Israel Corporation Ltd.

Condensed Consolidated Interim Financial Statements

As at March 31, 2019

(UNAUDITED)

This English Version of the Report is for the Convenience of the Reader.
The Hebrew Version of the Report is the Binding Version.

Contents

Report of the Corporation's Board of Directors

For the Three Months Ended March 31, 2019

Israel Corporation Ltd. (hereinafter – "the Corporation") is a public holding company the shares of which are traded on the Tel-Aviv Stock Exchange.

The Corporation operates through two main investee companies: Israel Chemicals Ltd. (hereinafter – "ICL") and Oil Refineries Ltd. (hereinafter – "ORL"). The Corporation is involved in management of the Group companies through directors serving on the Boards of Directors of the Corporation's investee companies.

On March 13, 2019, the Corporation's Board of Directors decided to update the Corporation's business strategy such that it will include, along with the target of continuing to maximize the value of its investments in ICL and ORL, also to make new investments. For additional details – see Section 2 below.

This Directors' Report is submitted as part of the interim financial statements for the period ended March 31, 2019 (hereinafter – "the Interim Consolidated Financial Statements"). The report was prepared in accordance with the Securities Law (Periodic and Immediate Reports), 1970, and on the assumption that the reader is also in possession of the interim financial statements for the period ended March 31, 2018, and the Periodic Report for 2018.

Various Events in the Corporation in the Year of the Report and Thereafter

1. In connection with a request for certification of a derivative claim regarding the Corporation's undertaking in the debt arrangement for ZIM Integrated Shipping Services Ltd. (hereinafter – "ZIM") and the condition for transfer of ZIM's shares by force of the Special State Share in ZIM, subsequent to the date of the report, on February 5, 2019 the decision of the Supreme Court was rendered whereby at the close of the hearing, upon the recommendation of the judges, the appellant revoked his appeal and the appeal was cancelled. For additional details – see Note 6A(2) to the Interim Consolidated Financial Statements.

2. On March 13, 2019, the Corporation's Board of Directors decided to update its business strategy in accordance with the Corporation's natural purpose as an active investments company having a solid business infrastructure. The Corporation's updated business strategy will include, besides the purpose to keep maximizing the value of the Corporation's investments in Israel Chemicals Ltd. ("ICL") and Oil Refineries Ltd. ("ORL"), also to make new investments, pursuant to the following guiding principles:

   – The Corporation considers ICL as a strategic investment.

   – The investment strategy will be based on the guiding principle of managing a calculated portfolio in a format similar to that of a Private Equity, which combines aside from making investments, also realization of investments in order to maximize value for the shareholders.

   – The Corporation will act in order to implement the investment strategy considering the predicted cash flow and the possible realization of assets and without intention to change the net debt of the Corporation over time.

   – The Corporation intends to allocate an aggregate amount of US$350 million – US$500 million in the next four years in order to make the investments in the new companies.

   – The Corporation will strive to increase value from new investments in companies that have proven a real commercial capability, including products that have been proven in target markets.

Various Events in the Corporation in the Year of the Report and Thereafter (Cont.)

2. (Cont.)

   – The Corporation will avoid investing in start-up companies.

   – The Corporation will strive to include as part of its investments a combination between global companies and Israeli technologies.

   The Corporation intends to approach the financial debt holders of the Corporation in order to update the agreements accordingly.

   In connection with updating the business strategy, the Corporation will make changes in its management team. Mr. Avisar Paz will finish his role as the CEO of the Corporation and will continue to serve as a director in both ICL and ORL, and Mr. Yoav Doppelt will be appointed as the CEO of the Corporation and will lead the updated strategy in parallel to his position as Chairman of the Board of ICL. The date of Mr. Avisar Paz's termination of office and Mr. Yoav Doppelt's beginning of office is expected to take place during the second quarter of 2019.

   The Corporation's Board of Directors has instructed the management to submit a comprehensive plan to implement the updated strategy for the Board's approval in the coming months[1].

3. For details regarding the Corporation's liabilities – see the Immediate Report regarding the total liabilities based on repayment date that was published on May 16, 2019 (Reference No. 2019-01-047362). The information included therein is presented in this Report by means of references.

For additional information in connection with claims filed against the Corporation – see 6A to the Interim Consolidated Financial Statements and Note 20B(1) to the annual consolidated financial statements for 2018.

[1] That stated in Section 2 above regarding the Corporation's updated strategy, implementation of the strategy's guiding principles, increasing and maximizing value for the shareholders, the estimated scope of investments, the manner of the implementation of the strategy and its format, realization of the assets and investments and/or no changes in the Corporation's net debt over time, includes forward-looking information, as defined in the Securities Law, 5728-1968, which is based on the intentions, assessments and plans of the Corporation as of the date of this report only. In practice, the aforesaid my not be executed, in whole or in part, or may be executed in a different format and a different manner than anticipated or planned, and in this scope, there is no certainty that the net debt of the Corporation will not increase. The aforesaid is subject, *inter alia*, to the existence of suitable market conditions, receipt of approvals and/or consents from third parties, conditions relating the portfolio companies, the non-occurrence of risk factors associated with making investments and/or with the Corporation's activity and its held companies and the actual cash flow. Additionally, the objectives of the above strategy (if implemented), might not be realized, in whole or in part, in the short term or the long term. Without derogating from the generality of the foregoing, in the short-medium term the investment strategy might weigh-in on the Corporation's results, and there might be an increase in the net debt of the Corporation's in the short and medium term, in connection with the beginning of implementation of the updated strategy.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

– The total sales for the three-month period ended March 31, 2019 amounted to about $1,415 million, compared with about $1,404 million in the corresponding period last year.

– The total net income attributable to the owners of the Corporation for the three-month period ended March 31, 2019 amounted to about $65 million, compared with net income about $432 million in the corresponding period last year. The income in the corresponding period last year includes the Corporation's share in a net capital gain, in the amount of $394 million, recorded by ICL, due to completion of the transaction for sale of the Fire Safety and Oil Additives businesses

– The total assets, as at March 31, 2019, amounted to about $10,276 million, compared with about $11,294 million, as at March 31, 2018, and compared with about $10,100 million, as at December 31, 2018.

– The current assets net of current liabilities, as at March 31, 2019 amounted to about $830 million, compared with about $1,732 million as at March 31, 2018, and compared with about $912 million, as at December 31, 2018.

– The balance of the non-current assets, as at March 31, 2019 amounted to about $7,199 million, compared with about $6,969 million as at March 31, 2018, and compared with about $6,831 million, as at December 31, 2018.

– The non-current liabilities, as at March 31, 2019, amounted to about $4,240 million, compared with about $5,215 million, as at March 31, 2018, and compared with about $4,133 million, as at December 31, 2018.

