Israel Corporation Ltd.

Periodic Report

As at March 31, 2011

(UNAUDITED)

Israel Corporation Ltd.
Report of the Corporation's Board of Directors and
Condensed Consolidated Interim Financial Statements
At March 31, 2011
Unaudited

Contents

Report of the Corporation's Board of Directors

For the Three Months Ended March 31, 2011

Israel Corporation Ltd. (hereinafter – "the Corporation") is a holding company engaged in initiation, promotion and development of businesses in and outside Israel. In order to execute its investments, including through its subsidiaries, from time to time the Corporation examines investment opportunities in companies and ventures in various activity sectors, including foreign ventures and international operations, while focusing on entities having broad-scoped activities or with the potential for reaching such dimensions, with any eye toward acquiring significant holdings therein.

The Corporation is a public company and its shares are traded on the Tel-Aviv Stock Exchange.

The Corporation is involved in management of the Group companies, particularly those companies in which it holds a significant interest.

The Corporation operates through an array of investee companies, mainly in the chemicals, shipping, energy and power station sectors, and also has additional investments, including in the areas of advanced technology, vehicles, infrastructures for electric vehicles and "clean" energy. The Corporation's headquarters provides management services, through a wholly controlled subsidiary, and is also actively involved in the strategic planning and business development of the investee companies. In addition, the Group endeavors to establish and develop additional businesses.

This Directors' Report is submitted as part of the interim financial statements for the period ended March 31, 2011, and on the assumption that the reader is also in possession of the said financial statements. This report has been prepared in a condensed format for the aforementioned period on the assumption that the reader is also in possession of the periodic report for 2010.

FINANCIAL POSITION

– The total assets, as at March 31, 2011, amounted to about $14,440 million, compared with about $12,589 million, as at March 31, 2010.

– The current assets net of current liabilities, as at March 31, 2011 amounted to about $1,980 million, compared with current assets net of current liabilities of about $1,737 million as at March 31, 2010.

– The balance of the non-current assets, as at March 31, 2011 amounted to about $9,218 million, compared with about $8,499 million as at March 31, 2010.

– The non-current liabilities, as at March 31, 2011, amounted to about $7,346 million, compared with about $6,745 million, as at March 31, 2010.

– The total sales for the three months ended March 31, 2011 amounted to about $2,579 million, compared with about $2,253 million for the three months ended March 31, 2010.

– The capital attributable to the owners of the Corporation as at March 31, 2011 amounted to about $2,317 million, compared with $1,992 million as at March 31, 2010, and about $2,389 million as at December 31, 2010.

CHANGES IN THE INVESTMENT PORTFOLIO

I.C. Power Ltd. (hereinafter – "I.C. Power")

A. In period of the report, the Corporation invested about $38 million in I.C. Power by means of capital notes.

B. Regarding guarantees in respect of O.P.C. Rotem Ltd. given by the Corporation and the headquarters company – see Note 5A3 to the financial statements.

RESULTS OF OPERATIONS

The Corporation finished the period of the report with a loss allocable to the owners of the Corporation of about $53 million, compared with income of about $49 million in the corresponding period last year.

The Corporation's results include financing expenses of ZIM in respect of the debt arrangement in the amount of about $68 million as well as the negative contribution of the companies presently at the start of their activities in the amount of about $38 million. Without the impacts of the debt arrangement and the negative contribution of the companies presently at the start of their activities, the Corporation finished the period of the report with income allocable to the owners of the Corporation of about $53 million.

The companies presently at the start of their activities, Better Place Inc. and Chery Quantum Auto Limited, are companies that have not yet commenced their commercial operations.

Set forth below are the factors that impacted the results of operations in the period of the report:

– Israel Chemicals Ltd. (hereinafter – "ICL") finished the period of the report with income of about $280 million, compared with income of about $241 million in the corresponding period last year.

– Oil Refineries Ltd. (hereinafter – "ORL") finished the period of the report with income of about $6 million, compared with a loss of about $4 million in the corresponding period last year. Without the impact of application of IFRS 9 (2010), ORL finished the period of the report with a loss of about $17 million.

– ZIM Integrated Shipping Services Ltd. (hereinafter – "ZIM") finished the period of the report, with a loss of about $111 million, compared with a loss of about $82 million in the corresponding period last year.

  ZIM's loss in the period of the report, without the impact of the debt arrangement, amounted to about $43 million, compared with a loss of about $120 million in the corresponding period last year.

– I.C. Power Ltd. (hereinafter – "I.C. Power") finished the period of the report with income of about $11 million, compared with income of about $15 million in the corresponding period last year. (The income in respect of the corresponding period last year related solely to Inkia Energy Ltd.).

– Tower Semiconductor Ltd. (hereinafter – "Tower") finished the period of the report (in accordance with IFRS) with a loss of about $9 million, compared with a loss of about $34 million in the corresponding period last year.

– Better Place LLC (hereinafter – "Better Place") finished the period of the report with a loss of about $43 million, compared with a loss of about $20 million in the corresponding period last year (after offset of interest to the preferred shareholders).

– Chery Quantum Auto Limited (hereinafter – "Chery Quantum") finished the period of the report with a loss of about $48 million, compared with a loss of about $4 million in the corresponding period last year.

RESULTS OF OPERATIONS (Cont.)

– The net financing expenses in the consolidated report (including financing expenses of the headquarters company) in the period of the report amount to about $164 million, compared with about $16 million in the corresponding period last year.

  The increase in the financing expenses derived mainly from an increase in revaluation to fair value of financial instruments through the statement of income and from erosion of the shekel financial liabilities – mainly the debentures.

As an investment company, the Corporation's financial results are affected by the results of its investee companies.

Presented below are details of the contribution of the principal investee companies to the Corporation's results:

	Three months ended March 31	
	2011	**2010**
	$ Millions	
ICL	**147**	126
ORL	**(6)**	(1)
ZIM	**(111)**	(82)
I.C. Power*	**11**	15
Tower	**(3)**	(13)
Better Place	**(14)**	(9)
Chery Quantum	**(24)**	(2)

* In the first quarter of 2010, relates solely to Inkia.

Following is a brief summary of the financial results of the Corporation and the principal investees:

ISRAEL CHEMICALS LTD.

ICL finished the period of the report with income of about $280 million, compared with income of about $241 million in the corresponding period last year.

The ICL Group's sales in the period of the report amounted to about $1,528 million, compared with about $1,382 million in the corresponding period last year – an increase of about 11%. The increase stems from an increase in the sale prices and from the first-time consolidation of the financial statements of companies acquired during the quarter. On the other hand, in the period of the report there was a decrease in the quantities of potash sold in Israel, mainly as a result of the impacts of the strike at Sdom, which was offset by an increase in the quantities sold of ICL's other products.

ISRAEL CHEMICALS LTD. (Cont.)

There is a mutual interdependency between the agricultural areas available for cultivation and the quantity of food needed by the population, on the one hand, and the use of fertilizers, on the other hand. The natural increase in the population, the change in the composition of the food consumption (transition to richer nutrition, based largely on animal protein, which increases the cereal consumption) as a result of a rise in the standard of living, primarily in the developing countries, along with environmental considerations and the aspiration of the Western countries to reduce dependency on fuel imports, which have strengthened the tendency for production of fuels from agricultural sources (bio-fuels), have affected the increased demand for cereals (grains, rice, soybeans, corn, etc.). In recent years these trends have led to a decline in the worldwide level of inventories of grains and, in turn, to higher prices of agricultural products, increased cereal planting worldwide, and a trend of increasing yield per unit of agricultural land, mainly by increasing the application of fertilizers.

In the short run, the demand for fertilizers is volatile and is impacted by factors such as the weather in the main agricultural growing areas worldwide, changes in the scope of the planting of the main items grown, cost of the agricultural inputs, prices of the agricultural products and the bio-technological developments. Some of these items are impacted by subsidies and credit lines granted to farmers or producers of agricultural inputs in the various countries and environmental protection regulation. The changes in the exchange rates, legislation and policies in connection with international trade also have an impact on the worldwide supply, demand and consumption levels of fertilizers. Notwithstanding the volatility that may be caused in the short run due to the above-mentioned factors, in ICL’s estimation, the policy in most countries is to see to an orderly supply of high quality food to the residents, and as a result to encourage the agricultural production. Accordingly, the growth trend is expected to be maintained over the long run[1].

Towards the end of 2009, after an unprecedented low point in the global economy and, as a result, in the consumption of fertilizers, the farmers began gradually to return to use of fertilizers in larger quantities. This trend has continued up to the present time.

In January 2011, the trading company BPC gave notice of signing of a six-month contract in China for a quantity of 600 tons (including an optional 120 tons) at a price of $400 per ton (CFR), and about a week later the Canadian company, Canpotex, signed a six-month contract for 600 tons at the same price. In February 2011, ICL Fertilizers also signed contracts with a number of customers in China for supply of potash in an aggregate scope of 500 tons, in the first half of 2011, as a similar price.

India also continued its trend of favorable continuous demand. In March 2010, a number of potash manufacturers, including ICL Fertilizers, concluded a potash sale contract to customers in India for a period of about one year at a price level of about $370 per ton CFR. The amount of ICL Fertilizers’ undertaking came to about 1.4 million tons. Potash imports into India in 2010 reached a record high of 5.6 million tons. At the present time, negotiations are continuing with the potash importers in India in connection with supply of potash for the 2011/12 agricultural year.

The high level of demand for potash triggered a continuing process of rising prices in the main markets. In September 2010, Canpotex and BCP gave notice of price increases of $50 per ton in Brazil and in Southeast Asia to a level of $405-$420 per ton. At the same time, PCS gave notice of and increase in the price of potash in the United States at the same rate. In the beginning of November 2010, BPC notified of an additional price increase of $25 per ton in Brazil and in Asia. During the same month, PCS notified of an additional increase in its prices of more than $80 per ton in the United States.

[1] The estimates with respect to future trends included in the section constitute “forward-looking information” and there is no certainty if and when they will be realized, and at what rate. The said estimates may change due to fluctuations in the world and local markets, particularly in locations where ICL manufactures and in the target markets for ICL’s products, including, among other things, changes in the levels of supply and demand, prices of the products, merchandise and seeds, and they may be impacted by actions taken by the governments, producers and consumers. There is also a possible impact of the situation in the financial markets, including changes in the exchange rates, the credit situation and interest costs.

ISRAEL CHEMICALS LTD. (Cont.)

At the beginning of 2011, the price of granulated potash in Europe increased by €18 per ton and concurrently the prices of industrial potash were also updated. During January 2011, Canpotex gave notice of an increase in prices of $30 per ton in the Southeast Asia markets. In Europe, the potash prices were raised commencing from the beginning of the second quarter of 2011 by a further €18-€20 per ton. In Brazil and in Asia, BPC and Canpotex notified of an additional price increase of $50 per ton, such that the price level in the spot market reached $510-$525 per ton.

The activities of ICL Industrial Products are affected, to a significant extent, by the level of activity in the electronics, construction, industrial, vehicle, oil drilling, furniture, textiles, and water treatment markets. The trend of improvement in the demand for most of the sector’s products continues to be positive and is being accompanied by an increase in prices for most of the products. The increase in demand and decrease in supply of bromine in China has given rise to an increase in the selling prices of the elementary bromine, compared with the corresponding period last year and compared with the final quarter of 2010. The continuing increase in demand for flame-retardants in the sector stems mainly from stronger demand for electronic products in the Far East and reduced production by some of the Chinese manufacturers.

In April 2010, the Asdat fuel drilling facility in the Gulf of Mexico exploded, which constitutes a central selling territory for ICL’s products. As a result, the U.S. government announced suspension of the drilling activities in the deep waters in this region. Despite termination of the drilling suspension, the U.S. government is issuing drilling permits in the region at a very low rate and, therefore, ICL’s sales to this region are low. Nonetheless, an increase in sales and prices of the clear solutions for fuel drilling was recorded compared with the corresponding period last year as a result of increase in the scope of sales made to other territories throughout the world, which derives from an increase in demand and a decline in supply by Chinese clear solution manufacturers due to an increase in the prices of the elementary bromine in China.

In the area of chlorine-based biocides, there was an increase in demand compared with the corresponding period last year mainly as a result of deferral of pre-season sales from the fourth quarter of 2010 to the period of the report.

The activities of ICL Performance Products are affected by competition in the target markets and fluctuation of prices in the fertilizers’ market, which impact the prices of the segment’s main raw materials, and fluctuations of the energy prices. The current quarter was characterized by an improvement in demand in Europe compared with the corresponding quarter last year and compared with the fourth quarter of the prior year, and a certain decline in North America, mainly as a result of the difficult weather conditions in February. Increase of the prices in the fertilizers’ market in the first quarter gave rise to an increase in the prices of the main raw materials used in manufacture of phosphorous-based products. In addition, the increase in energy prices caused an increase in the production and shipping costs. Concurrently, there was an increase in the selling prices of the products of ICL Performance Products. The lack of political stability in North American and Middle Eastern countries triggered a certain decline in demand in these areas.

Marine transportation costs constituted about 6% of ICL’s total operating costs in the period of the report. Commencing from 2010, the bulk transportation prices have been characterized by extreme volatility, where the trend is a decline in the index. The average index for the first quarter of 2011 was 1,365 points, constituting a decline of about 55% compared with the corresponding quarter last year.

The energy costs constituted about 8% of ICL’s total operating costs in the period of the report. Starting from the third quarter of 2009, the energy prices began to rise. In the present quarter, there was a further jump in the fuel prices compared with the corresponding quarter last year. The gradual increase in use of natural gas is moderating the impact of the increase in the prices of fuel and its derivatives on the Group’s results.

ISRAEL CHEMICALS LTD. (Cont.)

Analysis of the results of the period of the report versus the corresponding period last year:

The gross profit rate in the period of the report was about 42% of the sales, compared with about 40% in the corresponding period last year. The increase in the gross profit rate compared with the corresponding period last year stems mainly from an increase in the selling prices and the initial consolidation of the financial statements of companies acquired during the quarter. This increase was partially offset by the impact of the decline in the quantities sold and an increase in the raw material prices.

The rate of the operating income out of the total sales was about 24%, compared with about 22% last year. The increase in the marginal operating income stems mainly from the increase in the sale prices.

In the period of the report, there was an increase in ICL's net financing expenses, in the amount of about $23 million, over the corresponding period last year. The financing income/expenses in the period were impacted by the change in respect of the derivative financial instruments, revaluation of the net short-term financial liabilities and the effect of the exchange rate differences on the provisions for employee benefits.

The taxes on income in the period of the report amounted to about $61 million, about the same as in the corresponding period last year. The rate of tax on the pre-tax income was about 18%, compared with about 20% last year. The decline in the tax rate in the period of the report compared with corresponding period last year stems from the following items:

A. The impact of the change in the dollar vis-à-vis the shekel in the quarter compared with the corresponding quarter last year, which caused an increase in the tax rate on the companies operating in Israel, the source of which is differences in respect of the measurement basis.

B. The tax rate on the ordinary income in Israel declined from 25% to 24%.

C. In the current quarter, there was a decline in expenses not deductible for tax purposes compared with the corresponding quarter last year, as a result of a decline in the costs of options issued to employees.

Other developments in the period of account and thereafter:

A. In September 2010, the collective bargaining agreement of Dead Sea Works, a company from the ICL Fertilizers segment (hereinafter – "DSW"), ended. In November 2010, the General Workers Union announced a work dispute at DSW due to a lack of agreement in the course of negotiations for signing a new collective bargaining agreement.

   In January 2011, the Employees Council of DSW decided to institute sanctions that were expressed by, among other things, limitation of the production and maintenance processes that impacted the activities of DSW and other factories located in Hatzaria. These sanctions caused disruptions in the production processes even to the extent of stopping the activities in the production facilities, as well as halting the potash deliveries to Company customers. In February 2011, the management of DSW and the Employees Council reached understandings and the sanctions were discontinued. On the same date, an agreement in-principle was signed in connection with a new collective bargaining agreement for a period of 5 years ending in September 2015. Subsequent to the date of the financial statements, in April 2011, the collective bargaining agreement was signed.

B. In February 2011, a transaction was completed for acquisition of the companies, assets and activities of the business unit in the specialty fertilizers area, known as The Global Professional Business from the U.S. company, Gro-Scotts Miracle. For additional details – see Note 5B2 to the financial statements.

ISRAEL CHEMICALS LTD. (Cont.)

Other developments in the period of account and thereafter: (Cont.)

C. In March 2011, a statement of claim of the State of Israel against a subsidiary (DSW) in the framework of arbitration in accordance with the Dead Sea Works Concession Law, 1961, was received. In the claim, the State demands the amount of $265 million in respect of insufficient royalty payments for the years 2000 through 2009, with the addition of interest and linkage differences, an additional amount of $26 million due to increase in the royalty rate, commencing from 2010, with respect to the annual quantity of sales in excess of 3 million tons of potash, and change in the method of calculating royalty payments from the sale of metal magnesium. For additional details – see Note 6F to the financial statements.

D. In March 2011, ICL signed an agreement with a group of 17 banks, mostly international banks, for provision of a credit line in the aggregate amount of $675 million, for a period of five years from the date the credit is actually granted. For additional details – see Note 5B3 to the financial statements.

E. Subsequent to the date of the financial statements, in April 2011, a subsidiary in Spain acquired full ownership of S.A.A. Fuentes Mendea (hereinafter – "the Company Being Acquired"), which is engaged in production and marketing of special fertilizers in Spain. The financial statements of the Company Being Acquired will be included as part of the Company's consolidated financial statements commencing from the second quarter of 2011.

F. Subsequent to the date of the financial statements, in April 2011, the State Attorney General submitted his position regarding the compromise arrangement in the class action claim filed against a company from the ICL Industrial Products segment, whereby he objects to the agreement. On April 12, 2011, the Court decided to permit the parties to respond to the position of the State Attorney General within 30 days. For additional details – see Note 22B2B4 to the financial statements for 2010.

G. On April 14, 2011, the Supreme Court issued a conditional order instructing the State to adopt one of the permanent solutions for protecting the Dead Sea within three months of the issuance date of the order. On May 23, 2011, the Minister of Tourism and the Minister of Environmental Protection notified that they see the solution to the salt precipitation problem as the permanent solution and that they intend to recommend this solution to the Government. For additional details – see Note 22B2c to the financial statements for 2010.

OIL REFINERIES LTD.

ORL completed the period of the report with income of about $6 million, compared with a loss of about $4 million in the corresponding period last year. Without the impact of IFRS 9 (2010), ORL finished the period of the report with a loss of about $17 million.

The total sales in the period of the report totaled about $2,058 million, compared with about $1,705 million in the corresponding period last year. The increase in the total sales derived mainly from an increase in the average price of the fuel products. The average price per ton of the main products' basket in the Mediterranean Sea area that is roughly the same as the basket produced by ORL was about $871 in the period of the report, compared with about $656 in the corresponding period last year.

