelf Prospectus dated May 5, 2016.

Sincerely,

Adv. Itamar Ben Yehuda