– The total equity as at March 31, 2019 amounted to about $3,789 million and the total equity attributable to the owners of the Corporation amounted to about $1,493 million, compared with equity of $3,486 million and total equity attributable to the owners of the Corporation of $1,355 million as at March 31, 2018, and compared with total equity of about $3,610 and total equity attributable to the owners of the Corporation of about $1,393 million as at December 31, 2018.

Set forth below are the results of the Group companies in the period January–March 2019:

– ICL finished the period of the report with income of about $139 million, compared with income of about $928 million in the corresponding period last year. The income in the corresponding period last year includes a net capital gain, in the amount of $829 million, due to completion of the transaction for sale of the Fire Safety and Oil Additives businesses.

– ORL finished the period of the report with income of about $63 million, compared with income of about $74 million in the corresponding period last year.

FINANCIAL POSITION AND RESULTS OF OPERATIONS (Cont.)

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

	Three months ended March 31	
	2019	**2018**
	$ Millions	
Composition of the Corporation's results attributable to the owners:		
ICL	**65**	(1)441
ORL	**21**	25
Amortization of excess cost	**(3)**	(3)
Financing, administrative, general and other expenses of the Corporation's headquarters	**(20)**	(27)
Loss from re-measurement to fair value of collar options(2)	**1**	(5)
Tax benefit (taxes on income) of the Corporation's headquarters	**1**	1
	65	432

(1) Includes the Corporation's share in a net capital gain, in the amount of $394 million, recorded by ICL as a result of completion of the transaction for of the Fire Safety and Oil Additives businesses during the first quarter.

(2) Further to that stated in Note 16.E.1(f) to the annual consolidated financial statements, the changes stem from re-measurement of the options based on their fair value in connection with the financial transaction in ICL shares (hereinafter – "the Collar Options"), including adjustment of the dividend component. The said changes are included in the "other income (expenses)" category in the statement of income.

* Regarding an analysis of the results of ICL and ORL – see the sections below.

SOURCES OF FINANCING AND LIQUIDITY OF THE CORPORATION AND THE HEADQUARTERS COMPANIES

As at March 31, 2019, the total financial liabilities of the Corporation and of the wholly owned and controlled headquarters companies (hereinafter – "the Headquarters Companies") amounted to about $1,365 million. The balance of the fair value of the options in the financial transaction (hereinafter – "the Collar Options") economically reduces the liabilities by about $7 million and the balance of the fair value of the currency and interest SWAP transactions, economically reduces the liabilities by about $9 million.

As at March 31, 2019, the Corporation had a long-term secured credit framework from a bank, in the amount of $110 million. As at the date of the report, the said framework had not been utilized. For additional details – see Note 5A(1) to the Interim Consolidated Financial Statements.

As at the date of the report, the investments of the Corporation and of the Headquarters Companies in liquid assets amounted to about $285 million, which are invested in short-term deposits in financial institutions, of which about $8 million thereof is deposited as collateral in favor of a loan.

The net financial liabilities of the Corporation and of the Headquarters Companies as at the date of the report was about $1,064 million, compared with net debt balances of about $1,092 million and about $991 million as at December 31, 2018 and as at March 31, 2018, respectively. As at the date of the report, the net financial liabilities of the headquarters companies standing alone amounted to about $142 million.

SOURCES OF FINANCING AND LIQUIDITY OF THE CORPORATION AND THE HEADQUARTERS COMPANIES (Cont.)

In September 2014, the Corporation entered into a financial transaction with financial entities, in connection with 36.2 million shares of ICL, which were loaned to the financial entities. As part of the transaction, the financial entities provided the Corporation with an initial amount of about $191 million, which is essentially a loan. Closing of the financial transaction is being executed in increments during a period of three years, commencing from the end of 2016. Accordingly, and subject to the terms of the financial transaction, during the quarter the Corporation chose not to receive return of the transaction shares and it was credited for their value against payment of the loans and the interest accrued (hereinafter – "the Physical Settlement"). For additional details – see Note 16.E.(1)(f) to the annual financial statements.

The balances of this loan, including accrued interest, as at March 31, 2019, March 31, 2018 and December 31, 2018, which is included in the Corporation's net debt, amounted to about $40 million, $115 million and about $61 million, respectively.

In the period of the report, the Corporation and the Headquarters Companies repaid liabilities in the amount of $187 million, of which payment of principal of the debentures (Series 7) (net of hedging transactions), in the amount of about $157 million, and repaid long-terms loans from bank, in the amount of $30 million.

As at the date of the report, the Corporation was in compliance with the financial covenants provided in its financing agreements. For additional details – see Note 5.A.3 to the Interim Consolidated Financial Statements.

In addition, from time to time, the Corporation and the Headquarters Companies extend the repayment dates of long-term loans. As at the date of the report, the average duration of the balance of the loans and debentures of the Corporation and the Headquarters Companies is about 2.5 years.

During the period of the report, the Corporation and the Headquarters Companies received a dividend, net of tax, from ICL, in the amount of about $28 million.

<u>Corporation's credit ratings</u>

On March 13, 2018, S&P gave notice of confirmation of a rating in connection with the outstanding debentures (Series 7, 10 and 11) and provision of a rating of ilA for issuance of debentures in the amount of up to NIS 400 million par value.

On March 27, 2018, S&P gave notice of a rating of ilA for issuance of new series of debentures in the amount of up to NIS 970 million par value.

On July 9, 2018, S&P gave notice of confirmation of a rating of ilA/stable, with a stable rating outlook.

Pursuant to the Separate-Company Financial Information (Regulation 38D), as at March 31, 2019 the Corporation has a deficit in the working capital, in the amount of $17 million, compared with positive working capital, in the amount of $411 million, as at March 31, 2018 and positive working capital, in the amount of $128 million, as at December 31, 2018. The Corporation's Board of Directors determined that the existence of a deficit in the Corporation's working capital, as stated, does not indicate liquidity problem for the Corporation, taking into account, among other things, unutilized credit frameworks, in the amount of $110 million, and the financial transaction, with respect to which a physical settlement is being made.
The above information includes "forward-looking" information, which is based on the Corporation's estimates regarding the liquidity. The actual data may be significantly different than the above estimate if there is a change in one of the factors taken into account in these estimates.

ISRAEL CHEMICALS LTD.

	1–3/2019		1–3/2018		1–12/2018	
	$ millions	**% of sales**	**$ millions**	**% of sales**	**$ millions**	**% of sales**
Sales	**1,415**	**–**	1,404	–	5,556	–
Gross profit	**501**	**35**	431	31	1,854	33
Operating income	**227**	**16**	985	70	1,519	27
Adjusted operating income*	**241**	**17**	151	11	753	14
Net income attributable to ICL's shareholders	**139**	**10**	928	66	1,240	22
Adjusted net income attributable to ICL's shareholders (1)	**150**	**11**	106	8	477	9
Adjusted EBITDA (2)	**350**	**25**	251	18	1,164	21
Cash flows from operating activities	**173**	**–**	36	–	620	–
Cash flows used for acquisition of property, plant and equipment and other assets (3)	**131**	**–**	127	–	572	–

(1) See table "adjustments to the operating income and the reported net income (Non-GAAP)" below.
(2) See table "adjusted consolidated EBITDA" below.
(3) See the condensed consolidated statements of cash flows (unaudited) to the attached financial statements.