The operating income in the period of the report amounted to about $35 million, compared with about $4 million in the corresponding period last year.

The increase in the operating income derived mainly from an increase in the neutralized refining margin and an increase in the margin on the products' basket.

OIL REFINERIES LTD. (Cont.)

Set forth below is data and the impact thereof on the refining margins (dollar per ton):

	January–March	
	2011	**2010**
Neutralized margin	28.9	23.1
Less –		
Impact of application of method for recording derivatives (under IFRS)	(13.1)	(4.9)
Impact of timing differences of purchases and sales	19.2	5.0
Provision for decline in value of inventory as at the date of the report	–	0.9
Accounting margin	**35.0**	**24.1**

The net financing expenses, without the impact of IFRS 9 (2010), the period of the report amounted to about $45 million, compared with financing income of about $12 million in the corresponding period last year. The financing expenses increased in the period of the report mainly due to revaluation to fair value of the financial derivatives held by ORL.

In the period of the report, the other expenses amounted to about $7 million and constitute amortization of the excess acquisition cost of shares of Carmel Olefins and Haifa Basic Oils. In the corresponding period last year, the other expenses amounted to about $15 million.

ZIM INTEGRATED SHIPPING SERVICES LTD.

Set forth below is significant data from ZIM's statements of operations:

	Three months ended March 31	
	2011	**2010**
	$ Millions	
Revenues from shipping and accompanying services	**912**	745
Costs of shipping and accompanying services	**(860)**	(754)
Operating depreciation	**(40)**	(35)
Gross profit (loss)	**12**	(44)
Other operating expenses, net	**2**	(6)
Administrative and general expenses	**(38)**	(33)
Operating loss	**(24)**	(83)
Financing expenses, net	**(90)**	–
Share in income of associated companies, net	**7**	1
Tax benefit (taxes on income)	**–**	(1)
Loss for the period attributed to the owners of the Corporation	**(107)**	(83)
Attributed to:		
Holders of rights not conferring control	**4**	(1)
Loss for the period attributed to the owners	**(111)**	(82)
	(107)	(83)

ZIM INTEGRATED SHIPPING SERVICES LTD. (Cont.)

Set forth below is significant data from ZIM's statements of cash flows:

	Three months ended March 31	
	2011	**2010**
	$ Millions	
Cash provided by (used in) operating activities	**24**	(18)
Acquisition of ships and equipment	**(8)**	(157)
Proceeds from sale of ships and equipment and sale of investments	**3**	8
Cash provided by (used in) financing activities	**(130)**	220
Total depreciation and amortization	**45**	49

Set forth below is significant data from ZIM's statements of financial position:

	As at March 31	
	2011	**2010**
	$ Millions	
Total financial liabilities	**2,682**	2,412
Total monetary assets	**492**	200
Total equity attributable to the owners	**629**	533
Total assets	**3,956**	3,495
Payments on account of construction of ships	**255**	418

Set forth below is the movement in ZIM's shareholders' equity:

	Three Months Ended March 31 2011
	$ Millions
Balance as at January 1, 2011	735
Loss for the year	(111)
Reserve in respect of transactions with controlling shareholders	5
Balance as at March 31, 2011	**629**

Brief description of ZIM's results:

The loss in the period of the report attributed to ZIM's owners, without the impact of the debt arrangement on the results, amounted to about $43 million, compared with a loss of about $120 million in the corresponding period last year.

The loss in the period of the report attributed to ZIM's owners, including the impact of the debt arrangement on the results, amounted to about $111 million, compared with a loss of about $82 million in the corresponding period last year.

ZIM's revenues in the period of the report amounted to about $912 million, compared with about $745 million in the corresponding period last year – an increase of about 22%. The increase in the total revenues stems, mainly, from an increase in the average shipping price per container, an increase in the quantities shipped and income from the subsidiaries. In the period of the report, the average shipping price per container increased by 13% from about $1,200 per container to about $1,360 per container.

ZIM INTEGRATED SHIPPING SERVICES LTD. (Cont.)

In the period of the report, ZIM transported 555 thousand TEUs, compared with 509 thousand TEUs in the corresponding period last year – an increase of about 9%.

In the period of the report, ZIM's operating expenses amounted to about $860 million, compared with about $754 million in the corresponding period last year – an increase of about 14%. The increase in the operating expenses stems mainly from an increase in fuel expenses, in the amount of about $41 million, in the expenses of the subsidiaries and other expenses, in the amount of about $33 million, and in port service expenses, in the amount of about $15 million.

The other income (expenses), net, in the period of the report amounted to income of about $2 million, compared with a loss of about $6 million in the corresponding period last year. The decrease in the loss stems mainly from a decline in value of an investment in an associated company that was recorded in the corresponding period last year.

In the period of the report, the administrative and general expenses increased at the rate of about 16%. The increase stems mainly from an increase salary expenses.

ZIM's operating loss in the period of the report amounted to about $24 million, compared with a loss of about $83 million in the corresponding period last year. The decline in the operating loss stems mainly from an increase in ZIM's revenues, in the amount of about $167 million, which was partially offset by an increase in the operating expenses, in the amount of about $106 million.

ZIM's EBITDA[2] in the period of the report amounted to about $22 million, compared with negative EBITDA of about $33 million in the corresponding period last year – an improvement of about $55 million. After eliminating ship-leasing fees that do not affect cash flows (including lease expenses the payment date of which was postponed to a long term), the EBITDA in the period of the report amounted to about $45 million, compared with negative EBITDA of about $8 million in the corresponding period last year – an improvement of about $53 million.

ZIM's net financing expenses in the period of the report increased by about $90 million over the corresponding period last year. The increase in the financing expenses stems mainly from recording financing expenses in the current period in respect of the debt arrangement, in the amount of about $70 million, compared with income of about $36 million in the corresponding period last year, from an increase in interest expenses of about $5 million, offset by a transition from the loss in respect of hedging transactions, in the amount of about $2 million in the corresponding period last year, to income from hedging transactions in the amount of about $14 million in the current period.

Other developments in the period of the report and thereafter:

A. In November 2000, ZIM signed an agreement with interested parties therein whereby ZIM leased, commencing from April 15, 2002, the ship "ZIM Panama" (having a capacity of 5,000 containers) for a period of 10 years. As part of the said agreement, ZIM was granted three options (unilateral) whereby as part of each option ZIM will be granted the possibility of extending the lease period for two additional years, provided each option is exercised 12 months prior to the end of the prior lease period, that is, ZIM was required to exercise the first option up to April 15, 2002.

   Pursuant to the said agreement, the lease fees for the original lease period were between $22,700 and $23,150 (updated bi-annually as stipulated in the agreement); and the lease fees under the agreement for the first option period are $23,550 per day.

[2] The EBITDA is calculated as operating income or loss plus depreciation and amortization.

ZIM INTEGRATED SHIPPING SERVICES LTD. (Cont.)

Other developments in the period of the report and thereafter: (Cont.)

A. (Cont.)

ZIM believes, among other things, that based on the estimates received, the conditions of the undertaking described above are better than the market terms and, therefore, in accordance with decisions of ZIM's Audit Committee on March 22, 2011, and its Board of Directors on March 23, 2011 ZIM decided to exercise the first option to extend the lease, as stated above.

The Audit Committee and Board of Directors of Israel Corporation approved the undertaking at their meetings on March 29, 2011. In accordance with the above-mentioned decisions and the Relief Regulations, ZIM exercised the extension option for rental of the ship.

B. In November 2000, ZIM signed an agreement with interested parties therein whereby ZIM leased, commencing from February 28, 2002, the ship "ZIM Mediterranean" (having a capacity of 5,000 containers) for a period of 10 years. As part of the said agreement, ZIM was granted three options (unilateral) whereby as part of each option ZIM will be granted the possibility of extending the lease period for two additional years, provided each option is exercised 12 months prior to the end of the prior lease period, that is, ZIM was required to exercise the first option up to February 28, 2011 (hereinafter – "the First Option Period"). In addition to that stated, at the request of ZIM, the lessor of the ship notified ZIM that it is granted the possibility of giving notice of exercise of the option up to April 30, 2011. Pursuant to that stated, the lease fees for the original lease period were between $22,700 and $23,150 (updated bi-annually as stipulated in the agreement); and the lease fees under the agreement for the first option period are $23,550 per day.

ZIM believes, among other things, that based on the estimates received, the conditions of the undertaking described above are better than the market terms and, therefore, in accordance with decisions of ZIM's Audit Committee and its Board of Directors on March 21, 2011, ZIM decided to exercise the first option to extend the lease, as stated above.

The Audit Committee and Board of Directors of Israel Corporation approved the undertaking at their meetings on February 24, 2011. In accordance with the above-mentioned decisions and the Relief Regulations, ZIM exercised the extension option for rental of the ship.

C. In July 2007, ZIM entered into an agreement for acquisition of two container ships with a capacity of 2,450 TEU's each, which were scheduled for delivery to ZIM in 2010. The price of each ship; (not including technical additions in amounts that are not significant), based on the rate of exchange in effect on the date of the transaction, is about $47.6 million[3]. In March 2008, ZIM signed an agreement with a third party (unrelated) for sale of one ship at the ship price denominated in the contract in Japanese yens (back-to-back) and lease thereof by ZIM in a vessel lease for a period of 15 years. ZIM has an option to purchase the ship at the end of the period at a price of $13.5 million or, alternatively, to extend the lease period for an additional 5 years, at the end of which the ship will be acquired for $1.

During the first 15 years, the lease fees will be $13,400 per day, while during the next 5 years, the lease fees will be $9,500 per day.

As part of the rehabilitation plan, ZIM reached agreement to postpone construction and/or delivery of the ship acquired (that was not sold) by ZIM while changing the structure of the payments in connection with acquisition of the ship. In March 2011, it was agreed with the shipyard to cancel construction of the ship against compensation in the amount of the first payment, which was paid to the shipyard.

[3] The ship prices in the framework of the undertakings are denominated in Japanese yens (JPY).

ZIM INTEGRATED SHIPPING SERVICES LTD. (Cont.)

Other developments in the period of the report and thereafter: (Cont.)

D. On September 26, 2010, S&P Maalot (hereinafter – "Maalot") informed ZIM of an upgrade of the rating of the debentures to ilBB+ with a positive outlook. On February 24, 2011, Maalot informed ZIM of an upgrade of the rating of the debentures to ilBBB– with a stable outlook.

E. As part of the Arrangements Law 2011-2012 it was decided to cancel the exemption provided in Section 3(7) of the Law, to the extent it addresses marine shipping. Cancellation of the exemption will enter into effect at the end of two months from the publication date of a class exemption with respect to operating arrangements covering international shipping or on January 1, 2012 – whichever occurs first. The Minister of Finance is authorized to postpone the said date (January 1, 2012) for periods of six months each time until a class exemption is promulgated, as stated. According to that stated in the Arrangements Law, the Supervisor of Restrictive Business Practices was authorized to provide a class exemption with respect to an operating arrangement covering international oversea shipping involving one of the following – (A) adjustment of the average shipping capacity on every vessel in response to fluctuations in supply and demand in the market; (B) joint operation of shipping services or of ports and operating-related services as stated; (C) accompanying activities required for realization of the activities stated in Sections (A) and (B) above.

F. On May 11, 2006, the General Meeting of Israel Corporation approved a "framework agreement"[4], further to the "Ship Lease Procedure for Short Periods from Interested Parties in ZIM"[5] (hereinafter – "the Procedure"), which constitutes a framework for continuation of the joint cooperation between ZIM and "the Ofer Group" which commenced in 1969. The subject of the Framework Agreement is a joint venture agreement between ZIM and Ofer (Ship Holdings) Ltd. and Ofer Shipping Ltd. (hereinafter – "Ofer Shipping" and "the Framework Agreement", respectively), for a period of 12 years commencing from the approval date of the General Meeting (hereinafter – "the Joint Cooperation Period"), however Israel Corporation undertook an obligation whereby every 4 years from the date of approval by the General Meeting of the Framework Agreement, and shortly before the Annual General Meeting of Israel Corporation, the Audit Committees and Boards of Directors of ZIM and Israel Corporation will discuss continuation of joint cooperation for an additional four-year period. Subject to approval by the organs, as stated, of continuation of the joint cooperation Israel Corporation will bring continuation of the joint cooperation for approval by the Annual General Meeting of Israel Corporation.

May 2010, was the first date for approval of continuation of the joint cooperation and, therefore, the agreement was approved by ZIM's Audit Committee and Board of Directors. However, continuation of the joint cooperation was not brought for approval by the Annual General Meeting of Israel Corporation and, therefore, as at the date of the report, the Framework Agreement is not in effect.

G. Regarding a compromise in the arbitration of ZIM with a shipping company – see Note 6H to the financial statements.

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[4] Within the meaning thereof in Regulation 1(3) of the Companies Regulations (Transactions with Interested Parties), 2000.

[5] On January 3, 2006, ZIM's Audit Committee and Board of Directors approved a lease procedure for ships for short periods from interested parties in ZIM. For the sake of good order, the Procedure was also approved on January 4, 2006, by ZIM's Audit Committee and Board of Directors. The Procedure provides principles for examination of the terms of the ship lease transactions for short periods (up to 5 years) from interested parties in ZIM. For purposes of determining whether a ship lease is for a short period, and therefore is embraced by the procedure, it was provided that the option periods granted to ZIM in the lease agreement for the original lease period will be added, and in a case where the original lease period together with the option period add up to a period of more than 5 years, the lease will not be considered a lease for a short period for purposes of the Procedure. The Procedure provides criteria, rules and limitations in connection with the classification of lease transactions for a short period from interested parties as transactions that may be approved as part of the Procedure as transactions that are not extraordinary (within the meaning thereof in the Companies Law, 1999). The Procedure also provides that leasing of ships for short periods from interested parties is to be made on market terms, pursuant to the mechanism stipulated in the Procedure. Regarding the Procedure and details in respect thereof – see the Immediate Report of Israel Corporation dated January 5, 2006.

I.C. POWER LTD.

A. Inkia Energy Ltd. (hereinafter – "Inkia")

Inkia finished the period of the report with income of about $12 million, compared with income of about $15 million in the corresponding period last year.

After eliminating the financing expenses to Israel Corporation the income for the period amounted to about $14 million, compared with income of about $15 million in the corresponding period last year.

Inkia's total revenues in the period of the report amounted to about $129 million, compared with about $116 million in the corresponding period last year.

Inkia's proportionate EBITDA in the period of the report amounted to about $44 million (the proportionate amount of the EBITDA of each of the investee companies), compared with about $36 million in the corresponding period last year.

As at the date of the report, Inkia's net consolidated debt (excluding the loan from Israel Corporation) amounted to about $365 million, compared with a net consolidated debt of about $323 million in the corresponding period last year.

As at the date of the report, Inkia's net proportionate debt (the net debt of Inkia plus its proportionate share in the net debt of each of the investee companies) amounted to about $327 million, compared with a net proportionate debt of about $261 million in the corresponding period last year.

In 2009, Kallpa Generacion S.A. (Peru) (hereinafter – "Kallpa") commenced a project of converting its thermal plant to activities based on a combined cycle, at an estimated cost of about $400 million. As at March 31, 2011, Kallpa had invested about $145 million in the project.

Set forth below are the main factors affecting Inkia's results in the period of the report:

1. Improvement in the revenues due to entry into service of the third turbine on the Kallpa site in March 2010, which was partly offset by an increase in the financing and depreciation expenses due to commencement of operation of the turbine, along with an increase in the maintenance expenses on the Kallpa site in the first quarter.

2. Improvement in the hydrology compared with the corresponding quarter last year caused a decrease in production of a company in the Inkia Group in El Salvador, which produces electricity through use of crude oil.

3. Increase in the financing expenses compared with the corresponding period last year due to an increase in the financial liabilities resulting from commencement of accrual of financing expenses in respect of the third turbine on the Kallpa site, an increase in the financing expenses to Israel Corporation, and revaluation of a currency exchange transaction.

Other developments in Inkia

a. In April 2011, Inkia issued $300 million par value of debentures on the international market – see also Note 7A to the financial statements.

b. In February 2011, Inkia published a tender offer for shares of Edegel as a result of an agreement with the Peru Securities Authority. The tender offer ended on March 8, 2011 with no response whatsoever.

I.C. POWER LTD.

A. Inkia Energy Ltd. (hereinafter – "Inkia")

c. In March 2011, Inkia won a tender published for supply of electricity from new hydro-electric power plants in Peru, in an overall scope of 200 megawatts, whereby Inkia will supply electricity to the electric company owned by the government of Peru. Inkia will supply the electricity during a period of 15 years and the supply is expected to begin in January 2016. The annual scope of the tender is about $75 million. See Note 5D2 to the financial statements.

B. O.P.C. Rotem Ltd. (hereinafter – "OPC")

a. In January 2011, a rating of AA3 with a stable outlook was approved by the Rating Committee of Midrug Ltd. for the senior debt of O.P.C., in connection with a project for construction of a power station. The rating relates to the operation period.

b. In January 2011, an amendment to the Power Purchase Agreement (PPA) for the purchase of electricity was signed with Israel Electric Company. For details – see Note 5D4 to the financial statements.

c. In the period of the report, the shareholders of OPC provided bank guarantees to Israel Electric Company, in accordance with their proportionate interests. Accordingly, the collaterals that served as the bank guarantee were released and returned to the owners. For additional details – see Note 22C5b to the financial statements as at December 31, 2010.

d. On January 2, 2011, an agreement was signed with a consortium of lenders led by Bank Leumi L'Israel Ltd. for financing construction of a power plant (hereinafter – "the Financing Agreement"). For details – see Note 5D6 to the financial statements.

e. In March 2011, as a result of the earthquake in Japan, Daewoo provided early notification to OPC of an "Act of G-d" event that may impact the performance of a subcontractor operating in Japan supplying equipment intended for the power plant (who noted, however, in its notification to Daewoo that its plants are not in the area of the disaster). Subsequent to the date of the report, in April 2011, Daewoo cancelled its notification regarding an "Act of G-d" event, as stated.

TOWER SEMICONDUCTOR LTD. (hereinafter – "Tower")

In the period of the report, Tower's sales amounted to about $121 million, compared with about $114 million in the corresponding period last year – an increase of about 6%, while the cost of sales decreased by about 7%. The gross profit in the period of the report amounted to about $31 million, compared with about $16 million in the corresponding period last year.

Tower finished the period of the report (pursuant to IFRS) with a loss of about $9 million, compared with a loss of about $34 million in the corresponding period last year.

The financing expenses in the period of the report amounted to about $23 million, compared with about $31 million in the corresponding period last year.

BETTER PLACE INC. (hereinafter – "Better Place")

As at the date of the report, Better Place had not yet commenced its commercial activities. Better Place's net loss in the period of the report, including interest to the holders of the preferred shares, amounted to about $54 million, compared with a loss of about $28 million in the corresponding period last year.