ISRAEL CHEMICALS LTD. (Cont.)

ICL discloses in this quarterly report non-IFRS financial measures titled adjusted operating income, adjusted net income attributable to ICL's shareholders and adjusted EBITDA. ICL's management uses adjusted operating income, adjusted net income attributable to ICL's shareholders and adjusted EBITDA to facilitate operating performance comparisons from period to period. ICL calculates its adjusted operating income by adjusting its operating income to add certain items, as set forth in the reconciliation table under "Adjustments to reported operating and net income (Non-GAAP)" below. Certain of these items may recur. ICL calculates its adjusted net income attributable to ICL's shareholders by adjusting its net income attributable to ICL's shareholders to add certain items, as set forth in the reconciliation table under "Adjustments to reported operating and net income (Non-GAAP)" below, excluding the total tax impact of such adjustments and adjustments attributable to the non-controlling interests. ICL calculates its adjusted EBITDA by adding back to the net income attributable to ICL's shareholders the depreciation and amortization, financing expenses, net, taxes on income and the items presented in the reconciliation table under "Adjusted EBITDA for the periods of activity" below which were adjusted for in calculating the adjusted operating income and adjusted net income attributable to ICL's shareholders.

One should not view adjusted operating income, adjusted net income attributable to ICL's shareholders or adjusted EBITDA as a substitute for operating income or net income attributable to ICL's shareholders determined in accordance with IFRS, and one should note that ICL's definitions of adjusted operating income, adjusted net income attributable to ICL's shareholders and adjusted EBITDA may differ from those used by other companies. However, ICL believes adjusted operating income, adjusted net income attributable to ICL's shareholders and adjusted EBITDA provide useful information to both management and investors by excluding certain items that management believes are not indicative of ICL's ongoing operations. ICL's management uses these non-IFRS measures to evaluate ICL's business strategies and management's performance. ICL believes that these non-IFRS measures provide useful information to investors because they improve the comparability of ICL's financial results between periods and provide for greater transparency of key measures used to evaluate ICL's performance.

ICL presents a discussion in the period-to-period comparisons of the primary drivers of changes in ICL's results of operations. This discussion is based in part on the best estimates of ICL's management of the impact of the main trends in its businesses. ICL has based the following discussion on its financial statements. One should read the following discussion together with ICL's financial statements.

ISRAEL CHEMICALS LTD. (Cont.)

Adjustments to reported operating income and net income (Non-GAAP)

	1–3/2019	1–3/2018	2018
		$ millions	
Operating income	**227**	985	1,519
Capital gain (1)	**–**	(841)	(841)
Impairment of assets (2)	**–**	–	19
Provision for early retirement and dismissal of employees (3)	**–**	7	7
Provision for legal claims (4)	**14**	–	31
Provision for site closure costs (5)	**–**	–	18
Total adjustments to operating income	**14**	(834)	(766)
Total adjusted operating income	**241**	151	753
Net income attributable to the shareholders of ICL	**139**	928	1,240
Total adjustments to operating income (loss)	**14**	(834)	(766)
Adjustments to financing expenses (6)	**–**	–	10
Total tax impact of the above operating income and financing expenses adjustments	**(3)**	12	(7)
Total adjusted net income attributable to the shareholders of ICL	**150**	106	477

(1) In 2018, a capital gain from the sale of the Fire Safety and Oil Additives (P_2S_5) businesses.
(2) In 2018, a write-off of Rovita's assets following its divestment and a write-off of an intangible asset regarding a specific R&D project related to ICL's phosphate-based products.
(3) In 2018, a provision relating to transition to production of Polysulphate™ in ICL's facility in the United Kingdom (ICL Boulby).
(4) In 2019 and 2018, an increase of a provision in connection with the finalization of the royalties arbitration in Israel relating to prior periods (for further information see Note 6C to the Interim Consolidated Financial Statements). In 2018, the said increase was partly offset by a VAT refund related to prior periods (2002–2015) in Brazil.
(5) In 2018, an increase of a provision relating to the closure cost of the Sallent site in Spain which are part of the site restoration plan.
(6) In 2018, interest and linkage expenses resulting from an increase of a provision related to the royalties' arbitration in Israel (see item 4 above).

Calculation of the adjusted EBITDA is made as follows:

	1–3/2019	1–3/2018	2018
		$ millions	
Net income attributable to ICL's shareholders	**139**	928	1,240
Depreciation and amortization**	**111**	97	403
Financing expenses, net	**35**	15	158
Taxes on income	**51**	45	129
Adjustments*	**14**	(834)	(766)
Total adjusted EBITDA**	**350**	251	1,164

* See "Adjustments to reported operating and net income (Non-GAAP)" above.
** The total adjusted EBITDA for the first quarter of 2019 was positively impacted by $15 million as a result of the initial application of IFRS 16. For further information – see Note 3 to the Interim Consolidated Financial Statements.

ISRAEL CHEMICALS LTD. (Cont.)

Results of operations for the period January – March 2019

	$ millions			
	Sales	Expenses	Operating income	
Q1 2018 figures	**1,404**	**(419)**	**985**	
Total adjustments Q1 2018 *	–	(834)	(834)	
Adjusted Q1 2018 figures	**1,404**	**(1,253)**	**151**	
Divested businesses	(41)	36	(5)	
Adjusted Q1 2018 figures (excluding divested businesses)	**1,363**	**(1,217)**	**146**	
Quantity	10	(3)	7	⇧
Price	88	–	88	⇧
Exchange rate	(46)	48	2	⇧
Raw materials	–	(14)	(14)	⇩
Energy	–	10	10	⇧
Transportation	–	(3)	(3)	⇩
Operating and other expenses	–	5	5	⇧
Adjusted Q1 2019 figures	**1,415**	**(1,174)**	**241**	
Total adjustments Q1 2019 *	–	(14)	(14)	
Q1 2019 figures	**1,415**	**(1,188)**	**227**	

* See “Adjustments to reported operating and net income (Non-GAAP)” above.

Divested businesses – sale of the Fire Safety and Oil Additives (P_2S_5) businesses at the end of the first quarter of 2018 together with the sale of the Rovita business at the beginning of the third quarter of 2018.

Quantity – the moderate positive quantity impact on the operating income resulted mainly from varied product-mix throughout ICL’s different segments. Higher quantities sold of bromine-based industrial solutions, phosphate fertilizers and phosphate rock were partly offset by a decrease in the quantities sold of potash, specialty agriculture products and acids.