CHERY QUANTUM LIMITED (hereinafter – "Chery Quantum")

As at the date of the report, Chery Quantum had not yet commenced its commercial activities. Chery Quantum's net loss in the period of the report amounted to about $48 million, compared with a loss of about $4 million in the corresponding period last year.

SOURCES OF FINANCING FOR THE CORPORATION AND THE HEADQUARTERS COMPANIES

As at March 31, 2011, the total financial liabilities of the Corporation and of the wholly owned and controlled headquarters companies (hereinafter – "the Headquarters Companies") amounted to about $2,588 million. The fair value of interest rate, currency and index SWAP transactions in respect of the debentures, economically reduces the liabilities by the amount of about $252 million.

As at the date of the report, the investments of the Corporation and of the Headquarters Companies in liquid assets amounted to about $530 million. The investments are mainly in dollar and shekel deposits.

The net debt of the Corporation and of the Headquarters Companies as at the date of the report was about $1,806 million.

In the period of the report, the Corporation paid current maturities of debentures and long-term loans (net of hedging transactions in respect thereof), in the amount of about $12 million.

As at March 31, 2011, the scope of the exposure of the Headquarters Companies to a decline in the shekel exchange rate against the dollar was about $220 million. The scope of the exposure to a rise in the Consumer Price Index was about $230 million and to an increase in the Libor interest rate about $650 million.

As at the signing date of the financial statements, the exposure to the CPI decreased to about $150 million and the exposure to the Libor interest rate increased to about $730 million.

Subsequent to the period of the report, the Corporation received a long-term loan from institutional investors in the amount of $50 million with an average life of 5 years.

EXPOSURE TO MARKET RISKS AND RISK MANAGEMENT

Corporation's Consolidated Derivative Positions as at March 31, 2011

	Par value in $ millions		Fair value in $ millions	
	Long	**Short**	**Long**	**Short**
Hedging changes in variable LIBOR interest rates on dollar loans				
Over one year – not recognized for accounting				
CAP options	520	–	1.3	–
FLOOR options	520	–	(26.0)	–
IRS transactions	1,512	48	(61.1)	5.0
Collar transactions	150	–	(7.2)	–
Up to one year – not recognized for accounting				
IRS transactions – recognized for accounting	134	–	(8.6)	–
SWAPTION transactions	30	–	(0.6)	–
IRS transactions – up to one year – not recognized	–	20	–	0.8
Hedging changes in exchange rate, CPI and interest rate on loans, over one year				
SWAP to dollar liability with variable interest from index-linked liability with fixed interest over one year – not recognized	–	1,071	–	313.4
SWAP to dollar liability with variable interest from shekel liability with fixed interest – not recognized	–	230	–	7.4
SWAP to dollar liability with fixed interest from index-linked liability with fixed interest – not recognized	–	13	–	3.2
SWAP to dollar liability with fixed interest from shekel liability with fixed interest – not recognized	–	48	–	7.3
SWAP to shekel liability with variable interest from shekel liability with fixed interest – not recognized	–	75	–	(0.6)
SWAP to dollar liability with fixed interest from shekel liability with fixed interest – recognized for accounting purposes	–	179	–	11.8
SWAP to dollar liability with fixed interest from Suli liability with fixed interest – recognized for accounting purposes	–	77	–	(1.1)
Hedging changes in the CPI and CPI-linked interest rate on cash flows – not recognized for accounting purposes				
Forward contract for acquisition of CPI differences – more than one year	131	–	3.9	–
Transactions fixing the CPI-linked interest rate	115	–	1.9	–

EXPOSURE TO MARKET RISKS AND RISK MANAGEMENT (Cont.)

Corporation's Consolidated Derivative Positions as at March 31, 2011

	Par value in $ millions		Fair value in $ millions	
	Long	**Short**	**Long**	**Short**
Other derivatives in subsidiary – more than one year – not recognized for accounting purposes				
Option for issuance of debt	50	–	3.8	–
Forward transaction for early repayment of debentures of subsidiary	401	–	95.3	–
Option issued for lease price of ships	–	–	–	(48.7)
Hedging changes in the CPI on cash flows – up to one year – not recognized for accounting purposes				
Euro/Dollar				
Forward contract	200	–	(1.4)	–
Call options	169	–	(7.9)	–
Put options	169	–	3.4	–
Shekel/Dollar				
Forward contract	–	361	–	3.7
Call options	–	413	–	(2.9)
Put options	–	410	–	16.3
Yen/Dollar				
Forward contract	4	–	0.2	–
Call options	26	–	0.3	–
Put options	22	–	(0.2)	–
British Pound/Euro				
Call options	29	–	(0.9)	–
Put options	29	–	0.2	–
Forward Contracts				
Dollar / British pound	19	–	–	–
Shekel / yen	88	–	(3.8)	–
Chinese yuan / dollar	–	22	–	0.1
Chinese yuan / dollar – more than one year	–	153	–	4.0
SWAP transactions for hedging fuel prices				
Forward contracts	38	–	3.9	–
Call options	17	–	3.9	–
SWAP transactions for hedging energy prices and shipping fees				
Up to one year	25	–	(4.5)	–
More than one year	32	–	(6.1)	–

EXPOSURE TO MARKET RISKS AND RISK MANAGEMENT (Cont.)

Sensitivity analyses in respect of changes in market factors (consolidated)

Sensitivity to changes in shekel interest linked to the CPI:

	Increase (decrease) in fair value $ millions Rise of 1%	Increase (decrease) in fair value $ millions Rise of 0.5%	Fair value $ millions	Increase (decrease) in fair value $ millions Fall of 0.5%	Increase (decrease) in fair value $ millions Fall of 1%
Instrument Type					
Long-term loans	15	8	(200)	(8)	(17)
Debentures	81	41	(2,120)	(42)	(86)
SWAP transactions from index to variable dollar*	(41)	(21)	307	22	43
Hedge transactions on CPI interest	9	5	2	(5)	(11)
Total	**64**	**33**	**(2,011)**	**(33)**	**(71)**

Sensitivity to changes in shekel interest:

	Increase (decrease) in fair value $ millions Rise of 1%	Increase (decrease) in fair value $ millions Rise of 0.5%	Fair value $ millions	Increase (decrease) in fair value $ millions Fall of 0.5%	Increase (decrease) in fair value $ millions Fall of 1%
Instrument Type					
Debentures	14	7	(457)	(7)	(15)
SWAP transactions from shekel to variable dollar*	(11)	(5)	26	6	11
Total	**3**	**2**	**(431)**	**(1)**	**(4)**

* These transactions were entered into for exchange of currency and/or interest rate in respect of the liabilities.

EXPOSURE TO MARKET RISKS AND RISK MANAGEMENT (Cont.)

Sensitivity analyses in respect of changes in market factors (consolidated) (Cont.)

Sensitivity to changes in Libor interest:

	Increase (decrease) in fair value	Increase (decrease) in fair value	Fair value	Increase (decrease) in fair value	Increase (decrease) in fair value
	$ millions	$ millions	$ millions	$ millions	$ millions
	Rise of 1%	Rise of 0.5%		Fall of 0.5%	Fall of 1%
Instrument Type					
Derivatives in respect of debt arrangement in subsidiary	–	–	44	–	1
Long-term loans from banks – fixed interest	17	9	(607)	(9)	(18)
Debentures	9	5	(253)	(5)	(10)
SWAP from Suli to fixed dollar*	2	1	(1)	(1)	(2)
SWAP transactions from shekel and index to fixed dollar*	6	3	22	(3)	(5)
IRS transactions variable to fixed*	37	19	(71)	(20)	(39)
COLLAR transactions*	13	7	(35)	(7)	(12)
SWAPTION options	–	–	(1)	–	(1)
Total	**84**	**44**	**(902)**	**(45)**	**(86)**

Sensitivity to changes in the CPI:

	Increase (decrease) in fair value	Increase (decrease) in fair value	Fair value	Increase (decrease) in fair value	Increase (decrease) in fair value
	$ millions	$ millions	$ millions	$ millions	$ millions
	Rise of 1%	Rise of 0.5%		Fall of 0.5%	Fall of 1%
Instrument Type					
Long-term deposits and loans	8	4	81	(4)	(8)
Long-term bank loans	(20)	(10)	(200)	10	20
Debentures	(212)	(106)	(2,121)	106	212
SWAP transactions from index to variable dollar*	132	67	307	(67)	(132)
Acquisition of index differentials*	14	7	3	(7)	(14)
Embedded derivative	2	1	(2)	(1)	(2)
Total	**(76)**	**(37)**	**(1,932)**	**37**	**76**

* These transactions were entered into for exchange of currency and/or interest rate in respect of the liabilities.

EXPOSURE TO MARKET RISKS AND RISK MANAGEMENT (Cont.)

Sensitivity analyses in respect of changes in market factors (consolidated) (Cont.)

Sensitivity to changes in exchange rates:

Shekel/USD

	Increase (decrease) in fair value	Increase (decrease) in fair value	Fair value	Increase (decrease) in fair value	Increase (decrease) in fair value
	$ millions	$ millions	$ millions	$ millions	$ millions
	Rise of 10%	Rise of 5%		Fall of 5%	Fall of 10%
Instrument Type					
Cash and cash equivalents	(13)	(7)	142	7	15
Short-term deposits and loans	(18)	(9)	175	9	18
Trade receivables	(8)	(4)	84	4	8
Other receivables and debits	(17)	(9)	183	9	20
Other long-term receivables and debits	(1)	–	6	–	1
Long-term deposits and loans	(20)	(10)	196	10	20
Credit from banks and others	1	1	(8)	(1)	(1)
Trade and other payables	31	15	(311)	(16)	(31)
Other payables and credits	20	10	(202)	(10)	(21)
Liabilities for employee rights	6	3	(67)	(4)	(7)
Long-term bank loans	19	10	(203)	(10)	(22)
Debentures	240	125	(2,608)	(136)	(284)
SWAP transactions from index and shekel to dollar	(154)	(81)	334	90	188
Currency options	(29)	(15)	13	20	44
Forward currency transactions	(18)	(10)	3	11	22
Embedded derivative	2	1	2	(1)	(2)
Total	**41**	**20**	**(2,261)**	**(18)**	**(32)**

EURO/USD

	Increase (decrease) in fair value	Increase (decrease) in fair value	Fair value	Increase (decrease) in fair value	Increase (decrease) in fair value
	$ millions	$ millions	$ millions	$ millions	$ millions
	Rise of 10%	Rise of 5%		Fall of 5%	Fall of 10%
Instrument Type					
Cash and cash equivalents	(14)	(7)	140	7	14
Short-term deposits and loans	(5)	(3)	50	3	5
Trade receivables	(41)	(20)	409	21	41
Other receivables and debits	(2)	(1)	17	1	2
Trade and other payables	20	10	(206)	(10)	(21)
Other payables and credits	11	6	(112)	(6)	(11)
Long-term loans from banks	25	12	(250)	(12)	(25)
Currency options	16	8	(4)	(9)	(17)
Forward currency transactions	22	11	(1)	(10)	(18)
Embedded derivative	1	1	14	(1)	(1)
Total	**33**	**17**	**(57)**	**(16)**	**(31)**

EXPOSURE TO MARKET RISKS AND RISK MANAGEMENT (Cont.)

Sensitivity analyses in respect of changes in market factors (consolidated) (Cont.)

Sensitivity to changes in exchange rates: (Cont.)

£\USD

	Increase (decrease) in fair value	Increase (decrease) in fair value	Fair value	Increase (decrease) in fair value	Increase (decrease) in fair value
	$ millions	$ millions	$ millions	$ millions	$ millions
	Rise of 10%	Rise of 5%		Fall of 5%	Fall of 10%
Instrument Type					
Short-term deposits and loans	(2)	(1)	25	1	2
Trade receivables	(8)	(4)	83	4	8
Credit from banks and others	1	–	(10)	–	(1)
Trade and other payables	1	1	(12)	(1)	(1)
Other payables and credits	2	1	(17)	(1)	(2)
Forward transactions	(2)	(1)	–	1	2
Total	**(8)**	**(4)**	**69**	**4**	**8**

Chinese Yuan\USD

	Increase (decrease) in fair value	Increase (decrease) in fair value	Fair value	Increase (decrease) in fair value	Increase (decrease) in fair value
	$ millions	$ millions	$ millions	$ millions	$ millions
	Rise of 10%	Rise of 5%		Fall of 5%	Fall of 10%
Instrument Type					
Cash and cash equivalents	(2)	(1)	20	1	2
Trade receivables	(2)	(1)	18	1	2
Trade payables	1	1	(11)	(1)	(1)
Forward transactions	(17)	(8)	5	10	20
Total	**(20)**	**(9)**	**32**	**11**	**23**

Suli\USD

	Increase (decrease) in fair value	Increase (decrease) in fair value	Fair value	Increase (decrease) in fair value	Increase (decrease) in fair value
	$ millions	$ millions	$ millions	$ millions	$ millions
	Rise of 10%	Rise of 5%		Fall of 5%	Fall of 10%
Instrument Type					
Cash and cash equivalents	(1)	–	9	–	1
Trade receivables	(4)	(2)	37	2	3
Trade and other payables	2	1	(16)	(1)	(2)
Debentures	8	4	(77)	(4)	(8)
SWAP transactions	(8)	(4)	–	4	8
Total	**(3)**	**(1)**	**(47)**	**1**	**2**

EXPOSURE TO MARKET RISKS AND RISK MANAGEMENT (Cont.)

Sensitivity analyses in respect of changes in market factors (consolidated) (Cont.)

Sensitivity to changes in exchange rates: (Cont.)

Canadian dollar

	Increase (decrease) in fair value $ millions Rise of 10%	Increase (decrease) in fair value $ millions Rise of 5%	Fair value $ millions	Increase (decrease) in fair value $ millions Fall of 5%	Increase (decrease) in fair value $ millions Fall of 10%
Instrument Type					
Trade receivables	(3)	(2)	37	2	4
Trade and other payables	1	–	(10)	(1)	(1)
Total	**(2)**	**(2)**	**27**	**1**	**3**

Various currencies

	Increase (decrease) in fair value $ millions Rise of 10%	Increase (decrease) in fair value $ millions Rise of 5%	Fair value $ millions	Increase (decrease) in fair value $ millions Fall of 5%	Increase (decrease) in fair value $ millions Fall of 10%
Instrument Type					
Shekel / yen – forward transactions	9	4	(4)	(4)	(9)
British pound / euro – currency option	(3)	(1)	(1)	(1)	1
Brazilian real / dollar – net exposure	(1)	–	7	–	1
Yen / dollar – net exposure	(2)	(1)	22	1	2

Sensitivity to other changes

Hedging marine shipping and energy

	Increase (decrease) in fair value $ millions Rise of 10%	Increase (decrease) in fair value $ millions Rise of 5%	Fair value $ millions	Increase (decrease) in fair value $ millions Fall of 5%	Increase (decrease) in fair value $ millions Fall of 10%
Instrument Type					
Hedging transactions on marine shipping and energy prices	**4**	**2**	**(11)**	**(2)**	**(5)**

EXPOSURE TO MARKET RISKS AND RISK MANAGEMENT (Cont.)

Sensitivity analyses in respect of changes in market factors (consolidated) (Cont.)

Sensitivity to other changes (Cont.)

Sensitivity to changes in fuel prices:

	Increase (decrease) in fair value	Increase (decrease) in fair value	Fair value	Increase (decrease) in fair value	Increase (decrease) in fair value
	$ millions	$ millions	$ millions	$ millions	$ millions
	Rise of 50%	Rise of 20%		Fall of 20%	Fall of 50%
Instrument Type					
Call option	12	5	4	(4)	(4)
SWAP transactions	21	8	4	(8)	(21)
Total	**33**	**13**	**8**	**(12)**	**(25)**

UPDATE REGARDING DESCRIPTION OF THE CORPORATION'S BUSINESS

Set forth below are significant updates and/or changes in the Corporation's business that occurred from the publication date of the of the Corporation's Periodic Report for 2010 on March 29, 2011 and up to the publication date of this report[6]:

1. **To Section 1 of Paragraph A of the Periodic Report – Activities of the Entity and Description of its Business Developments**

   Commencing from the period of the report, the Group's power station activities, which are incorporated under I.C. Power Ltd., and which were included in the past as part of the Group's other activities, meet the quantitative criteria for presentation as a separate reportable segment, in accordance with IFRS 8. Accordingly, commencing with the period of the report, an additional activity sector is presented including the activities of the power stations – the I.C. Power segment. Therefore, Sections 2.4.2 and 11.2 of the Annual Report, which describe the activities of I.C. Power, are to be read as relating to this activity segment.

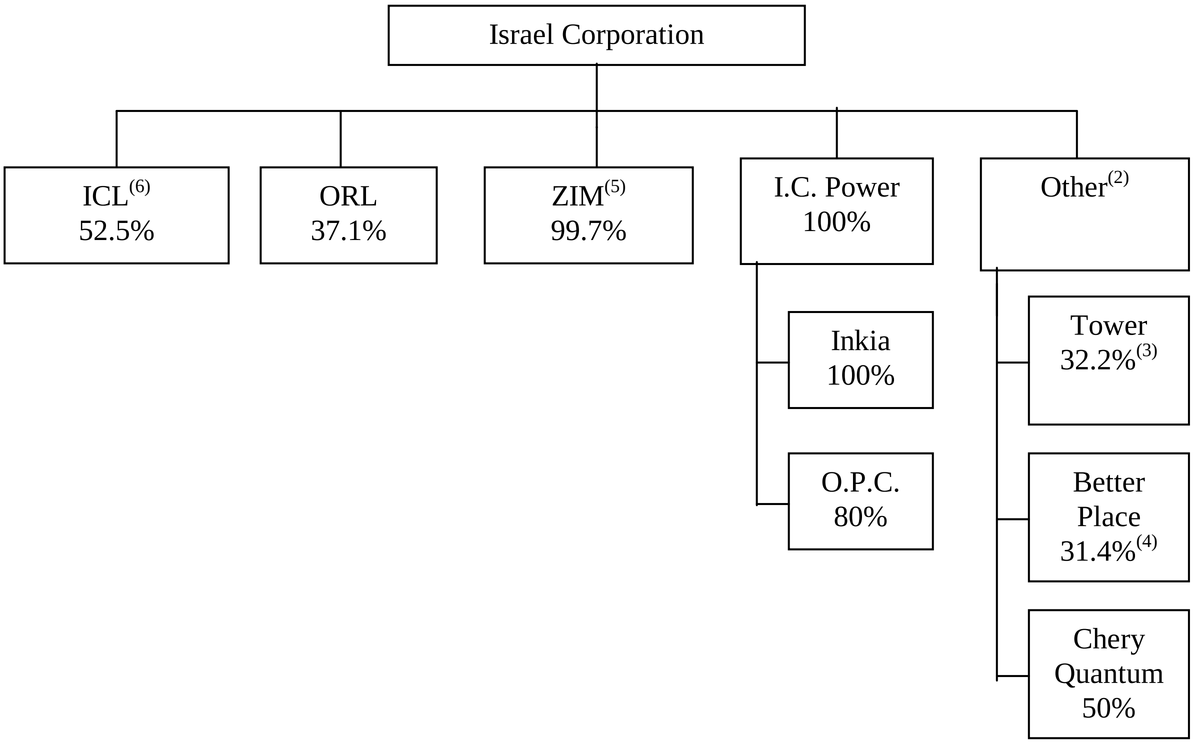
   In the period of the report, there were no significant changes in the activities of I.C. Power and there was no change in the relative proportion of I.C. Power vis-à-vis the Corporation's other investments, as detailed in Section 1.7 of the Annual Report.