Price – the positive impact on the operating income derives mainly from an increase in the selling prices of potash (an increase of $33 in the average realized price per ton compared to the corresponding quarter last year), phosphate fertilizers, phosphate-based acids, salts and food additives (as part of the “value over volume” strategy), specialty agriculture products and a positive price impact throughout most of Industrial Products segment’s business-lines.

Exchange rate – the minor positive impact on the operating income derives mainly from the devaluation in the average exchange rate of the euro, the Chinese yuan and the shekel against the dollar decreasing production costs. This impact was mostly offset by the devaluation in the average exchange rate of the euro and the Chinese yuan against the dollar decreasing revenue.

Raw materials – the negative impact on the operating income derives mainly from an increase in consumed sulphur prices, which increased costs of the main raw materials used throughout the phosphate value chain, together with an increase in the prices of various raw materials used for products of the Innovative Ag Solutions segment.

Energy – the positive impact on the operating income derives mainly from a decrease in electricity costs due to the activation of the new power plant in Sodom during the second half of 2018.

Operating and other expenses – the positive impact on the operating income derives mainly from capital gains due to the sale and leaseback of office buildings in Israel.

ISRAEL CHEMICALS LTD. (Cont.)

Results of operations for the period January – March 2019

The following table presents the sales in accordance with geographic areas based on the location of the customers:

	1–3/2019		1–3/2018	
	$ millions	%	$ millions	%
Europe	**576**	**41**	583	42
Asia	**368**	**26**	334	24
North America	**262**	**19**	267	19
South America	**117**	**8**	119	8
Rest of the world	**92**	**6**	101	7
Total	**1,415**	**100**	1,404	100

Europe – the decrease derives mainly from the divestiture of the Fire Safety and Oil Additives (P_2S_5) and Rovita businesses, together with the negative impact of the devaluation in the average exchange rate of the euro against the dollar. The decrease was partly offset by an increase in the quantities sold and selling prices of clear brine fluids and an increase in the selling price of potash and acids.

Asia – the increase derives mainly from an increase in the selling prices of potash and elemental bromine, together with an increase in the quantities sold of green phosphoric acid. The increase was partly offset by a decrease in the quantities sold of phosphate fertilizers together with the negative impact of the devaluation in the average exchange rate of the Chinese yuan against the dollar.

North America – the decrease derives mainly from the divestiture of the Fire Safety and Oil Additives business (P_2S_5). The decrease was partly offset by an increase in the quantities sold of clear brine fluids and an increase in the potash selling price.

South America – the minor decrease derives mainly from a decrease in the quantities sold of potash and acids, almost fully offset by an increase in the quantities sold of phosphate fertilizers and clear brine fluids and an increase in the potash selling price.

Rest of the world – the decrease derives mainly from a decrease in the quantities sold of dairy proteins and potash.

Financing expenses, net

The net financing expenses in the first quarter of 2019 amounted to $35 million, compared with $15 million in the corresponding quarter last year – an increase of $20 million. The increase derives mainly from an increase in respect of the change in exchange rate and linkage differences in the amount of $16 million, mainly due to the upward revaluation of the shekel during the quarter, which increased expenses relating to long-term employee benefits provision and long-term lease revaluation (according to IFRS 16). There was an increase in interest expenses in the amount of $4 million due to implementation of IFRS16 and change in the interest rate relating to the provision for employee benefits. This increase was partly offset by income from hedging transactions in the amount of $3 million, mainly due to the upward revaluation of the shekel against the dollar during the quarter.

Tax expenses

The tax expenses in the first quarter of 2019 and in the first quarter of 2018 amounted to $51 million and $45 million, reflecting an effective tax rate of about 27% and 5%, respectively. The Company's exceptionally low tax rate in the corresponding quarter last year derives mainly from an exempt income from the divestiture of businesses. The tax rate in the first quarter of 2019 was negatively affected by the upward revaluation of the shekel against the dollar during the quarter.

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments

Commencing the first quarter of 2019, segment profit is measured based on the operating income after allocation of general and administrative expenses and without certain expenses that are not allocated to the operating segments, as presented in the reports regularly reviewed by the chief operating decision maker. The comparative data has been restated accordingly.

Industrial Products

Significant highlights and business environment

– The segment's strong quarterly performance was driven mainly by high sales of clear brine fluids in January 2019 and higher prices across the segment's product portfolio.

– Elemental bromine prices in China continued to increase during the first quarter of 2019 as local bromine production was affected by strict environmental-related regulation pressure and by the winter shutdown. The seasonal decline in bromine prices which usually starts in March has not yet occurred as many producers have so far not returned from the winter shutdown. Higher elemental bromine prices continued to drive higher bromine compound prices.

– Demand for bromine-based flame retardants remained relatively stable. ICL's sales volume of bromine-based flame retardants was at the same level compared to the corresponding quarter last year.

– Strong sales of clear brine fluids in January 2019 were driven by higher activity in the Gulf of Mexico, Alaska, and South America, coupled with low availability of product in the market.

– The performance of ICL's phosphorus-based flame retardants business was stable compared to the corresponding quarter last year as price increases were offset by lower sales volumes.

– The segment's specialty minerals sales were stable as higher demand for de-icing and de-dusting salts was offset by lower sales of Dead Sea salts. The segment continues to focus on magnesia applications with higher margins such as pharma and nutraceutical.

Results of operations

	1–3/2019	1–3/2018	2018
		$ millions	
Total sales	**350**	317	1,296
Sales to external customers	**347**	314	1,281
Sales to internal customers	**3**	3	15
Segment income (after allocation of administrative and general expenses)	**97**	66	300
Depreciation and amortization	**16**	15	63
Capital investments – impact of application of IFRS 16*	**6**	–	–
Capital investments – current	**13**	13	50

* For further information regarding the initial application of IFRS 16 – see Note 3 to the Interim Consolidated Financial Statements.

ISRAEL CHEMICALS LTD. (Cont.)

Industrial Products (Cont.)

Results of operations for the first quarter (Q1) of 2019

	$ millions		
	Sales	**Expenses**	**Operating income**
Q1 2018 figures	317	(251)	66
Quantity	**18**	**(4)**	**14**
Price	**20**	–	**20**
Exchange rate	**(5)**	**6**	**1**
Raw materials	–	**(2)**	**(2)**
Energy	–	–	–
Transportation	–	**(1)**	**(1)**
Operating and other expenses	–	**(1)**	**(1)**
Q1 2019 figures	**350**	**(253)**	**97**

Quantity – the positive impact on the segment's profit derives mainly as a result of higher quantities sold of bromine-based industrial solutions (mostly clear brine fluids and elemental bromine).

Price – the positive impact on the segment's profit derives mainly from an increase in the selling prices of bromine-based industrial solutions and flame retardants, together with an increase in the selling prices of phosphorus-based flame retardants.

Exchange rate – the positive impact on the operating income derives mainly from the devaluation in the average exchange rate of the shekel and the euro against the dollar decreasing production costs. This impact was partly offset by the devaluation in the average exchange rate of the euro against the dollar which decreased revenue.