[6] Update of the Corporation's business is prepared in accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 1970, and includes significant changes or new developments in the Corporation's business that occurred from the publication date of the Corporation's Periodic Report for 2010 and up to the publication date of this report. Unless it is expressly determined otherwise or where the context of the matters requires otherwise, all the terms and expressions used in this report shall have the meaning existing for them in the Corporation's Periodic Report for 2010, which was published on March 30, 2011. Every reference to an Immediate Report includes as part of this document all the information included in the Immediate Report as stated.

UPDATE REGARDING DESCRIPTION OF THE CORPORATION'S BUSINESS (Cont.)

1. To Section 1 of Paragraph A of the Periodic Report – Activities of the Entity and Description of its Business Developments (Cont.)

Set forth below is a an update to the schematic diagram appearing in Section 1.6 of the Annual Report outlining the Corporation's main and significant holdings and the rate of holdings in the significant investee companies through which the Corporation operates in each activity sector – accurate as at the date of the report (in some cases, the rates of holdings indicated alongside the investee companies including direct and/or indircect (i.e., the chain) of holdings):(1)



(1) The rates of holdings presented in the table are accurate as at the date of the report (in rounded rates) and without taking into account possible dilutions and/or additional rights of the Corporation in the investee companies, unless stated otherwise.

(2) That presented above does not include all the Corporation's holdings.

(3) The annual rate of holdings in Tower is on the assumption that all the capital notes issued by Tower to the Corporation and to banks will be converted.

(4) Without relating to the types of securities of Better Place, including excess rights existing to holders of preferred shares issued by Better Place – for details regarding the types of securities issued by Better Place, the rights provided to each of these classes – see Section 11.4.4 to the Annual Report.

(5) For details and additional information regarding the convertible capital notes given to third parties in the framework of the rehabilitation plan, as well as regarding completion of the Corporation's investment in ZIM – see Sections 9.17 and 16.3 to the Annual Report.

(6) The Corporation's holdings in ICL are direct and indirect.

UPDATE REGARDING DESCRIPTION OF THE CORPORATION'S BUSINESS (Cont.)

2. To Section 6 of Paragraph A of the Periodic Report – Information regarding the Corporation's activity areas

2.1 For consolidated financial data of the Corporation, broken down into activity areas, in millions of dollars, for the years 2010, 2009 and 2008 – see Note 34 to the Corporation's annual financial statements as at December 31, 2010.

2.2 Set forth below is consolidated financial data of the Corporation, broken down into activity areas:

For 2010

	ICL	ORL	ZIM	I.C. Power	Other activities	Eliminations and unallocated	Total consolidated
	In Millions of U.S. Dollars						
Information regarding profit and loss:							
Revenues							
Revenues from outsiders	5,692	6,792	3,694	421	279	(6,792)	10,086
Inter-segment revenues	–	–	23	–	–	(23)	–
Total revenues	**5,692**	**6,792**	**3,717**	**421**	**279**	**(6,815)**	**10,086**
Costs							
Other costs:							
Fixed costs	2,133	362	1,729	184	27	(362)	4,073
Variable costs	2,189	6,347	1,890	205	69	(6,347)	4,353
Costs constituting revenues of another sector in the entity	23	–	–	–	–	(23)	–
Total costs	**4,345**	**6,709**	**3,619**	**389**	**96**	**(6,732)**	**8,426**
Operating income allocated to holders of rights conferring control	707	31	98	32	183	(31)	1,020
Operating income allocated to holders of rights not conferring control	640	52	–	–	–	(52)	640
Total operating income	**1,347**	**83**	**98**	**32**	**183**	**(83)**	**1,660**
Rate of operating income	**Not Capable of Measurement**						
Total assets at December 31, 2010	**6,360**	**4,357**	**4,061**	**1,034**	**1,101**	**(4,240)**	**12,673**
Interest of the holders of rights not conferring control in revenues from the activity area from outsiders	**2,704**	**4,272**	**11**	**–**	**–**	**–**	**6,987**

UPDATE REGARDING DESCRIPTION OF THE CORPORATION'S BUSINESS (Cont.)

2. To Section 6 of Paragraph A of the Periodic Report – Information regarding the Corporation's activity areas (Cont.)

2.2 Set forth below is consolidated financial data of the Corporation, broken down into activity areas: (Cont.)

For 2009

	ICL	ORL	ZIM	I.C. Power	Other activities	Eliminations and unallocated	Total consolidated
	In Millions of U.S. Dollars						
Information regarding profit and loss:							
Revenues							
Revenues from outsiders	4,550	5,141	2,436	327	44	–	12,498
Inter-segment revenues	4	1	13	–	–	(18)	–
Total revenues	**4,554**	**5,142**	**2,449**	**327**	**44**	**(18)**	**12,498**
Costs							
Other costs:							
Fixed costs	1,827	277	1,565	142	7	–	3,818
Variable costs	1,700	4,726	1,556	181	67	–	8,230
Costs constituting revenues of another sector in the entity	11	4	3	–	–	(18)	–
Total costs	**3,538**	**5,007**	**3,124**	**323**	**74**	**(18)**	**12,048**
Operating income allocated to holders of rights conferring control	541	61	(672)	4	(30)	–	(96)
Operating income allocated to holders of rights not conferring control	475	74	(3)	–	–	–	546
Total operating income (loss)	**1,016**	**135**	**(675)**	**4**	**(30)**	**–**	**450**
Rate of operating income	**Not Capable of Measurement**						
Total assets at December 31, 2010	**5,879**	**3,871**	**3,216**	**1,149**	**833**	**(4,085)**	**10,863**
Interest of the holders of rights not conferring control in revenues from the activity area from outsiders	**2,129**	**2,823**	**10**	**–**	**–**	**–**	**4,962**

UPDATE REGARDING DESCRIPTION OF THE CORPORATION'S BUSINESS (Cont.)

2. To Section 6 of Paragraph A of the Periodic Report – Information regarding the Corporation's activity areas (Cont.)

2.2 Set forth below is consolidated financial data of the Corporation, broken down into activity areas: (Cont.)

For 2008

	ICL	ORL	ZIM	I.C. Power	Other activities	Eliminations and unallocated	Total consolidated
	In Millions of U.S. Dollars						
Information regarding profit and loss:							
Revenues							
Revenues from outsiders	6,899	8,257	4,302	290	54	–	19,802
Inter-segment revenues	5	–	24	–	–	(29)	–
Total revenues	**6,904**	**8,257**	**4,326**	**290**	**54**	**(29)**	**19,802**
Costs							
Other costs:							
Fixed costs	2,105	8,100	2,470	98	15	–	12,788
Variable costs	2,440	309	2,101	208	86	–	5,144
Costs constituting revenues of another sector in the entity	24	–	5	–	–	(29)	–
Total costs	**4,569**	**8,409**	**4,576**	**306**	**101**	**(29)**	**17,932**
Operating income allocated to holders of rights conferring control	1,221	(69)	(248)	(16)	(47)	–	841
Operating income allocated to holders of rights not conferring control	1,114	(83)	(2)	–	–	–	1,029
Total operating income (loss)	**2,335**	**(152)**	**(250)**	**(16)**	**(47)**	**–**	**1,870**
Rate of operating income	**Not Capable of Measurement**						
Total assets at December 31, 2010	**5,738**	**2,405**	**3,340**	**988**	**1,609**	**–**	**14,080**
Interest of the holders of rights not conferring control in revenues from the activity area from outsiders	**3,292**	**4,534**	**38**	**–**	**–**	**–**	**7,864**

UPDATE REGARDING DESCRIPTION OF THE CORPORATION'S BUSINESS (Cont.)

3. To Section 8 of Paragraph A of the Periodic Report – Israel Chemicals Ltd. (hereinafter – "ICL")

3.1 On April 12, 2011, the Government of the United Kingdom approved a grant of €15 million to Cleveland Potash Ltd. (hereinafter – "CPL"), a U.K. company in ICL's fertilizers segment, for purposes of encouraging the mining and processing of polyhalite, a mineral used as a fertilizer for organic farming and that is found under the potash layer in CPL's mine. See the Immediate Report published by the company on April 12, 2011, Reference No. 2011-01-118887.

3.2 On April 13, 2011, the Board of Directors of ICL, as part of the efficiency plan of Iberpotash S.A., a Spanish subsidiary in ICL's fertilizers segment, consolidation of the company's activities from two sites into one site. See the Immediate Report published by the company on April 13, 2011, Reference No. 2011-01-12145.

3.3 On April 14, 2011, the Supreme Court issued a conditional order instructing the State to adopt one of the permanent solutions for protecting the Dead Sea within three months of the issuance date of the order. On May 23, 2011, the Minister of Tourism and the Minister of Environmental Protection notified that they see the solution to the salt precipitation problem as the permanent solution and that they intend to recommend this solution to the Government. For additional details – see Section 17.4.8.A of the Report on the Corporation's Business for 2010.

4. To Section 9 of Paragraph A of the Periodic Report – ZIM Integrated Shipping Services Ltd. ("ZIM")

Regarding exercise of an option by ZIM in connection with extension of a ship lease for an additional two years from entities related to the company's controlling shareholder – see the Immediate Report published by the company on March 30, 2011, Reference No. 2011-01-099066.

5. To Section 11 of Paragraph A of the Periodic Report – Additional investments not rising to the level of an activities area

5.1 As stated in Section 1 above, commencing from the period of the report I.C. Power is presented as a separate activity segment. Therefore, Section 11.2 of the Report on the Corporation's Business for 2010, which describes the activities of I.C. Power, is to be read as relating to this activity segment.

5.2 Regarding completion of a fundraising effort by means of issuance of debentures by Inkia – see the Immediate Report published by the company on March 30, 2011, Reference No. 2011-01-098862.

6. To Section 12 of Paragraph A of the Periodic Report – Human Resources

6.1 On March 30, 2011, Mr. Tzahi Goshen was appointed as the Company's Controller in place of Ms. Haviva Shefet.

6.2 On April 14, 2011, the General Meeting of the Corporation's shareholders approved payment of a bonus to the Chairman of the Corporation's Board of Directors in respect of 2010. For additional details – see the Immediate Report published by the Corporation on March 30, 2011, Reference No. 2011-01-098931.

7. To Section 22 of Paragraph D of the Periodic Report – Transactions with Controlling Shareholder

On March 30, 2011, the Audit Committee of the Corporation's Board of Directors ratified the decision of the Audit Committee of the Board of Directors of ZIM in connection with exercise of a ship lease option. For details – see Section 4 above.

DISCLOSURE REGARDING THE APPROVAL PROCESS OF THE CORPORATION'S FINANCIAL STATEMENTS (Cont.)

1. Finance and Balance Sheet Committee (committee for examination of the financial statements) of the Corporation

The Corporation's Board of Directors is the organ responsible for the overall control over the Corporation and for approval of its financial statements.

The members of the Board of Directors are: Amir Elstein (Chairman of the Board), Idan Ofer, Udi Angel, Amnon Lion, Ron Moshkovitz, Aviad Kaufman, Yoav Dufelt, Zahavit Cohen, Ofer Termachi (external director), Prof. Gideon Langholtz, Zev Nehari and Eitan Raf.

The committee for examination of the financial statements (the Finance and Balance Sheet Committee) is a separate committee that does not also serve as the Corporation's Audit Committee.

2. Members of the Committee

The Committee has 5 members, as follows:

Ofer Termachi – who is the Chairman of the Committee (outside director); and who has accounting and financial expertise.

For details regarding his qualifications, education, experience and knowledge on the basis of which the Corporation viewed him as having accounting and financial expertise – see the detail included with respect to Regulation 26 to the Fourth Part of the Annual Report (the Additional Details section).

Gideon Langholtz – who is an outside director; and does not have accounting and financial expertise.

For details regarding his qualifications, education, experience and knowledge on the basis of which the Corporation viewed him as having the ability to read and understand financial statements – see the detail included in connection with Regulation 26 of the Fourth Part of the Annual Report (the Additional Details section).

Zev Nehari – who is not an outside or independent director; and has accounting and financial expertise.

For details regarding his qualifications, education, experience and knowledge on the basis of which the Corporation viewed him as having accounting and financial expertise – see the detail included with respect to Regulation 26 to the Fourth Part of the Annual Report (the Additional Details section).

Aviad Kaufman – who is not an outside or independent director; and has accounting and financial expertise.

For details regarding his qualifications, education, experience and knowledge on the basis of which the Corporation viewed him as having accounting and financial expertise – see the detail included with respect to Regulation 26 to the Fourth Part of the Annual Report (the Additional Details section).

Zahavit Cohen – who is an independent director; and has accounting and financial expertise.

For details regarding her qualifications, education, experience and knowledge on the basis of which the Corporation viewed her as having accounting and financial expertise – see the detail included with respect to Regulation 26 to the Fourth Part of the Annual Report (the Additional Details section)..

All the members of the Committee provided a declaration in accordance with the Companies Ordinance (Instructions and Conditions regarding the Approval Process of the Financial Statements), 2010, as required at the time of their appointments.

DISCLOSURE REGARDING THE APPROVAL PROCESS OF THE CORPORATION'S FINANCIAL STATEMENTS (Cont.)

3. Approval process of the financial statements

A. Approval of the financial report for the first quarter of 2011 involved two meetings, as detailed below: 1) a meeting of the Finance and Balance Sheet Committee, prior to the meeting of the Board of Directors, for an in-principle and comprehensive discussion of the report's significant issues and as well as a discussion to formulate its recommendations to the Board of Directors for approval of the statements; and 2) a meeting of the Board of Directors for discussion of the recommendations of the Finance and Balance Sheet Committee for discussion of the financial statements and approval thereof.

B. The Finance and Balance Sheet Committee discussed and formulated its recommendations to the Corporation's Board of Directors at its meeting on May 22, 2011. All the members of the Committee participated in the Committee's discussions.

C. Set forth below is the name and position of every officer, interested party, family member of any of these parties and/or a party on his behalf that was present at the Finance and Balance Sheet Committee's meeting: Mr. Nir Gilad, CEO; Mr. Avisar Paz, CFO; Ms. Maya Alscheich-Kaplan, In-House Counsel and Corporation Secretary; Mr. Eran Sarig, Deputy CEO of Business and Strategic Development; and Mr. Shmuel Rosenblum, the Corporation's Internal Auditor. Mr. Amir Elstein the Chairman of the Board of Directors participated in the meeting's initial examinations where a business update was provided. Mr. Elstein left the meeting prior to presentation of the financial statements, the discussion thereof and making of a decision in connection with the Board of Directors' recommendation in respect thereof. The Corporation's auditing CPAs were also present at the meeting.

D. The Corporation's Board of Directors believes that the recommendations of the Finance and Balance Sheet Committee were provided a reasonable time in advance (which in the Board of Directors' estimation is up to 2 business days prior to the date of the meeting of the Board of Directors) prior to the meeting of the Board of Directors, taking into account the scope of the recommendations and their complexity.

E. Set forth below is detail of the steps taken by the Committee for purposes of formulation of its recommendation to the Board of Directors:

The Finance and Balance Sheet Committee examined the financial statements, by means of a detailed presentation by the Corporation's CEO and CFO, including: (a) estimates and assessments made regarding the financial statements; (b) the internal controls relating to the financial report for the first quarter of 2011; (c) the completeness and appropriateness of the disclosure in the financial statements; and (d) the accounting policies adopted and the accounting treatment applied regarding the entity's significant matters and the division into the Corporation's segments. In addition, the Committed received an update from the Corporation's management that no event or matter occurred that is sufficient to change the evaluation of the effectiveness of internal control as provided and presented in the latest annual report. In addition, reference of the auditing CPAs is provided to the matters presented. As a result of this meeting and on the basis of the discussions held there, the Finance and Balance Sheet Committee's recommendations regarding approval of the financial statements were provided to the members of the Board of Directors.

DISCLOSURE REGARDING THE APPROVAL PROCESS OF THE CORPORATION'S FINANCIAL STATEMENTS (Cont.)

3. Approval process of the financial statements (Cont.)

F. After the Board of Directors has received the Finance and Balance Sheet Committee's recommendations and a discussion was held of its recommendations, and after the Board of Directors was satisfied that the statements properly reflect the Corporation's financial position and results of operations, the Corporation's Board of Directors decided to approve the Corporation's financial statements as at March 31, 2011, at its meeting held on May 25, 2011.

The members of the Board of Directors that participated in the meeting where the Corporation's financial statements as at March 31, 2011 were approved are: Amir Elstein (Chairman of the Board), Idan Ofer, Udi Angel, Prof. Gideon Langholtz, Yoav Dufelt, Ofer Termachi, Zahavit Cohen, Amnon Lion, Ron Moshkovitz, Zev Nehari, Aviad Kaufman and Eitan Raf.

EVENTS OCCURRING DURING THE PERIOD OF THE REPORT AND THEREAFTER

1. Appointments in the Corporation.

   A. In March 2011, Mr. Yaakov Amidror ceased serving as a Corporation director.

   B. In March 2011, Ms. Haviva Shefet ceased serving as the Corporation's controller.

   C. In March 2011, Mr. Tzahi Goshen was appointed as the Corporation's controller.

2. On March 29, 2011, the Corporation's Board of Directors decided to distribute a dividend in the amount of $70 million that was paid on May 1, 2011.

3. In January 2011, Maalot confirmed a rating for the Corporation's debentures (Series 6, 7, 8 and 9) of ilA+/stable.

4. Regarding requests for certification of filing a claims as derivative actions – see Note 6C to the financial statements.

5. Regarding a claim against the Corporation and opposing proceedings – see Note 6D to the financial statements.

6. In March 2011, the Corporation reported with respect to extension of the option of the Group companies to purchase gas. See Note 6G to the financial statements.

ADDITIONAL INFORMATION INCLUDED IN THE AUDITORS' REVIEW REPORT

Set forth below is a quote from the Auditors' Review Report:

Without qualifying our conclusion as stated above, we direct attention to:

1. That stated in Note 6A regarding claims filed against a subsidiary and an associated company in connection with legal proceedings, supervision of the governing authorities, other contingencies, laws and proposed laws relating to the fuel and gas industries and infrastructure facilities, with respect to which the managements of the subsidiaries, based on opinions of their legal advisors, are unable to assess the amount of the exposure, if any, and accordingly no provision has been included in the financial statements in respect thereof.

2. That stated in Notes 6B and 7B-C regarding the dependency of an associated company on receipt of services from infrastructure companies and suppliers of natural gas.

The Corporation's Board of Directors expresses its appreciation to the employees and officers of the Corporation and of the Group companies for their devoted service and contribution to the advancement of the Group's operations.

Amir Elstein	**Nir Gilad**
Chairman of the Board of Directors	**CEO**

May 25, 2011

Israel Corporation Ltd.

Condensed Consolidated Interim Financial Statements

As at March 31, 2011

(Unaudited)

In Millions of U.S. Dollars

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Review Report of the Independent Auditors to the Shareholders of Israel Corporation Ltd.

Introduction

We have reviewed the accompanying financial information of Israel Corporation Ltd. and its subsidiaries including the condensed consolidated interim statement of financial position as at March 31, 2011 and the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and Management are responsible for preparation and presentation of the financial information for this interim period in accordance with IAS 34 "*Financial Reporting for Interim Periods*", and are also responsible for preparation of financial information for this interim period in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the interim financial information for this interim period based on our review.

We did not review the condensed financial information for the interim period of subsidiaries, the assets of which included in the consolidation constitute about 1.1% of the total consolidated assets as at March 31, 2011, and the revenues of which included in the consolidation constitute about 1.8% of the total consolidated revenues for the three-month period ended on that date. In addition, we did not review the condensed financial information for the interim period of associated companies, the investment in which totaled about $52 million as at March 31, 2011, and the Group's share in their income was about $3 million, for the three-month period ended on that date. The condensed financial information for the interim period of those companies was reviewed by other auditors whose review reports thereon were furnished to us and our conclusion, insofar as it relates to amounts included in respect of those companies, is based on the review reports of the other auditors.

Scope of the Review

We conducted our review in accordance with Review Standard 1, "Review of Interim Financial Information for Interim Periods Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of financial information for interim periods consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and on the review reports of other auditors, nothing has come to our attention that causes us to believe that the above-mentioned financial information is not prepared, in all material respects, in accordance with International Accounting Standard IAS 34.

In addition to that mentioned in the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the accompanying attached financial information does not comply, in all material respects, with the disclosure requirements of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Without qualifying our above-mentioned conclusion, we direct attention to:

1. That stated in Note 6A regarding claims filed against a subsidiary and an associated company in connection with legal proceedings, supervision of the governing authorities, other contingencies, laws and proposed laws relating to the fuel and gas industries and infrastructure facilities, with respect to which the managements of the subsidiaries, based on opinions of their legal advisors, are unable to assess the amount of the exposure, if any, and accordingly no provision has been included in the financial statements in respect thereof.

2. That stated in Notes 6B and 7B-C regarding the dependency of an associated company on receipt of services from infrastructure companies and suppliers of natural gas.

Somekh Chaikin
Certified Public Accountants (Isr.)

May 25, 2011

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Financial Position

	At March 31		At December 31
	2011	**2010**	**2010**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Assets			
Cash and cash equivalents	**1,364**	794	1,477
Securities held for trade	**1**	2	13
Short-term investments, deposits and loans	**543**	277	678
Trade receivables	**1,546**	1,381	1,334
Other receivables and debit balances, including derivative instruments	**455**	*417	291
Income taxes receivable	**91**	59	81
Inventories	**1,222**	1,160	1,153
Total current assets	**5,222**	4,090	5,027
Non-Current Assets			
Investments in associated companies	**1,312**	1,293	1,349
Investments in other companies	**14**	50	15
Deposits, loans and other debit balances	**285**	277	264
Derivative instruments	**376**	*307	421
Excess of assets over liabilities in respect of defined benefit plan	**89**	71	83
Deferred taxes, net	**121**	121	130
Non-current inventory	**51**	61	50
Property, plant and equipment	**5,913**	5,412	5,781
Intangible assets	**1,057**	907	902
Total non-current assets	**9,218**	8,499	8,995
Total assets	**14,440**	12,589	14,022

* Reclassified.

The accompanying notes to the condensed consolidated interim financial statements are an integral part thereof.

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Financial Position

	At March 31		At December 31
	2011	2010	2010
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Liabilities			
Credit from banks and others	**1,196**	614	848
Trade payables	**961**	809	870
Provisions	**96**	*94	92
Dividend payable to the owners of the Corporation	**70**	–	–
Other payables and credit balances, including derivative instruments	**862**	*803	943
Income taxes payable	**57**	33	50
Total current liabilities	**3,242**	2,353	2,803
Non-Current Liabilities			
Loans from banks and others	**3,995**	3,652	3,946
Debentures	**2,322**	2,159	2,443
Derivative instruments	**115**	*77	102
Provisions	**70**	*65	68
Deferred taxes, net	**174**	162	167
Employee benefits	**670**	630	658
Total non-current liabilities	**7,346**	6,745	7,384
Total liabilities	**10,588**	9,098	10,187
Equity			
Share capital and premium	**285**	281	282
Capital reserves	**143**	72	107
Capital reserve in respect of transactions with controlling shareholder	**102**	56	90
Retained earnings	**1,787**	1,513	1,910
Total equity attributable to the owners of the Corporation	**2,317**	1,922	2,389
Holders of rights not conferring control	**1,535**	1,569	1,446
Total equity	**3,852**	3,491	3,835
Total liabilities and equity	**14,440**	12,589	14,022

* Reclassified.

Amir Elstein	**Nir Gilad**	**Avisar Paz**
Chairman of the Board of Directors	**CEO**	**CFO**

Approval date of the financial statements: May 25, 2011

The accompanying notes to the condensed consolidated interim financial statements are an integral part thereof.

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Income

	For the Three Months Ended March 31		For the Year Ended December 31
	2011	2010	2010
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Sales	**2,579**	2,253	9,865
Cost of sales	**1,905**	1,706	7,115
Gross profit	**674**	547	2,750
Research and development expenses	**17**	15	68
Selling, transportation and marketing expenses	**188**	182	762
Administrative and general expenses	**115**	110	447
Other expenses	**14**	14	34
Other income	**(12)**	(37)	(221)
Operating income	**352**	263	1,660
Financing expenses	**177**	85	513
Financing income	**(13)**	(69)	(199)
Financing expenses, net	**164**	16	314
Share in losses of associated companies, net of tax	**(34)**	(12)	(39)
Income before taxes on income	**154**	235	1,307
Taxes on income	**66**	67	326
Income for the period	**88**	168	981
Attributable to:			
Owners of the Corporation	**(53)**	49	474
Holders of rights not conferring control	**141**	119	507
Income for the period	**88**	168	981
Income per share attributable to the owners of the Corporation:			
Basic income (loss) per share (in dollars)	**(6.91)**	6.58	62.33
Diluted income (loss) per share (in dollars)	**(7.07)**	6.58	61.88

The accompanying notes to the condensed consolidated interim financial statements are an integral part thereof.

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Comprehensive Income

	For the Three Months Ended March 31		For the Year Ended December 31
	2011	**2010**	**2010**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Income for the period	**88**	168	981
Components of other comprehensive income (loss)			
Foreign currency translation differences in respect of foreign activities	**41**	(30)	9
Actuarial gains (losses) from defined benefit plans, net	**18**	(19)	(23)
Group's share in other comprehensive income of associated companies	**1**	2	3
Effective portion of the change in fair value of cash flow hedges	**(1)**	(4)	(9)
Net change in fair value of financial assets available for sale	**(4)**	(12)	(21)
Net change in fair value of cash flow hedges transferred to the statement of income	**1**	1	7
Net change in fair value of financial assets available for sale transferred to the statement of income	**6**	(1)	–
Taxes in respect of components of other comprehensive income (loss)	**(3)**	4	3
Total other comprehensive income (loss) for the period, net of tax	**59**	(59)	(31)
Comprehensive income for the period	**147**	109	950
Attributable to:			
Owners of the Corporation	**(18)**	15	461
Holders of rights not conferring control	**165**	94	489
Comprehensive income for the period	**147**	109	950

The accompanying notes to the condensed consolidated interim financial statements are an integral part thereof.

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to the owners of the Corporation						Rights not conferring control	Total capital
	Share capital and premium	Translation reserve for foreign activities	Capital reserves	Capital reserve for transactions with controlling shareholder	Retained earnings	Total		
	(Unaudited)							
	$ millions							
For the three months ended March 31, 2011								
Balance at January 1, 2011	**282**	**65**	**42**	**90**	**1,910**	**2,389**	**1,446**	**3,835**
Share-based payments in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**4**	**4**
Share-based payments in the Corporation	**3**	**–**	**1**	**–**	**–**	**4**	**–**	**4**
Dividend to holders of rights not conferring control in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(83)**	**(83)**
Dividend to equity holders	**–**	**–**	**–**	**–**	**(70)**	**(70)**	**–**	**(70)**
Transactions with holders of rights not conferring control	**–**	**–**	**–**	**–**	**–**	**–**	**3**	**3**
Transactions with controlling shareholder	**–**	**–**	**–**	**12**	**–**	**12**	**–**	**12**
Income (loss) for the period	**–**	**–**	**–**	**–**	**(53)**	**(53)**	**141**	**88**
Other comprehensive income for the period, net of tax	**–**	**24**	**11**	**–**	**–**	**35**	**24**	**59**
Balance at March 31, 2011	**285**	**89**	**54**	**102**	**1,787**	**2,317**	**1,535**	**3,852**
For the three months ended March 31, 2010								
Balance at January 1, 2010	**281**	**45**	**52**	**46**	**1,387**	**1,811**	**1,514**	**3,325**
Share-based payments in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**12**	**12**
Share-based payments in the Corporation	**–**	**–**	**1**	**–**	**–**	**1**	**–**	**1**
Dividend to holders of rights not conferring control in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(74)**	**(74)**
Holders of rights not conferring control in respect of a business combination	**–**	**–**	**–**	**–**	**–**	**–**	**2**	**2**
Sale of shares of subsidiary to holders of rights not conferring control	**–**	**–**	**–**	**–**	**85**	**85**	**21**	**106**
Transactions with controlling shareholder	**–**	**–**	**–**	**10**	**–**	**10**	**–**	**10**
Income (loss) for the period	**–**	**–**	**–**	**–**	**(8)**	**(8)**	**119**	**111**
Other comprehensive income (loss) for the period, net of tax	**–**	**(14)**	**(12)**	**–**	**49**	**23**	**(25)**	**(2)**
Balance at March 31, 2010	**281**	**31**	**41**	**56**	**1,513**	**1,922**	**1,569**	**3,491**

The accompanying notes to the condensed consolidated interim financial statements are an integral part thereof.

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to the owners of the Corporation						Rights not conferring control	Total capital
	Share capital and premium	Translation reserve for foreign activities	Capital reserves	Capital reserve for transactions with controlling shareholder	Retained earnings	Total		
	(Audited)							
	$ millions							
Balance at January 1, 2010	**281**	**45**	**52**	**46**	**1,387**	**1,811**	**1,514**	**3,325**
Share-based payments in a subsidiary	–	–	–	–	–	–	32	32
Share-based payments in the Corporation	1	–	4	–	–	5	–	5
Dividend to holders of rights not conferring control in subsidiaries	–	–	–	–	–	–	(561)	(561)
Rights not conferring control in respect of business combination	–	–	–	–	–	–	(1)	(1)
Acquisition of shares from holders of rights not conferring control in a subsidiary	–	6	–	–	(23)	(17)	(52)	(69)
Sale of shares of subsidiary to holders of rights not conferring control	–	–	–	–	85	85	21	106
Transactions with holders of rights not conferring control	–	–	–	–	–	–	4	4
Transactions with controlling shareholder	–	–	–	44	–	44	–	44
Income for the year	–	–	–	–	474	474	507	981
Other comprehensive loss for the year, net of tax	–	14	(14)	–	(13)	(13)	(18)	(31)
Balance at December 31, 2010	**282**	**65**	**42**	**90**	**1,910**	**2,389**	**1,446**	**3,835**

The accompanying notes to the condensed consolidated interim financial statements are an integral part thereof.

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Cash Flows

	For the Three Months Ended March 31 2011	For the Three Months Ended March 31 2010	Year Ended December 31 2010
	(Unaudited)	(Unaudited)	(Audited)
	In Millions of U.S. Dollars		
Cash flows from operating activities			
Income for the period	**88**	168	981
Adjustments:			
Depreciation and amortization	**112**	100	427
Decline in value of assets	**6**	10	21
Financing expenses, net	**156**	14	311
Share in losses of associated companies, net	**34**	12	39
Capital gains, net	**(10)**	(29)	(195)
Share-based payment transactions	**7**	8	37
Gain on sale of activities	**–**	(6)	(6)
Loss on investment in securities available for sale	**–**	–	(3)
Taxes on income	**66**	67	326
	459	344	1,938
Change in inventories	**3**	87	113
Change in trade and other receivables	**(201)**	(163)	(167)
Change in trade and other payables	**121**	117	257
Change in uncompleted voyages, net	**(54)**	(63)	23
Change in provisions and employee benefits	**8**	(2)	16
	336	320	2,180
Income taxes paid	**(201)**	(95)	(256)
Dividend received	**7**	3	60
Net cash provided by operating activities	**142**	228	1,984
Cash flows from investing activities			
Investment in long-term deposits	**(10)**	–	(14)
Proceeds from realization of long-term deposits	**–**	1	2
Proceeds from sale of property, plant and equipment	**4**	11	73
Short-term deposits and loans, net	**161**	(60)	(463)
Business combinations less cash acquired	**(263)**	–	(1)
Proceeds from sale of activities	**–**	9	9
Investments in associated companies	**–**	(24)	(89)
Sale of securities held for trade, net	**–**	1	10
Acquisition of property, plant and equipment	**(157)**	(267)	(782)
Provision of long-term loans	**–**	(9)	(12)
Acquisition of intangible assets	**(5)**	(4)	(18)
Subsidiary that became an associated company	**–**	(4)	(1)
Interest received	**11**	*14	40
Proceeds from sale of associated company	**–**	–	152
Receipts (payments) from derivative transactions, net	**5**	*3	(3)
Net cash used in investing activities	**(254)**	(329)	(1,097)

* Reclassified.

The accompanying notes to the condensed consolidated interim financial statements are an integral part thereof.

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Cash Flows

	For the Three Months Ended March 31		For the Year Ended December 31
	2011	**2010**	**2010**
	(Unaudited)		**(Audited)**
	In Millions of U.S. Dollars		
Cash flows from financing activities			
Dividend paid to holders of rights not conferring control	**(83)**	–	(481)
Acquisition of rights not conferring control in subsidiary	**–**	–	(65)
Proceeds from issuance of equity to holders of rights not conferring control in subsidiaries	**4**	4	63
Proceeds from sale of holdings in subsidiary	**–**	106	106
Receipt of long-term loans and issuance of debentures	**299**	319	1,414
Repayment of long-term loans and debentures	**(227)**	(114)	(813)
Short-term credit from banks and others, net	**106**	(22)	(55)
Payments from derivative transactions used for hedging, net	**(1)**	*(1)	(5)
Interest paid	**(97)**	*(67)	(266)
Net cash provided by (used in) financing activities	**1**	225	(102)
Increase (decrease) in cash and cash equivalents	**(111)**	124	785
Cash and cash equivalents at beginning of the period	**1,476**	676	676
Effect of exchange rate fluctuations on balances of cash and cash equivalents	**(1)**	(10)	15
Cash and cash equivalents at the end of the period	**1,364**	790	1,476

* Reclassified.

The accompanying notes to the condensed consolidated interim financial statements are an integral part thereof.

Israel Corporation Ltd.
Notes to the Unaudited Condensed Consolidated Interim Financial Statements
At March 31, 2011

Note 1 – The Reporting Entity

Israel Corporation Ltd. (hereinafter – "the Corporation") is an Israeli-resident corporation whose shares are listed for trading on the Tel-Aviv Stock Exchange. The Corporation's registered office is located at 23 Aranha St., Tel-Aviv, Israel. The condensed consolidated interim financial statements include those of the Corporation and its subsidiaries (hereinafter – "the Group") along with the Group's rights in associated companies.

The Group operates through an array of investee companies, mainly, in the chemicals, shipping, energy and power station sectors, and it also has additional investments including in the areas of advanced technology, vehicles, infrastructures for electric-powered vehicles, and "clean" energy. The Corporation's headquarters provides management services, through a wholly owned and controlled subsidiary, and is also actively involved in the strategic planning and business development of the Group companies. In addition, the Group acts to initiate and develop additional business interests.

The Corporation is a public company the shares of which are traded on the Tel-Aviv Stock Exchange.

Note 2 – Basis of Preparation of the Financial Statements -----

A. Declaration of compliance with International Financial Reporting Standards (IFRS)

The condensed consolidated interim financial statements were prepared in accordance with IAS 34, "Financial Reporting for Interim Periods" and do not include all of the information required in complete, annual financial statements. These statements should be read together with the financial statements for the year ended December 31, 2010 (hereinafter – "the Annual Financial Statements"). In addition, these financial statements were prepared in accordance with the provisions of Section D of the Securities Regulations (Periodic and Immediate Reports) 1970.

The condensed, consolidated, interim financial statements were approved for publication by the Corporation's Board of Directors on May 25, 2011.

B. Functional currency and presentation currency

The dollar is the currency representing the main economic environment in which the Corporation operates and, accordingly, the dollar constitutes the Corporation's functional currency. Currencies other than the dollar constitute foreign currency.

C. Use of estimates and judgment

In preparation of the condensed consolidated interim financial statements in accordance with IFRS, Corporation management is required to use judgment when making estimates, assessments and assumptions that affect implementation of the policies and the amounts of assets, liabilities, income and expenses. It is clarified that the actual results are likely to be different from these estimates.

Management's judgment, at the time of implementing the Group's accounting policies and the main assumptions used in the estimates involving uncertainty, are consistent with those used in preparation of the annual financial statements.

Note 2 – Basis of Preparation of the Financial Statements (Cont.)

C. Use of estimates and judgment (Cont.)

The basic estimates and assumptions are reviewed by Corporation Management on a current basis. Changes in accounting estimates are recognized in the period the estimates were changed and in every future period affected.

D. Reclassification

1. In the statement of financial position as at March 31, 2010, a reclassification was made of current maturities of derivative financial instruments having a debit balance of about $40 million and derivative financial instruments having a credit balance of about $32 million, which were previously presented as part of non-current assets and non-current liabilities, to current assets and current liabilities in order to reflect their expected repayment dates. In addition, in the statement of financial position as at March 31, 2010, a reclassification was made of provisions, in the amount of about $24 million, from non-current liabilities to current liabilities in order to conform their presentation to presentation of the provisions in Corporation's statement of financial position as at March 31, 2011.