Potash

Significant highlights and business environment

– The Grain price index decreased during the first quarter of 2019 as a result of a decrease in wheat, corn and soybean prices. This was mainly due to an increase in the USDA (United States Department of Agriculture) estimates for the grain stock-to-use ratio published during the quarter. In the USDA's WASDE (World Agricultural Supply and Demands Estimates) report from April 2019, the estimated grains stock-to-use ratio for the 2018/2019 agricultural year increased to 29.9% compared to 29.5% in the March estimates and compared to 29% in December 2018 estimates. However, this is still a decrease compared with a ratio of 31.3% recorded at the end of the 2017/2018 agricultural year and compared with a ratio of 30.6% in the 2016/2017 agricultural year.

– The FAO (Food and Agriculture Organization of the UN) forecasts in its latest Agricultural Outlook (2018 – 2027) that the global cereal production in 2019 will increase by 1.7% year–on-year, to 2,661 million tons[2].

[2] The estimates regarding future trends in this paragraph constitute "forward-looking" information, and there is no certainty that they will be realized, at what time and at what rate. These estimates may change due to, among other things, volatility in the world agricultural markets, particularly the target markets for ICL's products, including, among other things, changes in the level of supply and demand, extreme changes in the weather, prices of products, commodities and grains, input prices, shipping and energy costs, and there also could be impacts from relationships between countries, regulatory restrictions, and actions taken by the governments, producers and consumers.

ISRAEL CHEMICALS LTD. (Cont.)

Potash (Cont.)

Significant highlights and business environment (Cont.)

- Potash prices were mostly stable during the first quarter of 2019 across the key spot markets, supported by low availability, and despite slow activity due to seasonality. Demand in the U.S. was impacted by unfavorable weather which interrupted fertilizer applications. The emergence of demand in Brazil was delayed as buyers expected prices to moderate and due to the later than usual Carnival festivities, however, demand started to emerge towards the end of the quarter.

- According to CRU (Fertilizer Week Historical Prices, March 2019) the average price of granular potash imported to Brazil for the first quarter of 2019 was $352 per ton (CFR Spot), up by 0.6% and 20.1% compared to the fourth and to the first quarters of 2018, respectively. The average price of granular potash imported to U.S. New Orleans for the first quarter of 2019 was $305 per ton (FOB Barge Spot), down by 1.9% and up by 17.4% compared to the fourth and the first quarters of 2018, respectively.

- According to Chinese customs data, potash imports to China in the first quarter of 2019 reached more than 2.9 million tons, a 7.7% increase over the first quarter of 2018.

- According to the FAI (Fertilizer Association of India), potash imports to India in the first quarter of 2019 amounted to 1.1 million tons, a 12.8% decrease compared to the first quarter of 2018. This can be explained by the increase of the potash Maximum Retail Price (MRP) following the signing of the 2018/19 potash supply contracts to India, while the potash Nutrient Based Subsidy (NBS) was not updated, on the background of the elections that is currently taking place in India.

- According to Brazil customs data, potash imports to Brazil in the first quarter of 2019 reached more than 1.9 million tons, a 12.9% increase compared to first quarter of 2018.

- Supply side developments: EuroChem (Russia) announced in January 2019 that it would continue the ramp up of its new Usolskiy mine (Russia) gradually, expecting to reach 70-90 thousand tons a month in the second quarter of 2019. As of the end of the first quarter, Eurochem's other mine, Volgakaliy (Russia), has not started commercial sales yet. K+S (Germany) shipped granular potash from its Bethune (Canada) mine to Brazil and standard potash to the Eastern Hemisphere markets and is planning to continue the mine ramp up, forecasting production of 1.7–1.9 million tons in 2019.

- At ICL Boulby the production rate of Polysulphate continued the positive trend as of the end of 2018. The production in the first quarter of 2019 reached a level of 140 thousand tons, an increase of 130% compared to the first quarter of 2018. PotashpluS production amounted to 32 thousand tons, following a successful commercial launch in the fourth quarter of 2018, as part of ICL's strategy to grow the FertilizerpluS platform, mainly by utilizing Polysulphate as a base for a product portfolio which includes PotashpluS, PKpluS and other products. Sales of FertilizerpluS in the first quarter of 2019 totaled $26 million, compared with $11 million in the first quarter of 2018.

- During March 2019, disruptions in the Israeli Railway Services led to interruptions in shipments causing a delay of about 60 thousand tons of potash sales.

- Demand for magnesium remains constrained in China (there are duties in Brazil and U.S. on Chinese imports) and Europe where prices continue to be under pressure due to Chinese exports. In the U.S. magnesium trade actions are being attributed with the resumption of domestic production, and consequent demand for raw materials by primary aluminum and steel producers and automotive original equipment manufacturers (OEMs). As a result, there is a trend of improvement in the U.S. magnesium market.

ISRAEL CHEMICALS LTD. (Cont.)

Potash (Cont.)

Significant highlights and business environment (Cont.)

– Further to Note 2B to the annual financial statements for 2018, regarding the petition filed in the U.S. requesting to impose antidumping and countervailing duties on imports of magnesium from Israel, subsequent to the date of the report, on May 3, 2019, the U.S. Department of Commerce issued a preliminary determination to impose 7.48% duties over future magnesium imports from Israel. Based on 2018 figures, such duties have an estimated annual impact of $3 million. A commerce verification process is still ahead. With respect to the antidumping, an interim decision is expected on July 1, 2019. Considering the early stage of the proceedings, there is a difficulty in estimating their overall outcome.

Results of operations – Potash

	1–3/2019	1–3/2018	2018
		$ millions	
Total sales	**384**	353	1,623
Sales to external customers	**275**	273	1,280
Sales to internal customers	**23**	16	79
Other and eliminations*	**86**	64	264
Gross profit	**166**	135	696
Segment income (after allocation of administrative and general expenses)	**79**	43	315
Depreciation and amortization	**39**	34	141
Capital investments – impact of application of IFRS 16**	**95**	–	–
Capital investments – current	**64**	62	356
Average price (in dollars)***	**294**	261	278

* Includes mainly salt produced in underground mines in UK and Spain, magnesium-based products and sales of electricity produced in Israel.

** For further information regarding the initial application of IFRS 16 – see Note 3 to the Interim Consolidated Financial Statements.

*** Potash average realized price (dollar per ton) is calculated by dividing total potash revenue by total sales' quantities. The difference between FOB price and average realized price is mainly marine transportation costs.

ISRAEL CHEMICALS LTD. (Cont.)

Potash (Cont.)