2. In the statements of cash flows for the three months ended March 31, 2010, the amount of about $17 million, was reclassified between "cash flows from financing activities" and "cash flows from investing activities" in respect of interest received and receipts (payments) in connection with derivative transactions.

Note 3 – Significant Accounting Policies

(1) New standards and interpretations not yet adopted

A. New system of accounting standards regarding consolidation of the financial statements and related matters

The system of new standards is part of the joint consolidation project of the IASB and the FASB (the American Institute of accounting standards), and effectively replaces the existing standards regarding the matter of consolidation of financial statements and joint ventures, and also includes a number of changes in connection with associated companies.

Set forth below is detail of the new standards published:

1) International Financial Reporting Standard IFRS 10 "Consolidated Financial Statements" (hereinafter – "the Standard")

The Standard replaces the directives of IAS 27 "Consolidated and Separate-Company Financial Statements" and the directives of SIC 12 "Consolidation – Special Purpose Entities" regarding consolidation of financial statements, such that the directives of IAS 27 will continue to be effective only regarding separate-company financial statements.

Note 3 – Significant Accounting Policies (Cont.)

(1) New standards and interpretations not yet adopted (Cont.)

A. New system of accounting standards regarding consolidation of the financial statements and related matters (Cont.)

1) International Financial Reporting Standard IFRS 10 "Consolidated Financial Statements" (hereinafter – "the Standard") (Cont.)

The Standard presents a new control model for purposes of determining if an investor controls an investee and, therefore, it is required to consolidate it. The model will be applied with respect to all the investee entities. Pursuant to the model, an investor controls an investee when he/it is exposed or entitled to variable yields deriving from his involvement in the investee, and he/it is able to influence these yields through use of his/its power in the said investee.

Set forth below are a number of main changes:

– The Standard presents a model requiring use of discretion and analysis of all the relevant facts and circumstances in order to determine who is in control and is required to consolidate the investee. This is expressed by, among other things, the need to understand the investee's structure and goals and by taking into account all indicators of the existence of power. In addition, the model expressly requires identification of the investee's activities as part of the evaluation of the existence of control.

– The Standard presents a uniform control model to be applied in connection with all the investee entities – both investee entities presently covered by IAS 27, as well as investee entities now governed by SIC 12.

– "De facto" circumstances are to be taken into account for purposes of evaluating control, such that, as a practical matter, the Standard includes an effective control model. That is, if effective control exists, consolidation of statements will be required.

– In evaluating the existence of control, account is to be taken of all significant potential voting rights, even if they are not immediately exercisable. With reference to potential voting rights, an examination is to be made of their structure, the reasons for their existence and the terms of such rights.

– The Standard includes application directives and a list of indicators for purposes of the examination as whether the decision-maker acts as a manager or agent when directing the investee's activities.

– The Standard provides directives for cases wherein an investor will examine in connection with specific assets (silos) instead of examining control with respect to the legal entity.

– The Standard includes a definition of protective rights, whereas no reference was made to this in the present standard.

Note 3 – Significant Accounting Policies (Cont.)

(1) New standards and interpretations not yet adopted (Cont.)

A. New system of accounting standards regarding consolidation of the financial statements and related matters (Cont.)

1) International Financial Reporting Standard IFRS 10 "Consolidated Financial Statements" (hereinafter – "the Standard") (Cont.)

– Control is determined based on exposure and entitlement to variable yields. Variable yields are much broader than economic benefits deriving from ownership and do not include only risks and rewards.

The Standard is to be applied retroactively to annual reporting periods commencing on or after January 1, 2013. Early application is possible, subject to provision of disclosure and subject to early adoption of two additional standards published concurrently – IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures regarding Rights in Other Entities".

2) International Financial Reporting Standard IFRS 11 "Joint Arrangements" (hereinafter – "the Standard")

The Standard replaces the directives of IAS 31 "Rights in Joint Ventures" (hereinafter – "IAS 31"), and amends part of the directives of IAS 28 "Investments in Associated Companies".

The Standard defines "joint arrangements" as arrangements over which there is joint control (as defined in IFRS 10 above), and divides them into two categories: joint activities and joint ventures.

Set forth below are the main changes:

– Joint control is agreed-to and contractual division of control over an arrangement, and it exists only where unanimous agreement is required of the parties dividing the control between them, in order to make decisions with respect to activities of the relevant arrangement.

– Joint operations – where the parties having joint control have rights in assets belonging to the arrangement and are obligated to fulfill liabilities relating to the arrangement.

  The accounting treatment of joint operations is similar to the accounting treatment pursuant to IAS 31 of jointly-controlled assets and joint ventures, that is, recognition of as assets and liabilities and accounting for them in accordance with the relevant standards.

Note 3 – Significant Accounting Policies (Cont.)

(1) New standards and interpretations not yet adopted (Cont.)

A. New system of accounting standards regarding consolidation of the financial statements and related matters (Cont.)

2) International Financial Reporting Standard IFRS 11 "Joint Arrangements" (hereinafter – "the Standard") (Cont.)

– (Cont.)

Joint operations include joint arrangements that are incorporated in a "separate vehicle" (similar to jointly-controlled assets and joint ventures, as defined in IAS 31), and include joint arrangements incorporated as a separate entity, however the legal form, or the contractual form, or other signs, indicate that the parties having joint control have rights in the assets relating to the arrangement and are obligated to fulfill the liabilities relating to the arrangement.

– Joint ventures – where the parties having joint control have rights in net assets belonging to the joint arrangement.

Joint ventures are accounted for only using the equity method of accounting, that is, the proportionate consolidation method is eliminated.

Joint ventures are all joint arrangements incorporated as a separate entity and that do not constitute "joint operations". That is, joint ventures are joint arrangements incorporated as a separate entity and where the legal form, or the contractual form, or other signs, indicate that the parties having joint control do not have rights in the assets relating to the arrangement and are not obligated to fulfill the liabilities relating to the arrangement.

– Accounting treatment of loss of joint control where afterwards significant influence remains – the Standard eliminates the existing instruction to revalue to fair value the remaining investment in the associated company on the date of loss of joint control.

The Standard is to be applied retroactively to annual reporting periods commencing on or after January 1, 2013, however there are specific instructions regarding the manner of the retroactive application in certain cases. Early application is possible, subject to provision of disclosure and subject to early adoption of two additional standards published concurrently – IFRS 10 "Consolidated Financial Statements" and IFRS 12 "Disclosures regarding Rights in Other Entities".

3) International Financial Reporting Standard IFRS 12 "Disclosures regarding Rights in Other Entities" (hereinafter – "the Standard")

The Standard includes comprehensive disclosure requirement with reference to rights in subsidiaries, joint arrangements (jointly-controlled and joint ventures), associated companies and structured entities.

Note 3 – Significant Accounting Policies (Cont.)

(1) New standards and interpretations not yet adopted (Cont.)

A. New system of accounting standards regarding consolidation of the financial statements and related matters (Cont.)

3) International Financial Reporting Standard IFRS 12 "Disclosures regarding Rights in Other Entities" (hereinafter – "the Standard") (Cont.)

Structured entities are entities structured such that the voting rights and similar rights are not the dominant factor in determining the party controlling them. The definition of "rights" in the Standard is broad and includes contractual or non-contractual intervention that exposes the company to changes in the yields as a result of the investee entity's performances.

The goal of the new disclosure requirements is to permit users of the financial statements to understand the nature of the risks deriving from the company's rights in other entities, as well as to understand the impact of those rights on the company's financial position, results of operations and cash flows. This is manifest in the broad and comprehensive disclosure requirements, among others: discretion and significant assumptions that are reflected in determination of the nature of rights in joint entities, rights in subsidiaries, rights in joint arrangements and rights in associated companies and structured entities.

The Standard is to be applied to annual reporting periods commencing on or after January 1, 2013. Early application is possible subject to early adoption of two additional standards published concurrently – IFRS 11 "Joint Arrangements" and IFRS 10 "Consolidated Financial Statements". Nonetheless, the additional disclosure requirements called for by IFRS 12 may be included early without making early adoption of the additional standards.

The Group has not yet commenced examining the consequences of adoption of the standards on the financial statements.

B. International Financial Reporting Standard IFRS 13 "Measurement of Fair Value" (hereinafter – "the Standard")

This standard replaces the directives with respect to fair value measurement appearing in the various IFRS, such that it will constitute the sole source for guidelines regarding the manner of fair value measurement under IFRS. For this purpose, the Standard defines what fair value is, determines the framework of guidelines regarding the manner of measuring fair value and provides new disclosure requirements in connection with measurement of fair value. The Standard does not provide when fair value is to be measured, such that the need to measure fair value will continue to be determined in accordance with the presently existing standards.

Note 3 – Significant Accounting Policies (Cont.)

(1) New standards and interpretations not yet adopted (Cont.)

B. International Financial Reporting Standard IFRS 13 "Measurement of Fair Value" (hereinafter – "the Standard") (Cont.)

The Standard will apply to the entity's assets, liabilities and equity instruments that must be or may be measured in accordance with fair value, or regarding which disclosure of their fair value was provided in accordance with the relevant IFRS. Nonetheless, the Standard will not apply to share-based payment transactions that are covered by IFRS 2 and lease transactions that are subject to International Accounting Standard IAS 17. In addition, the Standard will not apply to measurements that are similar to fair value by are not fair value (for example: measurement of net realizable value of inventory).

The Standard is to be applied to annual reporting periods commencing on or after January 1, 2013. Early application is possible, subject to provision of disclosure. The Standard is to be applied prospectively where its disclosure requirements will not apply to the comparative data for the periods prior to the initial application of the Standard.

The Group has not yet commenced examining the consequences of adoption of the standards on the financial statements.

(2) Indices and Exchange Rates

Set forth below are the rates of change in the dollar and euro exchange rates and in the CPI:

	Consumer Price Index	Dollar–NIS exchange rate	Dollar–Euro exchange rate
	%	%	%
Rates of change for the three months ended:			
March 31, 2011	**0.7**	**(1.9)**	**(6.1)**
March 31, 2010	(0.9)	(1.6)	(7.4)
For the year ended December 31, 2010	2.6	(6.0)	7.9

Note 4 – Information on Activity Segments

A. General

Commencing from the period of the report, the Group's power station activities incorporated under I.C. Power Ltd., which were previously included as part of the Group's other activities, meet the quantitative criteria for presentation as a separate reportable segment, in accordance with IFRS 8. Accordingly, commencing with the period of the report, an additional activity sector is presented including the activities of the power stations. The comparative data as at December 31, 2010 and for the year then ended and for the three-month period ended March 31, 2010, were reclassified in order to reflect therein this activity segment.

Breakdown of the Group into reportable activity segments in accordance with the Standard derives from the Management Reports, which are based on the areas of activity of the main subsidiaries making up the Group – ICL, ORL, ZIM and I.C. Power, as detailed below:

Note 4 – Information on Activity Segments (Cont.)

A. General (Cont.)

1) **Israel Chemicals Ltd.** – ICL is a multi-national group, operating mainly in the areas of fertilizers and special chemicals. The ICL Group has concessions and licenses for production of minerals from the Dead Sea, concessions for mining phosphate rock in the South, and mining agreements and licenses covering the mining of potash and salt from underground mines in Spain and the United Kingdom. ICL is engaged in production of these minerals, in the sale thereof throughout the world and development, production and marketing of extension products based mainly on these raw materials.

2) **Oil Refineries Ltd.** – ORL and its subsidiaries are engaged, mainly, in refining crude oil, production of fuel products, raw materials for the petrochemical industry and materials for the plastics industry. Most of the ORL Group's sales derive from ORL's purchase of crude oil and intermediary products, refining thereof and separation of the refined products into various other products – some of which are final products and some of which serve as raw materials in the manufacture of other products. Commencing from December 31, 2009, ORL is an associated company.

3) **ZIM Integrated Shipping Services Ltd.** – ZIM operates in the shipping lines' industry through use of tankers, that is, operation of shipping routes between fixed ports based on set timetables while anchoring in harbors in accordance with a predetermined plan. ZIM provides services, in an insignificant scope, which are auxiliary to its shipping activities, such as, delegation, Customs clearance, overland transport, distribution, warehousing, insurance, container terminals, marine terminal operation services and logistic services.

4) **I.C. Power Ltd.** – I.C. Power, through its investee companies, is engaged in the production and sale of electricity in countries in Latin America and the Caribbean region, as well as in activities intended for the construction and operation of power stations in Israel and Latin America.

5) **Other** – in addition to the segments detailed above, the Corporation has other activities, such as, advanced technology, vehicles, infrastructures for electric-powered vehicles and "clean" energy.

Evaluation of the segment's performance as part of the management reports is based on the EBITDA data.

Information regarding activities of the reportable segments is set forth in the following tables. Inter-segment pricing is determined based on the transaction prices in the ordinary course of business.

Note 4 – Information on Activity Segments (Cont.)

B. Information relating to Business Segments

	ICL	ORL	ZIM	I.C. Power	Other	Adjustments	Total
	Unaudited						
	$ millions						
For the three months ended March 31, 2011:							
Sales to external customers	1,528	2,058	905	130	16	(2,058)	2,579
Inter-segment sales	–	–	7	–	–	–	7
	1,528	2,058	912	130	16	(2,058)	2,586
Elimination of inter-segment sales	–	–	(7)	–	–	–	(7)
Total sales	1,528	2,058	905	130	16	(2,058)	2,579
Income (loss) before EBITDA	415	67	22	32	(1)	(65)	470
Depreciation and amortization	55	32	45	12	6	(32)	118
Financing income	(5)	(8)	(3)	(1)	(39)	43	(13)
Financing expenses	28	59	93	11	80	(94)	177
Share in losses (income) of associated companies	(4)	–	(6)	(6)	49	1	34
	74	83	129	16	96	(82)	316
Income (loss) before taxes	341	(16)	(107)	16	(97)	17	154
Taxes on income	61	1	–	5	11	(12)	66
Income (loss) for the year	280	(17)	(107)	11	(108)	29	88

Note 4 – Information on Activity Segments (Cont.)

B. Information relating to Business Segments (Cont.)

	ICL	ORL	ZIM	I.C. Power	Other	Adjustments	Total
	Unaudited						
	In Millions of U.S. Dollars						
For the three months ended March 31, 2010:							
Sales to external customers	1,382	1,705	740	116	15	(1,705)	2,253
Inter-segment sales	–	–	5	–	–	–	5
	1,382	1,705	745	116	15	(1,705)	2,258
Elimination of inter-segment sales	–	–	(5)	–	–	–	(5)
Total sales	1,382	1,705	740	116	15	(1,705)	2,253
Income (loss) before EBITDA	356	35	(33)	30	21	(36)	373
Depreciation and amortization	52	39	49	7	–	(37)	110
Financing income	(22)	(30)	(34)	(1)	(25)	43	(69)
Financing expenses	22	42	34	6	37	(56)	85
Share in losses (income) of associated companies	1	–	(1)	(6)	18	–	12
	53	51	48	6	30	(50)	138
Income (loss) before taxes	303	(16)	(81)	24	(9)	14	235
Taxes on income	61	(12)	2	5	(2)	13	67
Income (loss) for the year	242	(4)	(83)	(19)	(7)	1	168

Note 4 – Information on Activity Segments (Cont.)

B. Information relating to Business Segments (Cont.)

	ICL	ORL	ZIM	I.C. Power	Other	Adjustments	Total
	Audited						
	In Millions of U.S. Dollars						
2010:							
Sales to external customers	5,692	6,792	3,694	421	58	(6,792)	9,865
Inter-segment sales	–	–	23	–	–	–	23
	5,692	6,792	3,717	421	58	(6,792)	9,888
Elimination of inter-segment sales	–	–	(23)	–	–	–	(23)
Total sales	5,692	6,792	3,694	421	58	(6,792)	9,865
EBITDA income	1,564	165	403	112	39	(175)	2,108
Depreciation and amortization	217	119	191	35	1	(115)	448
Financing income	(32)	(89)	(38)	(24)	(137)	101	(199)
Financing expenses	86	140	175	33	231	(152)	513
Share in losses (income) of associated companies	(3)	–	(14)	(20)	76	–	39
	268	170	314	44	171	(166)	801
Income (loss) before taxes	1,296	(5)	89	68	(132)	(9)	1,307
Taxes on income	267	(82)	28	12	22	79	326
Income (loss) for the year	1,029	77	61	56	(154)	(88)	981
Other significant non-cash items:							
Decline in value of fixed and intangible assets	–	–	21	–	–	–	21
Segment assets	6,360	4,357	4,061	1,034	1,101	(4,240)	12,673
Investments in associated companies	28	16	29	268	4,852	(3,844)	1,349
							14,022
Sector liabilities	3,747	3,232	3,344	651	3,282	(4,069)	10,187
Capital expenses	353	231	486	132	8	(231)	979

Note 5 – Additional Information

A. The Corporation

1. On March 29, 2011, the Corporation's Board of Directors decided to distribute a dividend in the amount of $70 million, about 9.18 per share. The dividend was paid after the period of the report, on May 1, 2011.

2. In period of the report, the capital of Tower Semiconductors Ltd. (hereinafter – "Tower") increased by about $30 million (in accordance with IFRS), deriving mainly from conversion of debentures and options, issuance of shares to the Yorkville Fund and issuance of shares to banks (as provided in the agreement with the banks from September 2006).

   As a result, the Corporation's share in Tower declined (on the assumption that the capital notes will converted into shares) from about 33.2% to about 32.2% and the Corporation realized a capital gain of about $8 million.

3. The Corporation provided a guarantee, based on its indirect share in O.P.C. Rotem Ltd. (hereinafter – "OPC"), for fulfillment of OPC's liability under the financing agreements for construction of the power station, and the Corporation, by means of a wholly owned subsidiary, provided a guarantee (based on the Corporation's indirect share in the project as stated) for OPC's liability under its agreement with Israel Electric Company. These guarantees are in the total cumulative amount of about NIS 181, linked to the CPI (about $52 million).

4. In the period of the report, 14,532 options issued as part of the 2007 plan were exercised for 3,065 of the Corporation's ordinary shares. After the date of the report, 555 options granted as part of the 2007 plan were exercised for 93 of the Corporation's ordinary shares. As at the signing date of the financial statements, the balance of the options granted as part of the 2007 plan amounts to 20,280 options.

5. In January 2011, S&P Maalot confirmed a rating for the Corporation's debentures (Series 6, 7, 8 and 9) of ilA+/stable.

6. The Corporation holds the associated companies, Better Place Inc. (hereinafter – "Better Place") and Chery Quantum Limited (hereinafter – "Chery Quantum") (hereinafter – "the Associated Companies"). The Corporation has not attached the financial statements of the Associated Companies to its financial statements, since in the Corporation's estimation the financial statements of the Associated Companies are not significant in relation to the Corporation's consolidated financial statements as at March 31, 2010, and due to the fact that the Associated Companies are the early stages of their activities and at this point they have no revenues at all but, rather, only expenses, deriving mainly from marketing, R&D and administrative and general expenses. In addition, the quantitative conditions for attaching statements of an associated company with respect to these associated companies were not fulfilled in 2010 and in the Corporation's estimation will also not be fulfilled in 2011.

   Pursuant to Regulation 23(B) of the Securities Regulations (Annual Financial Statements), 2010, the financial statements of the associated companies were not attached to the Corporation's consolidated financial statements.

Note 5 – Additional Information (Cont.)

A. The Corporation (Cont.)

6. Set forth below is summary financial data:

Better Place

	At March 31		At December 31
	2011	**2010**	**2010**
	In Millions of U.S. Dollars		
Current assets	**295**	99	339
Non-current assets	**57**	15	48
	352	114	387
Current liabilities	**36**	21	30
Non-current liabilities	**40**	29	38
Liabilities to preferred shareholders	**448**	68	437
Capital deficiency	**(172)**	(4)	(118)
	352	114	387

	For the Three Months Ended March 31		For the Year Ended December 31
	2011	**2010**	**2010**
	In Millions of U.S. Dollars		
Operating expenses	**44**	25	133
Financing expenses	**11**	3	38
Loss attributable to holders of rights not conferring control	**(1)**	–	(4)
Loss for the period	**54**	28	167

Chery Quantum

	At March 31		At December 31
	2011	**2010**	**2010**
	In Millions of U.S. Dollars		
Current assets	**307**	364	330
Non-current assets	**51**	49	42
	358	413	372
Current liabilities	**53**	2	20
Capital	**305**	411	352
	358	413	372

	For the Three Months Ended March 31		For the Year Ended December 31
	2011	**2010**	**2010**
	In Millions of U.S. Dollars		
Operating expenses	**5**	4	17
Financing expenses	**–**	(2)	(4)
Decline in value	**–**	2	–
R&D expenses	**43**	–	65
Loss for the period	**48**	4	78

Note 5 – Additional Information (Cont.)

B. Israel Chemicals Ltd. (hereinafter – "ICL")

1. In the period of the report, 1,001,778 options of ICL were exercised for 686,037 of ICL's ordinary shares. Subsequent to the date of the report, 475,002 options were exercised for 318,569 of ICL's ordinary shares. The Corporation's share in ICL declined by an insignificant amount.

2. On February 28, 2011, ICL completed a transaction for acquisition of the companies, assets and activities of the business unit in the specialty fertilizers area (hereinafter – "the Business Unit") owned by the U.S. company, Scotts Miracle-Gro Company (hereinafter – "the Seller").

   The consideration for the acquisition reflects a value of about $271 million for the Business Unit. The consideration is subject to adjustments, mainly in respect of changes in working capital and liabilities. As at the approval date of the financial statements, the amount of the adjustments to the acquisition consideration had not yet been finalized with the Seller. The acquisition consideration was allocated as follows: about $120 million to working capital, about $22 million to property, plant and equipment, about $100 million to identifiable intangible assets and about $10 million to long-term liabilities. The balance, in the amount of about $39 million, was allocated to goodwill.

   The acquisition expenses, in the amount of about $8 million, were recorded to other expenses in the period of the report. The total sales of the Business Unit, for the report year ended September 30, 2010, are about $242 million (the total sales are not taken from the Seller's audited financial statements and were prepared in order to reflect the total sales of the Business Unit as an independent unit).

   The Business Unit is engaged in manufacture and sale of specialty fertilizers, growing beds, plant protection products, grass seeds for commercial nurseries, sod for public use, sport surfaces and advanced agriculture. The Business Unit has about 340 employees and it operates three manufacturing facilities located in the Netherlands, the United Kingdom and the United States, and peat mines for growing beds in the United Kingdom. The main markets in which the Business Unit operates are Europe, North America, Asia/Pacific and Africa.

   ICL intends to integrate the activities of the unit acquired into the ICL Fertilizers segment, while taking advantage of the marketing, operational and other synergies with ICL's specialty fertilizer activities. Integration of the Business Unit will expand the products' basket of ICL Fertilizers in the area of specialty fertilizers.

   Commencing from the acquisition date, the financial statements of the Business Unit are consolidated in the Corporation's consolidated financial statements.

3. On March 14, 2011, ICL signed an agreement with a group of 17 banks from Europe, the United States and Israel whereby these banks made available to ICL credit in the amount of $675 million. The credit line is for a period of 5 years and will be repaid in one lump-sum at the end of the period. In case of using up to $225 million of the available credit, the basic interest is Libor + 0.8%. In case of higher use of the credit, an additional interest of 0.15%-0.3% will be charged.

Note 5 – Additional Information (Cont.)

C. ZIM Integrated Shipping Services Ltd. (hereinafter – "ZIM")

On September 26, 2010, Maalot informed ZIM of an upgrade of the rating of the debentures to ilBB+ with a positive outlook. On February 24, 2011, Maalot informed ZIM of an upgrade of the rating of the debentures to ilBBB– with a stable outlook.

D. I.C. Power Ltd. (hereinafter – "I.C. Power")

1. In February 2011, Inkia Energry Ltd. (hereinafter – "Inkia"), a subsidiary of I.C. Power, published a tender offer for shares of Edegel S.A.A. as a result of an agreement with the Peru Securities Authority. The tender offer ended on March 8, 2011 with no response whatsoever.

2. In March 2011, Inkia won a tender published for supply of electricity from new hydro-electric power plants in Peru, in an overall scope of 200 megawatts, whereby Inkia will supply electricity to the electric company owned by the government of Peru. Inkia will supply the electricity during a period of 15 years and the supply is expected to begin in January 2016. The annual scope of the tender is about $75 million (the scope of the tender for the entire period is $1.1 billion). For purposes of participating in the tender, the Corporation provided a bank guarantee as required the tender.

3. In January 2011, a rating of AA3 with a stable outlook was approved by the Rating Committee of Midrug Ltd. for the senior debt of O.P.C., in connection with a project for construction of a power station. The rating relates to the operation period.

4. In January 2011, an amendment to the Power Purchase Agreement (hereinafter – "the PPA") for the purchase of electricity was signed, regarding provisions relating to the project's financing, in light of requests of the project's financing parties and without there having been a significant change in the agreement's provisions. As part of the said amendment, the amount of the agreed-to compensation referred to above was updated, as detailed in Note 22C5a to the annual financial statements.

   OPC has the possibility of removing capacity from Israel Electric Company and selling it to end users, in accordance with the rules of the electricity industry, after providing advance notice the length of which depends on the quantity of the capacity removed. OPC notified Israel Electric Company of reduction of 330 megawatts from the capacity under the PPA for purposes of the sale thereof to private consumers. OPC is in various stages of negotiations with different private consumers for sale of the station's full production capacity for periods of 10 years. In connection with every transaction signed by OPC with an end user, it will be required, based on benchmarks published by the Electricity Authority to deposit security with Israel Electric Company in the amount of 70% of the average TAOZ (electricity index) payment of its consumers in the summer season. On the other hand, generally, for commercial considerations, OPC does not request collaterals from all its consumers. In a transaction with a private consumer, the price to the final consumer is based on its acquisition alternative from Israel Electric Company, with a certain discount of the production component in the TAOZ tariff and with the addition of the payments to Israel Electric Company.

Note 5 – Additional Information (Cont.)

D. I.C. Power Ltd. (hereinafter – "I.C. Power") (Cont.)

5. In the period of the report, the shareholders provided bank guarantees to Israel Electric Company, in accordance with their proportionate interests. Accordingly, the collaterals that served as the bank guarantee were released and returned to the owners. For additional details – see Note 22C5b to the annual financial statements.

6. On January 2, 2011, an agreement was signed with a consortium of lenders led by Bank Leumi L'Israel Ltd. for financing construction of the power station project on the Rotem Plain. The project involving construction of the power station will be financed based on the "project financing" method.

   Subsequent to the period of the report, in April 2011, OPC made the first withdrawal from the senior debt, in the amount of about $59 million. For purposes of making the withdrawal, OPC received a waiver letter with respect to some of the preconditions for making this withdrawal – – see Note 22C5g to the annual financial statements.

7. In March 2011, as a result of the earthquake in Japan, Daewoo provided early notification to OPC of an "Act of G-d" event that may impact the performance of a subcontractor operating in Japan supplying equipment intended for the power plant (who noted, however, in its notification to Daewoo that its plants are not in the area of the disaster). Subsequent to the date of the report, in April 2011, Daewoo cancelled its notification regarding an "Act of G-d" event, as stated.

Note 6 – Contingent Liabilities and Commitments

A. As detailed in Note 22B2(b)(2), Notes 22B3(a)1-2 and Note 22B3(b)-(h), to the annual financial statements, a number of legal claims have been filed against a subsidiary of ICL, Oil Refineries Ltd. (hereinafter – "ORL") and certain investee companies of ORL, as well as against dozens of other defendants, alleging bodily injury and property damage caused to the plaintiffs stemming from pollution of the Kishon Stream, and there are also legal proceedings against ORL, laws have been enacted and orders have been issued relating to the fuel and gas industry and infrastructure facilities belonging to ORL. The managements of ICL and ORL, based on opinions of their legal advisors, are not able at this stage to estimate the impact of that stated above, if any, on the financial statements as at March 31, 2011 and, therefore, no provision has been included in the financial statements relating to this matter.

B. In order to conduct its operations, ORL is dependent upon services from the infrastructure companies, Petroleum and Energy Infrastructures Ltd. (hereinafter – "PEI") and Eilat Ashkelon Pipeline Company Ltd. (hereinafter – "EAPC"), which own crucial infrastructures pertaining to the unloading, shipping, storage, and production of crude oil and distillates. According to information furnished to ORL by PEI, PEI is expected to replace part of its offshore pipeline used for unloading crude oil in Haifa Bay and delivery thereof to ORL's refinery. At this stage, there is no estimate as to when PEI is expected to perform the replacement. To the best of ORL's knowledge, the replacement process is expected to continue for about one month, and ORL will make preparations to reduce to a minimum the effect of the shutdown on the scope of the refining, but in any event, some reduction in the extent of the refining during this period is to be expected.

Note 6 – Contingent Liabilities and Commitments (Cont.)

C. Further to that stated in Note 22B1(a)–(b) to the annual financial statements, in 2009, a request was filed by a shareholder for approval to file a derivative claim against directors that served the Corporation during the relevant period, interested parties in the Corporation, and the subsidiary ZIM (hereinafter – "the Ifat Request"). During 2010, the requesting party in the Ifat Request contacted all the respondents with a demand for discovery of various documents. In the period of the report, the above-mentioned requesting party filed a request with the Court for discovery and perusal of various documents, and the Corporation submitted its objection to this request. The Court accepted the Corporation's objection with respect to most of the documents requested – except regarding two documents. In connection with two of the documents requested, on February 23, 2011 the Court ordered, after it accepted the appeal filed by the Corporation, to transfer the documents for the requesting party's perusal after the confidential sections were blacked-out. The Corporation acted in accordance with the Court's instructions.

As stated in the annual financial statements as at December 31, 2010, the hearing on Ifat's request, as well as with respect to the Zelicha Request (as defined in the annual financial statements as at December 31, 2010), is scheduled for June 20, 2011.

Based on the estimation of its legal advisors, in light of the early stage of the proceedings, the Corporation is unable to assess the exposure in respect of the lawsuits. Nonetheless, based on the estimation of its legal advisors, the Corporation believes it will have reasonable defense claims against approval of the derivative claims, as well as to reject the substantive claims themselves.

D. Further to that stated in Note 22B5 to the annual financial statements regarding a claim filed on October 23, 2009 against the Corporation in the Federal Court in the State of New York, the document discovery process has been completed, except in connection with a request of the Corporation from the plaintiff to expand its answers as part of the discovery process relating to one of the claim's causes of action. This request is awaiting a decision by the judge supervising the document discovery process. The Corporation's legal advisors believe, on the basis of their examination up to now of the documents and declarations as part of the factual discovery, that the Corporation has solid defense arguments against the contentions raised in the amended statement of claim.

With respect to the arbitration proceedings between Chery Automobiles Limited (hereinafter – "Chery") and the plaintiff, to the best of the Corporation's knowledge, and as it was informed, on October 29, 2010, the plaintiff filed an amended statement of claim against Chery (including parties related to Chery), as part of the arbitration proceedings, and on January 28, 2011 Chery filed a statement of defense and a counterclaim. To the best of the Corporation's knowledge, and as it was informed, on February 11, 2011, the plaintiff submitted a reply to the statement of defense and counterclaim submitted by Chery. On March 11, 2011, the parties related to Chery filed their responses.Pursuant to an opinion of the Corporation's legal advisors, taking into account, among other things, the fact that the Corporation is not a party to the arbitration, they are unable to predict the outcome of the said arbitration proceedings. In addition, based on an opinion of the Corporation's legal advisors, prior to clarification of the basis for the decisions against Chery, if any, in the framework of the arbitration proceedings in Hong Kong, it is too early to assess the potential application of the indemnification proceedings included in the joint venture agreement, as stated below, to Chery and/or the Corporation, as applicable.

Note 6 – Contingent Liabilities and Commitments (Cont.)

E. Further to that stated in Note 22B6 to the annual financial statements, in the period of the report, the Federal Court in Texas accepted the request of Crystal Power Ltd. (hereinafter – "Crystal") to remand part of the claims relating to alleged violations of the investment agreement, where El Paso signed the compromise with CEL, to the local court in Brazoria, Texas. Inkia is filed an appeal of this decision and the Court granted the appeal. In addition, the Federal Court denied the request not to consolidate the claims, similar to the judge's recommendation, and decided to hold a hearing, on May 19, 2011, in order to hear the contentions of the parties in connection with the question whether the Court will decide regarding the matter of which claims are to be cancelled as a result of the compromise agreement signed by Crystal with El Paso. As a result of the hearing, the Court instructed Crystal to indicate which of its claims are still relevant as a result of the compromise agreement.

F. Further to that stated in Note 22D1 to the annual financial statements, on January 9, 2001, the State and Dead Sea Works (hereinafter – "DSW") decided to turn to arbitration for purposes of deliberating and deciding the issue of the manner of calculation of the royalties by the concessionaire, payment of the royalties with respect to the excess above 3 million tons of potash per year commencing from 2010 and thereafter, and royalties to be paid for magnesium metals and payment or refunds due (if any) deriving from these matters. Each of the parties appointed an arbitrator on its behalf and these arbitrators are to appoint a third arbitrator.

On March 14, 2011, a statement of claim was received from the State of Israel against DSW in the framework of the arbitration proceedings wherein the State is demanding the amount of $265 million in respect of an underpayment of royalties for the years 2000 through 2009, where such amount bears interest and linkage differences, an additional amount of $26 million in respect of an increase in the royalties' rate, commencing from 2010, in connection with the annual sales' quantity in excess of 3 million tons of potash, as well as a change in the calculation method for payment of royalties relating to metal magnesium.

An initial reading of the State's contentions in connection with past years indicates that no new significant contentions are being raised that were not known to DSW and with respect to which DSW believes, based on an opinion it has from its legal advisors, that the royalties it paid and the manner of their calculation conform to the provisions of the concession. A calculation method is involved that was applied consistently since the time DSW was a government company, which was known to the State and acceptable to it. Also based on the legal opinion it received, DSW did not record a provision in the financial statements in respect of royalty amounts (which are not defined) that the Accountant General claims were underpaid.

Regarding increase of the royalties' rate commencing from 2010 in connection with annual sales' quantity in excess of 3 million tons of potash, in light of the fact that this is a re-hearing without instructions having been provided to the parties as to the parameters to be considered in order to decide on the royalty rate exceeding the present rate (5%), and in light of the fact that the arbitration proceedings have not yet commenced, ICL is not able to determine that a certain outcome out of the range of possible outcomes between the present royalty rate and the maximum royalty rate is more probable than other outcomes. Accordingly, ICL recorded a provision equal to half of the difference.

Note 6 – Contingent Liabilities and Commitments (Cont.)

G. In March 2011, O.P.C., I.C. Power Israel Ltd., and a subsidiary of ICL received from the natural gas supplier, East Mediterranean Gas S.A.E. (hereinafter – "EMG"), for no consideration whatsoever, an extension to exercise the option the were granted to acquire an additional quantity of natural gas, such that O.P.C. will be permitted to exercise the option up to June 30, 2011, I.C. Power and the subsidiary of ICL will be permitted to exercise the option up to December 31, 2011.

H. Further to that stated in Note 22B4b to the annual financial statements, during 2009, a shipping company initiated arbitration proceedings against ZIM in an aggregate amount of about $151 million. The dispute is in connection with cooperation agreements that the shipping company claims were reached between the parties. Understandings were reached between ZIM and the shipping companies with respect to joint business cooperation between them and opening of a new line. Pursuant to these understandings, subject to ZIM complying with its above-mentioned liabilities, the claim against ZIM will be cancelled. In the estimation of ZIM's Management, based on the opinion of its legal advisors, ZIM has no exposure as a result of those claims and/or understandings in excess of the amount of the provision ZIM has recorded in its financial statements.

I. Regarding liabilities outstanding against the Corporation and investee companies – see Note 22

Note 7 – Events Occurring Subsequent to the Balance Sheet Date

A. In April 2011, Inkia issued $300 million par value of debentures. The debentures were issued for a period of 10 years, with a yield to maturity of 8.5%. The proceeds of the issuance were used to make early repayment of debentures issued by Inkia in 2008 in the local market in Peru, and to close out a currency SWAP transaction in respect of the debentures paid, while the balance is expected to serve mainly for investment in a hydro-electric project in Peru.

Inkia paid the balance of its additional debentures, in the amount of about $83 million, which included a 6% premium.

B. Further to that stated in Note 22C4(h)(e) to the annual financial statements, and further to ORL's reports regarding the system for transport of natural gas to Haifa Bay and signing of an agreement with EMG for acquisition of natural gas (hereinafter – "the Natural Gas Agreement"), on May 3, 2011 connection of the ORL Group's facilities to the national natural gas transport system was completed along with the tests permitting commencement of consumption of natural gas in the ORL Group's facilities; however, on April 27, 2011, EMG notified that a gas line constituting part of the Egyptian natural gas transport system was sabotaged, which supplies gas to, among others, EMG. As a result of the event, supply of the gas by EMG to all its customers in Israel was discontinued.

During May, ORL is purchasing natural gas from the Yam Thetys Group (Noble Energy Mediterranean Ltd.), Delek Drillings Limited Partnership, Avner Gas Exploration Limited Partnership and Delek Investments and Properties Ltd., as part of SPOT transactions, which permit ORL to at least start the process of examining the natural gas system in its facilities and to make a test run.

Note 7 – Events Occurring Subsequent to the Balance Sheet Date (Cont.)