Potash – production and sales

	1–3/2019	1–3/2018	2018
		Tons, thousands	
Production	**1,148**	1,160	4,880
Total sales (including internal sales)	**1,014**	1,106	4,895
Closing inventory	**519**	454	385

Production – in the first quarter of 2019, production of potash was 12 thousand tons lower than in the corresponding quarter last year. This was due to higher production at ICL Dead Sea which was more than offset by the termination of potash production at ICL Boulby in the second quarter of 2018, as part of the transition to Polysulphate production and a decrease in production at ICL Iberia. Potash production at the Sodom site in the first quarter of 2018 included a 5-day production shutdown for maintenance purposes, while in 2019 the annual shutdown is scheduled for the fourth quarter and is also expected to be longer than usual (approximately 3 weeks) in order to allow for increased production in the following years[3].

Sales – the quantity of potash sold in the first quarter of 2019, was 92 thousand tons lower than in the corresponding quarter last year, mainly due to a decrease in potash sales to Brazil, also resulting from disruptions in the Israeli Railway Services, which caused a postponement of sales of about 60 thousand tons.

[3] The estimates regarding increase of the potash production due to the expected maintenance work on the Sodom site, including the date and duration of execution of the maintenance work constitute "forward-looking" information, and there is no certainty that they will be realized, at what time and at what rate. These estimates may change due to, among other things, operating, logistical and engineering difficulties, the economic feasibility of marketing of the potash, due to volatility in the world agricultural markets, particularly the target markets for ICL's products, including, among other things, changes in the level of supply and demand, extreme changes in the weather, prices of products, commodities and grains, input prices, shipping and energy costs, and actions taken by the governments, producers and consumers.

Results of operations for the first quarter (Q1) of 2019

	$ millions		
	Sales	Expenses	Operating income
Q1 2018 figures	353	(310)	43
Quantity	**2**	**(9)**	**(7)**
Price	**37**	**–**	**37**
Exchange rate	**(8)**	**11**	**3**
Energy	**–**	**9**	**9**
Transportation	**–**	**(1)**	**(1)**
Operating and other expenses	**–**	**(5)**	**(5)**
Q1 2019 figures	**384**	**(305)**	**79**

Quantity – the negative impact on the segment's profit derives from an unfavorable product-mix, as a result of lower quantities of potash sold (mainly due to disruptions in the Israeli Railway Services during March 2019) and increased sales of lower-margin products, including electricity surplus from the new power plant in Sodom and Polysulphate.

Price – the positive impact on the segment's profit derives from an increase in potash selling prices (an increase of $33 in the average realized price per ton compared to the corresponding quarter last year).

Exchange rate – the moderate positive impact on the segment's profit derives from the devaluation in the average exchange rate of the shekel and the euro against the dollar decreasing production costs. This impact was partly offset by the devaluation in the average exchange rate of the euro and the British pound against the dollar decreasing revenue.

Energy – the positive impact on the segment's profit derives mainly from a decrease in electricity costs due to the activation of the new power plant in Sodom during the second half of 2018.

ISRAEL CHEMICALS LTD. (Cont.)

Phosphate Solutions

The Phosphate Solutions segment operates in two main streams: Phosphate Specialties and Phosphate Commodities. The diversification into higher value-added specialty products leverages ICL's integrated business model and provides it with additional margins on top of the commodity margin. For additional information – see "Performance Overview", below.

Phosphate Solutions results in the first quarter of 2019 improved compared to the corresponding quarter last year. The improved performance was supported by higher prices of Commodities and Specialties. This was partly offset by the increase in raw material prices, mainly sulphur and external MGA as well as lower specialty phosphates and dairy protein sales volumes.

Significant highlights and business environment

Excluding the Rovita business, which was divested at the beginning of the third quarter of 2018, global sales of Phosphate Specialties decreased by approximately 6% compared to the corresponding quarter last year to $283 million. Sales of industrial salts increased but could not fully compensate for the volume decrease in the dairy proteins business as well as decreased acid sales in South America. In addition, sales were unfavorably impacted by the depreciation of the euro against the dollar.

– Phosphate acids' global sales decreased compared to the corresponding quarter last year due to lower sales volumes in South America driven by increased Chinese imports, resulting from favorable market conditions. Performance in Europe and North America was positively impacted by favorable market conditions which allowed for higher pricing with only moderate volume losses. In China, stable market prices and increased sales volumes contributed to the business performance.

– Sales of phosphate salts increased driven by higher prices compensating for increased costs of certain raw materials and moderate volume losses. Sales of industrial salts in Europe increased driven by higher prices and volume, while sales of food phosphate salts decreased due to lower sale volumes in certain regions. Sales of industrial and food salts in North America increased as favorable market conditions contributed to improved pricing and sale volumes. Improved performance in China was driven by an increase of local market share for industrial and food salts, predominantly in the body care market.

– Global sales of Paints and Coatings decreased compared to the corresponding quarter last year due to lower volumes. Prior year volumes were extraordinarily high due to regulatory changes.

ISRAEL CHEMICALS LTD. (Cont.)

Phosphate Solutions (Cont.)

Significant highlights and business environment (Cont.)

– Dairy protein performance was lower compared to the first quarter last year mainly due to strategic portfolio optimization, and the impact of a production shortfall linked to technical upgrades, and is expected to recover in the coming months[4]. ICL continues to focus on developing organic dairy solutions for the infant food industry and on ongoing customer base diversification.

– In July 2018, ICL divested and transferred the assets and business of Rovita GmbH, which produces a commodity milk protein. In the first quarter of 2018, the business had sales of $7 million and operating loss of $1million.

– In March 2019, ICL finalized the sale of assets related to the closure of its production facility in Mexico which resulted in a capital gain of $1million.

Set forth below are the main highlights in Phosphate Commodities:

– The results in the first quarter of 2019 were positively impacted by higher prices and sales volumes compared to the corresponding quarter last year which were partly offset by higher sulphur prices.

– During the first quarter of 2019 the downward trend in phosphate commodity prices continued driven by a seasonally low demand across global markets, unfavorable weather in the U.S. and relatively high DAP stocks in India. According to CRU (Fertilizer Week Historical Prices, March 2019), Q1 2019 DAP average price (CFR India Spot) decreased by 4.3% and by 1.7% compared to Q4 and Q1 2018, respectively, to $404/ton, while TSP price (CFR Brazil Spot) was down 6.5% compared to Q4 2018 to $348/ton but was still 6.7% higher than Q1 2018, mainly due to low availability and OCP's announcement regarding maintenance works in April in its facilities. Average SSP price (CPT Brazil inland 18–20% P_2O_5 Spot) was $239/ton, similar to Q4 2018 and about 26% higher than Q1 2018.

– The phosphoric acid price (100% P_2O_5) signed between OCP and its Indian partners for Q1 2019 was set at $750/ton, a decrease of $18/ton compared to Q4 2018. Q2 prices were down by an additional $22/ton to $728/ton.