C. On May 20, 2011, ORL signed an agreement with the Yam Thetys Group for acquisition of an aggregate quantity of about 1.2 BCM (hereinafter – "the Contractual Quantity") for itself and for its subsidiaries, during a supply period of 27 months commencing from June 1, 2011 (hereinafter – "the Base Agreement Period"). The consideration for the entire Contractual Quantity is to be paid in increments, during the Base Agreement Period or a shorter period if ORL uses up the full Contractual Quantity earlier. The agreement does not include an obligation on the part or ORL with respect to the scope and rate of consumption of the gas from the supplier during the Base Agreement Period. If ORL does not consume the full Contractual Quantity from the supplier during the Base Agreement Period, the supply period will continue for an additional supply period, which will permit ORL to use up the Contractual Quantity. The consideration was determined based on a fixed component and a variable component, which was determined in accordance with a price formula based on the fuel price and including a "floor" and "ceiling" price. The total monetary scope of the agreement (based on calculation under the formula on the signing date of agreement) is about $350 million. In ORL's estimation, its undertaking in natural gas purchase agreements with two suppliers will allow it a quick transition to continuous use of natural gas for all its needs.

D. Subsequent to the date of the report, on April 13, 2011, as part of the efficiency plan of Iberpotash S.A., a Spanish subsidiary in the ICL Fertilizers segment, the Board of Directors of ICL approved combination of the company's activities from two sites into one site. As part of this step, the production activities on the Suria site will be expanded, which include a mine and a factory, and the activities (mine and factory) on the second site will be discontinued. In the first stage of the plan, approval was granted for expansion of the potash production capacity, the potash granulation capacity, and construction of a plant for production of vacuum salt (salt with a high purity level) in Suria. In the second stage, which has not yet been approved, an additional expansion is planned of the potash production capacity, which will bring the potash production capacity to about 1.1 million tons, of which about 630 thousand tons of granulated potash and about 50 thousand tons of technical potash, as well as a production capacity of about 1.5 million tons of vacuum salt.

In the ICL's estimation, execution of the first stage of the plan is expected to be completed in the beginning of 2014.

In the ICL's estimation, execution of the first stage will lead to savings and greater efficiency that will contribute to reduction of the potash production costs, as well as improvement of the extent of the production's compliance with the sustainability values relating to the environmental protection.

Execution of the second stage is expected to result in production of a larger quantity of potash in one mine and factory as opposed to production in mines and factories located on two different sites.

In ICL's estimation, the impact of the shutdown and discontinuance of the activities of the second site on the Company's results in the second quarter of 2011 will not be significant.

Note 7 – Events Occurring Subsequent to the Balance Sheet Date (Cont.)

E. On May 19, 2011, the Authority for Development and Reforms in China (NDRC) approved the request of Chery Quantum to transfer the location of its factories from Wuhu, in the Hui District, to Chanqshu, in the Jiangsu District. In accordance with the approval, the total area of the factory is about 716.5 dunams, and the gross built-up area is about 200 dunams. This total anticipated investments in the first stage of construction amount to about RMB 7 billion (about $1,077 million), which are to be financed by means of shareholders' equity of Chery Quantum and by new investments of each party holding interests in the joint venture in accordance with the business plan.

F. Further to that stated in Note 22B2c to the annual financial statements, on April 14, 2011, the Supreme Court issued a conditional order instructing the State to adopt one of the permanent solutions for protecting the Dead Sea within three months of the issuance date of the order. On May 23, 2011, the Minister of Tourism and the Minister of Environmental Protection notified that they see the solution to the salt precipitation problem as the permanent solution and that they intend to recommend this solution to the Government.

Israel Corporation Ltd.

Separate information provided in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970

As at March 31, 2011

(Unaudited)

Israel Corporation Ltd.
Separate Information provided in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970
As at March 31, 2011
Unaudited

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To the Shareholders of Israel Corporation Ltd.

Re: Special Report of the Auditors' with respect to Separate-Company Interim Financial Information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970

Introduction

We have reviewed the separate-company interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970, of Israel Corporation Ltd. (hereinafter – "the Corporation") as at March 31, 2011 and for the period of three months ended on that date. The separate-company interim financial information is the responsibility of the Corporation's Board of Directors and Management. Our responsibility is to express a conclusion on the separate-company interim financial information based on our review.

We did not review the condensed interim financial information of an investee company, the investment in which is about $28 million as at March 31, 2011 and the Corporation's share in its loss is about $3 million for the period of three months ended March 31, 2011. The financial statements of this company were reviewed by other auditors whose review report was provided to us and our conclusion, insofar as it relates to amounts included in respect of this company, is based on the review report of the other auditors.

Scope of the Review

We conducted our review in accordance with Review Standard 1, "Review of Interim Financial Information for Interim Periods Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of separate-company interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and on the review report of other auditors, nothing has come to our attention that causes us to believe that the above-mentioned financial information is not prepared, in all material respects, in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Somekh Chaikin
Certified Public Accountants (Isr.)

May 25, 2011

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at March 31, 2011
Condensed Interim Statements of Financial Position Information

	At March 31		At December 31
	2011	2010	2010
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Assets			
Cash and cash equivalents	**491**	160	458
Short-term deposits	**37**	–	53
Loans to investee companies	**6**	–	16
Other receivables and debit balances	**47**	72	49
Derivative instruments	**88**	*40	54
Income taxes receivable	**34**	36	22
Total current assets	**703**	308	652
Non-Current Assets			
Investments in respect of investee companies	**3,296**	3,172	3,338
Investments in other companies	**10**	20	14
Loans to investee companies	**579**	447	559
Debit balances, including derivative instruments	**318**	*200	327
Total non-current assets	**4,203**	3,839	4,238
Total assets	**4,906**	4,147	4,890

* Reclassified.

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at March 31, 2011
Condensed Interim Statements of Financial Position Information

	At March 31		At December 31
	2011	2010	2010
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Liabilities			
Current maturities in respect of non-current liabilities	**423**	178	265
Other payables and credit balances	**21**	19	29
Dividend payable	**70**	–	–
Derivative instruments	**35**	*32	35
Total current liabilities	**549**	229	329
Non-Current Liabilities			
Loans from banks	**493**	566	534
Debentures	**1,481**	1,350	1,563
Long-term liabilities, including derivative instruments	**66**	*47	75
Deferred taxes	**–**	33	–
Total non-current liabilities	**2,040**	1,996	2,172
Total liabilities	**2,589**	2,225	2,501
Equity			
Share capital and premium	**285**	281	282
Capital reserves	**143**	72	107
Controlling shareholders reserve	**102**	56	90
Retained earnings	**1,787**	1,513	1,910
Total equity attributable to the owners of the Corporation	**2,317**	1,922	2,389
Total liabilities and equity	**4,906**	4,147	4,890

* Reclassified.

Amir Elstein	**Nir Gilad**	**Avisar Paz**
Chairman of the Board of Directors	**CEO**	**CFO**

Approval date of the financial statements: May 25, 2011

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at March 31, 2011
Condensed Interim Statements of Income Information

	For the Three Months Ended March 31		For the Year Ended December 31
	2011	**2010**	**2010**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Administrative and general expenses	**(6)**	(1)	(14)
Other expenses	**(6)**	–	–
Other income	**8**	15	59
Operating income (loss)	**(4)**	14	45
Financing expenses	**(77)**	(36)	(220)
Financing income	**39**	13	143
Financing expenses, net	**(38)**	(23)	(77)
Share in income (losses) of investee companies, net	**(11)**	58	527
Income before taxes on income	**(53)**	49	495
Taxes on income	**–**	–	21
Income (loss) for the period attributable to the owners of the Corporation	**(53)**	49	474

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at March 31, 2011
Condensed Interim Statements of Comprehensive Income Information

	For the Three Months Ended March 31		For the Year Ended December 31
	2011	**2010**	**2010**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Income (loss) for the period	**(53)**	49	474
Components of other comprehensive income			
Effective portion of the change in fair value of cash flow hedges	**(1)**	(2)	(5)
Net change in fair value of cash flow hedges transferred to the statement of income	**1**	1	2
Net change in fair value of financial assets available for sale	**(4)**	(12)	(18)
Net changes in fair value of available for sale financial assets transferred to the statement of income	**6**	–	–
Other comprehensive income (loss) in respect of investee companies, net	**33**	(21)	8
Total other comprehensive income (loss) for the period, net of tax	**35**	(34)	(13)
Total comprehensive income (loss) for the period attributable to the owners of the Corporation	**(18)**	15	461

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at March 31, 2011
Condensed Interim Statements of Cash Flows Information

	For the Three Months Ended March 31		For the Year Ended December 31
	2011	**2010**	**2010**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Cash flows from operating activities			
Income (loss) for the period	**(53)**	49	474
Adjustments:			
Decline in value of assets	**6**	–	–
Financing expenses, net	**38**	23	77
Share in (income) losses of investee companies, net	**11**	(58)	(527)
Capital gains, net	**(8)**	(15)	(59)
Share-based payment transactions	**3**	–	5
Taxes on income	**–**	–	21
	(3)	(1)	(9)
Change in receivables and income tax receivable	**(11)**	3	(22)
Change in provisions and payables	**–**	(4)	(39)
	(14)	(2)	(70)
Dividend received	**88**	–	536
Net cash provided by (used in) operating activities	**74**	(2)	466
Cash flows from investing activities			
Investments in investee and other companies	**–**	(136)	(239)
Short-term deposits and loans, net	**15**	(1)	(59)
Sale of securities held for trade, net	**–**	1	1
Provision of long-term loans to investee companies	**(43)**	(10)	(122)
Collection of long-term loans from investee companies	**29**	10	13
Interest received	**3**	1	26
Proceeds from sale of derivatives, net	**1**	3	11
Net cash provided by (used in) investing activities	**5**	(132)	(369)
Cash flows from financing activities			
Acquisition of rights not conferring control	**–**	–	(16)
Proceeds from sale of holdings in investee company	**–**	106	106
Receipt of long-term loans and issuance of debentures	**–**	–	392
Repayment of long-term loans and debentures	**(12)**	(12)	(266)
Interest paid	**(35)**	(29)	(103)
Payment for settlement of derivatives used for hedging	**(1)**	(1)	(2)
Net cash provided by (used in) financing activities	**(48)**	64	111
Net increase (decrease) in cash and cash equivalents	**31**	(70)	208
Cash and cash equivalents at the beginning of the period	**458**	230	230
Effect of exchange rate fluctuations on balances of cash and cash equivalents	**2**	–	20
Cash and cash equivalents at the end of the period	**491**	160	458

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at March 31, 2011
Additional Information

1. General

The interim separate-company financial information is presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970, and the Tenth Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970, regarding separate-company financial information of an entity. The interim separate-company financial information should be read together with the separate-company financial information as at December 31, 2010 and for the year then ended and together with the consolidated financial statements.

In this separate-company interim financial information:

(1)	The Corporation	–	Israel Corporation Ltd.
(2)	Subsidiaries	–	Companies, including partnerships, the financial statements of which are fully consolidated, directly or indirectly, with those of the Corporation.
(3)	Investee companies	–	Subsidiaries and companies, including partnerships or joint ventures, where the Corporation's investment therein is included, directly or indirectly, in the financial statements using the equity basis of accounting.

2. Relationships, Undertakings and Significant Transactions with Investee Companies

(1) In the period of the report, an investee company declared a dividend in the amount of about $170 million. The Corporation's share in this distribution is about $48 million.

(2) In the period of the report, investee companies distributed dividends in the amount of about $211 million. The Corporation's share in these distributions is about $88 million (after deduction of taxes).

(3) In the period of the report, the Corporation invested the amount of about $38 million in I.C. Power Ltd. by means of capital notes.

3. Dividend

On March 29, 2011, the Corporation's Board of Directors decided to declare a dividend in the amount of $70 million – about $9.18 per share. The dividend was distributed subsequent to the date of the report, on May 1, 2011.

* For additional information regarding investee companies – see Note 5 to the Consolidated Financial Statements.

Quarterly Report regarding Effectiveness of the Internal Control over the Financial Reporting and the Disclosure in accordance with Regulation 9B(a):

Management, under the supervision of the Board of Directors of Israel Corporation Ltd. (hereinafter – "the Corporation"), is responsible for determining and maintaining proper internal control over the Corporation's financial reporting and disclosure.

For this purpose, the members of management are:

Nir Gilad, CEO;

Avisar Paz, CFO;

Eran Sarig, Deputy CEO of Business and Strategic Development;

Maya Alscheich-Kaplan, In-House Counsel and Corporation Secretary;

Eli Goldstein, Deputy CEO of Communications and Regulations.

Internal control over the financial reporting and disclosure includes the Corporation's existing controls and procedures, which were planned by the CEO and the most senior officer in the finance area or under their supervision, or by a party actually executing the said functions, under the supervision of the Corporation's Board of Directors, which were intended to provide a reasonable level of confidence regarding the reliability of the financial reporting and preparation of the financial statements in accordance with law, and to ensure that information the Corporation is required to disclose in the statements it publishes under law was gathered, processed, summarized and reported on the date and in the format prescribed by law.

The internal control includes, among other things, controls and procedures that were planned to ensure that information the Corporation is required to disclose, as stated, was accumulated and transferred to Corporation management, including to the CEO and to the most senior officer in the finance area or to a party actually executing the said functions, in order to enable making decisions at the appropriate time, with respect to the disclosure requirement.

Due to its inherent limitations, the internal control over the financial reporting and disclosure is not intended to provide complete assurance that a material misrepresentation or omission of significant information in the statements will be avoided or discovered.

In the Annual Report regarding the effectiveness of the internal control over the financial reporting and the disclosure, which was attached to the Periodic Report for the period ended December 31, 2010 (hereinafter – "the Latest Annual Report regarding the Internal Control"), the Board of Directors and Management evaluated the Corporation's internal control; based on this evaluation, the Corporation's Board of Directors and Management reached the conclusion that the internal control as stated, as at December 31, 2010, effective.

As at the date of the report, based on the Latest Annual Report regarding the Internal Control, and based on information brought to the attention of Management and the Board of Directors as stated above, the internal control is effective.

Management representation: attached hereto (respectively) are: (a) a signed declaration of the CEO; and (b) a signed declaration of the most senior officer in the finance area.

Management Representation
Declaration of the CEO

In accordance with Regulation 38C(d)(1) of the
Securities Regulations (Periodic and Immediate Reports), 1970

I, Nir Gilad, declare that:

(1) I have examined the financial statements and other financial information included in the statements of Israel Corporation Ltd. (hereinafter – "the Corporation") as at March 31, 2011 (hereinafter – "the Statements").

(2) As far as I am aware, the Statements do not include a misrepresentation of a material fact and they do not lack a material fact that is required so that the representations included therein, in light of the circumstances in which such representations were included, will not be misleading with reference to the period covered by the Statements.

(3) As far as I am aware, the financial statements and other financial information included in the Statements properly reflect, in all material respects, the Corporation's financial position, results of operations and cash flows as at the dates and for the periods to which the Statements relate.

(4) I have disclosed to the Corporation's auditing CPAs, Board of Directors and Audit and Financial Statements Committees, based on my most up-to-date estimation with respect to the internal control over the Corporation's financial reporting and disclosure:

(a) All the significant deficiencies and weaknesses in determination or operation of the internal control over the financial reporting and disclosure that might reasonably have an unfavorable impact on the Corporation's ability to gather, process, summarize or report financial information in such a manner that could cause doubt with respect to the reliability of the financial report and preparation of the financial statements in accordance with the provisions of law; and –

(b) Every fraud, whether or not significant, wherein the CEO is involved or a party under his direct supervision or other employees are involved that have a significant function in the internal control over the financial reporting and disclosure;

(5) I, alone or together with others in the Corporation:

(a) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, which are designed to ensure that significant information relating to the Corporation, including its subsidiaries as defined in the Securities Regulations (Preparation of Annual Financial Statements), 1993, to the extent it is relevant to the financial statements and the other information presented in the Statements is brought to my attention by others in the Corporation and the subsidiaries, particularly during the period of preparation of the Statements; and –

(b) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, which are designed to reasonably ensure the reliability of the financial report and preparation of the financial statements in accordance with the provisions of law, including in accordance with generally accepted accounting principles (GAAP);

(c) No event or matter that occurred during the period between the date of the latest Periodic Report and the date of this report was brought to my attention that is sufficient to change the conclusions of the Board of Directors and Management regarding the effectiveness of the internal control over the Corporation's financial reporting and disclosure.

Nothing in that stated above detracts from my responsibility or the responsibility of any other person under any law.

May 25, 2011

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Nir Gilad, CEO

Management Representation
Declaration of the most Senior Officer in the Finance Area

In accordance with Regulation 38C(d)(2) of the Securities Regulations (Periodic and Immediate Reports), 1970

I, Avisar Paz, declare that:

(1) I have examined the interim consolidated financial statements of Israel Corporation Ltd. (hereinafter – "the Corporation") as at March 31, 2011 (hereinafter – "the Statements").

(2) As far as I am aware, the financial statements and the other financial information included in the Statements do not include a misrepresentation of a material fact and they do not lack a material fact that is required so that the representations included therein, in light of the circumstances in which such representations were included, will not be misleading with reference to the period covered by the Statements.

(3) As far as I am aware, the financial statements and other financial information included in the Statements properly reflect, in all material respects, the Corporation's financial position, results of operations and cash flows as at the dates and for the periods to which the Statements relate.

(4) I have disclosed to the Corporation's auditing CPAs, Board of Directors and Audit and Financial Statements Committees, based on my most up-to-date estimation with respect to the internal control over the Corporation's financial reporting and disclosure:

(a) All the significant deficiencies and weaknesses in determination or operation of the internal control over the financial reporting and disclosure to the extent it relates to the financial statements and the other financial information included in the Statements, which could reasonably have an adverse impact on the Corporation's ability to gather, process, summarize or report financial information in such a manner that could cause doubt with respect to the reliability of the financial report and preparation of the financial statements in accordance with the provisions of law; and –

(b) Every fraud, whether or not significant, wherein the CEO is involved or a party under his direct supervision or other employees are involved that have a significant function in the internal control over the financial reporting and disclosure;

(5) I, alone or together with others in the Corporation:

(a) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, which are designed to ensure that significant information relating to the Corporation, including its subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 1993, to the extent it is relevant to the financial statements and the other information presented in the Statements is brought to my attention by others in the Corporation and the subsidiaries, particularly during the period of preparation of the Statements; and –

(b) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, which are designed to reasonably ensure the reliability of the financial report and preparation of the financial statements in accordance with the provisions of law, including in accordance with generally accepted accounting principles (GAAP);

(c) No event or matter that occurred during the period between the date of the latest Periodic Report and the date of this report was brought to my attention that is sufficient to change the conclusions of the Board of Directors and Management regarding the effectiveness of the internal control over the Corporation's financial reporting and disclosure.

Nothing in that stated above detracts from my responsibility or the responsibility of any other person under any law.

May 25, 2011

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Avisar Paz, CFO