[4] The estimates regarding the expected improvement in sales of the dairy protein activities in this paragraph constitute "forward-looking" information that are based on, among other things, the past experience of ICL's management after execution of updates, as well as management's estimates regarding the situation in the market, and there is no certainty that they will be realized, at what time and at what rate. These estimates may change due to, among other things, difficulties or delays in development of ICL's distribution system, competition for existing distributors, changes in the level of supply and demand, prices of products, in the business condition of the customers, new products that will compete with ICL's products in the local market, and they may be impacted by regulatory changes and impacts of the currency exchange rate.

ISRAEL CHEMICALS LTD. (Cont.)

Phosphate Solutions (Cont.)

<u>Significant highlights and business environment</u> (Cont.)

Set forth below are the main highlights in Phosphate Commodities: (Cont.)

- The phosphate rock market was firm during the first quarter of 2019, with stable prices across most global spot markets, although a moderate increase was noticed in a few of them. According to CRU (Fertilizers Week Historical Prices, March 2019) the average price for Q1 (FOB Morocco contract) was $99/ton (68–72% BPL), which was 3.1% and 17.9% higher than Q4 2018 and Q1 2018, respectively.

- Sulphur prices decreased sharply during the first quarter of 2019 across global markets. According to CRU (Fertilizer Week Historical Prices, March 2019) the average price of sulphur Bulk FOB Adnoc monthly contract in the first quarter of 2019 was $115 per ton, a 32% decrease compared with its 2018 fourth quarter average price. This can be explained mainly by the decrease in the processed phosphates commodities prices.

- Major suppliers reacted to the market trends: during February, eight major Chinese phosphate fertilizers producers (so called the ‘6+2’ group) announced a production cut of 100,000 tons each (a total of 800,000 tonnes) of their 2019 planned production. Mosaic (U.S.) and OCP (Morocco) published in March 2019 corresponding announcements of cutting 300,000 tons each of their planned 2019 production. In addition, slower than expected ramp up of major projects (Wa’ad al Shamal Joint Venture of Ma’aden, Sabic and Mosaic and OCP’s projects at Jorf Lasfar and at Laâyoune) and the idling of Mosaic’s Plant City (U.S.) facility moderated the price pressure.

- According to official data, MAP imports to Brazil during the first quarter of 2019 increased by 4.3%, to more than 0.51 million tons compared to the first quarter of 2018 and TSP imports increased by 65.5% to more than 0.12 million tons.

- According to the FAI (Fertilizer Association of India), DAP imports during the first quarter of 2019 increased by 147% to 1.03 million tons compared to the first quarter of 2018. In addition, domestic DAP production increased by 36.1% to 1.31 million tons. This can be explained by the decrease in the prices of both DAP and phosphoric acid used for the production of DAP.

- For information regarding the developments in the agriculture markets (FertilizerpluS products) see “Potash – significant highlights and business environment”, above.

ISRAEL CHEMICALS LTD. (Cont.)

Phosphate Solutions (Cont.)

Results of operations – Phosphate Solutions

	1–3/2019	1–3/2018	2018
		$ millions	
Total sales	**537**	533	2,099
Sales to external customers	**514**	508	2,001
Sales to internal customers	**23**	25	98
Segment income (after allocation of administrative and general expenses)	**35**	28	113
Depreciation and amortization	**43**	42	172
Capital investments – impact of application of IFRS 16*	**103**	–	–
Capital investments – current	**40**	36	180

* For further information regarding the initial application of IFRS 16 – see Note 3 to the Interim Consolidated Financial Statements.

	$ millions		
	Sales	**Expenses**	**Operating income**
Q1 2018 figures	**533**	**(505)**	**28**
Divested businesses	(7)	8	1
Q1 2018 figures (excluding divested businesses)	**526**	**(497)**	**29**
Quantity	8	(10)	(2)
Price	24	–	24
Exchange rate	(21)	18	(3)
Raw materials	–	(7)	(7)
Energy	–	–	–
Transportation	–	(1)	(1)
Operating and other expenses	–	(5)	(5)
Q1 2019 figures	**537**	**(502)**	**35**

Divested businesses – sale of the assets and business of Rovita at the beginning of the third quarter of 2018.

Quantity – the negative impact on the segment profit, despite positive contribution to revenues, derives mainly from higher sales quantities of phosphate commodities, mainly fertilizers, coupled with a decrease in sales of higher margin phosphate specialties products, mostly acids, also attributed to ICL's "value over volume" strategy.

Price – the segment benefited from a positive price impact throughout most of the phosphate value chain. The increase derives mainly from the selling prices of phosphate fertilizers (mostly TSP and SSP) together with higher prices of phosphate-based acids, salts and food additives.

Exchange rate – the negative impact on the segment's profit derives mainly from the devaluation in the average exchange rate of the euro and the Chinese yuan against the dollar decreasing revenue, partly offset by the devaluation in the average exchange rate of the euro, the shekel and the Chinese yuan against the dollar decreasing production costs.

Raw materials – the negative impact on the segment's profit derives mainly from higher consumed sulphur prices which increased the costs of the main raw materials used throughout the phosphate value chain.

ISRAEL CHEMICALS LTD. (Cont.)

Innovative Ag Solutions

Significant highlights and business environment

– The segment's sales were lower compared to the corresponding quarter last year, mainly due to the exchange rate effect (devaluation of the euro against the dollar) and due to lower sales in the specialty agriculture market.

– Sales to the specialty agriculture market were lower compared to the corresponding quarter last year due to unfavorable dollar-euro exchange rates, lower sales of CRFs in North America due to slow ramp up of a new plant, and lower sales volumes of liquid fertilizers in Israel caused by the prolonged rainy season.

Nevertheless, sales volumes to the European market were stable while in North America there was strong demand for straight fertilizers. In addition, the segment recorded growth in the growing markets of Brazil and India and also benefitted from price initiatives in Israel and Spain.

– Sales to the Turf and Ornamental market were stable. Improved demand in Europe, which was supported by favorable weather conditions, advanced sales in the UK driven by concerns regarding Brexit and higher prices were offset by the unfavorable dollar-euro exchange rate.

– Maintenance in our nitric acid plant in Israel during the quarter, limited ammonia imports and therefore reduced sales.

Results of operations – Innovative Ag Solutions

	1–3/2019	1–3/2018	2018
		$ millions	
Total sales	**205**	221	741
Sales to external customers	**199**	211	719
Sales to internal customers	**6**	10	22
Segment income (after allocation of administrative and general expenses)	**13**	18	29
Depreciation and amortization	**5**	5	19
Capital investments – impact of application of IFRS 16*	**7**	–	–
Capital investments – current	**4**	1	15

* For further information regarding the initial application of IFRS 16 – see Note 3 to the Interim Consolidated Financial Statements.

ISRAEL CHEMICALS LTD. (Cont.)

Innovative Ag Solutions (Cont.)

Results of operations – Innovative Ag Solutions (Cont.)

	$ millions			
	Sales	**Expenses**	**Operating income**	
Q1 2018 figures	**221**	**(203)**	**18**	
Quantity	(12)	8	(4)	⬇
Price	7	–	7	⬆
Exchange rate	(11)	10	(1)	⬇
Raw materials	–	(5)	(5)	⬇
Energy	–	–	–	⇔
Transportation	–	–	–	⇔
Operating and other expenses	–	(2)	(2)	⬇
Q1 2019 figures	**205**	**(192)**	**13**	

Quantity – the negative impact on the segment's profit derives mainly from specialty agriculture products, largely from lower sales of liquid fertilizers and chemicals.

Price – the positive impact on the segment’s profit derives mainly from an increase in the selling prices of specialty agriculture products.

Exchange rate – the negative impact on the segment’s profit derives mainly from the devaluation in the average exchange rate of the euro against the dollar which decreased revenues more than it contributed to savings in production costs.

Raw materials – the negative impact on the segment’s profit derives from an increase in most of the segment’s raw material prices.

ISRAEL CHEMICALS LTD. (Cont.)

Set forth below are the highlights of the changes in the cash flows in the first quarter of 2019, compared with the corresponding quarter last year:

Net cash provided by operating activities:

In the first quarter of 2019, the cash flows provided by operating activities increased by $137 million compared with the corresponding quarter last year. This increase derives mainly from the strong results in the current quarter compared with the corresponding quarter last year excluding gains from divestiture of businesses, along with higher cash received from derivative transactions and lower tax payments.

Net cash used in investing activities:

In the first quarter of 2019, the cash flows used in investing activities amounted to $82 million, compared to cash flows provided from investing activities in the corresponding quarter last year in the amount of $814 million. The cash flows provided from investing activity in the current quarter and in the corresponding quarter last year included cash proceeds received from the sale of assets in Israel and Mexico in the amount of $35 million and divestiture of the Fire Safety and Oil Additives businesses in the amount of $931 million, respectively. Excluding those transactions, the cash flows used in investing activity amounted to $117 million in both current quarter and corresponding quarter last year.

Net cash used in financing activities:

In the first quarter of 2019, there was a decrease of $30 million in the cash flows used in financing activities compared with the corresponding quarter last year. This decrease derives mainly from net repayments of short-term and long-term loans, in the amount of $48 million, compared with net repayments in the amount of $70 million in the corresponding quarter last year.

Financial Liabilities

As at March 31, 2019, ICL's net financial liabilities amounted to $2,527 million, an increase of $315 million compared to December 31, 2018. The increase of the net financial liabilities derives mainly from an increase of $300 million of long-term and short-term liabilities as a result of implementation of IFRS 16.

On the initial application date of IFRS 16, ICL recognized a lease liability according to the present value of the future lease payments discounted using ICL's interest rate at that date, in the amount of about $300 million, under long-term and short-term loans, and concurrently recognized a right-of-use asset in the same amount, in the "property, plant and equipment" category. In the first quarter of 2019, the Company recognized depreciation expenses in the amount of $13 million in respect of amortization of the right-of-use asset and $6 million financing expenses in respect of the lease liability, in place of the lease expenses in the amount of $15 million which would have been recorded according to the previous standard. For further information regarding the initial application of IFRS 16, see Note 3 to the Interim Consolidated Financial Statements.

The total amount of the securitization facility framework is $350 million. As at March 31, 2019, ICL had utilized approximately $347 million of the securitization facility's framework.

In addition, ICL has long-term credit facilities of $1,230 million, of which $1,030 million was unutilized as at March 31, 2019. As part of ICL's efforts to reduce its financing expenses, on March 13, 2019, ICL terminated a credit facility agreement amounting to $35 million and €100 million. All the other material original terms of the revolving credit facility agreements remained unchanged.

As at the date of the report, ICL was in compliance with the financial covenants existing in its financing agreements.

ISRAEL CHEMICALS LTD. (Cont.)

Critical accounting estimates

In the three months ended March 31, 2019, there were no significant changes in the critical accounting estimates as described in the annual consolidated financial statements for the year ended December 31, 2018.

Updates regarding directors and members of senior management

In March 2019, ICL reported Mr. Johanan Locker's end of tenure during the second quarter as a member of the Board of Directors and as Executive Chairman of ICL's Board of Directors, following a successful term in office.

In March 2019, ICL's Board of Directors chose Mr. Yoav Doppelt, who was recently appointed as the new CEO of Israel Corporation Ltd., and a member of ICL's Board of Directors, to serve as ICL's new Executive Chairman of the Board. The starting date of Mr. Doppelt's tenure as the Company's Executive Chairman of the Board is expected to be in the second quarter of 2019.

Subsequent to the date of the report, on April 18, 2019 ICL announced the convening of an Extraordinary General Meeting of its shareholders that is expected to be held on May 29, 2019 ("the EGM"). The items on the EGM's Day's Agenda are as follows:

1) Approval of the appointment of Mr. Yoav Doppelt as a director, effective as of the date of the Meeting;

2) Subject to the appointment of Mr. Yoav Doppelt as director as set forth in Item 1 above, approval of the compensation terms and equity grant for ICL's new Executive Chairman of the Board, Mr. Doppelt; and

3) Approval of a special bonus for 2018 for ICL's present Executive Chairman of the Board, Mr. Johanan Locker.

Subsequent to the date of the report, on May 6, 2019, ICL's Board of Directors resolved to convene an Annual General Meeting of its shareholders, which will also be asked, among other things, to approve ICL's new compensation policy and the triennial equity grant for the President and CEO for 2019–2021. ICL will publish a proxy statement with the full agenda and details of the General Meeting in the next few days.

Risk factors

In the three months ended March 31, 2019, there were no significant changes in ICL's risk factors as they were described in the annual financial statements..

Quantitative and qualitative exposures stemming from market risks

Reference is made to "Item 11 – Quantitative and Qualitative Disclosures about Market Risks" in ICL's Annual Report on Form 20-F for the year ended December 31, 2018.

Legal proceedings

For further information regarding legal proceedings and other contingent liabilities against ICL – see Note 6B to the Interim Consolidated Financial Statements.

ISRAEL CHEMICALS LTD. (Cont.)

Other information

Shelf prospectus

On March 3, 2019, ICL filed a Shelf Prospectus in Israel, for the offering of certain types of securities that may be offered from time to time in one or more future public offerings in Israel, effective up to March 2, 2021.

Update of the Description of the ICL's Business in the Periodic Report for 2017 (hereinafter – "the Periodic Report")

Pursuant to Regulation 39A of the Securities Regulations ""Periodic and Immediate Reports", 1970, set forth below is detail of the significant developments that occurred in ICL's business during the nine months ended March 31, 2019, and up to the publication date of the report, which were not yet disclosed in the Periodic Report. This update relates to the section numbers that appeared in the Corporation's Periodic Report for 2018. It is noted that the terms in this section have the meanings intended for them in the Periodic Report, unless specifically indicated otherwise.

Section 8.15 to the Periodic Report – Property, Plant and Equipment

For additional details regarding sale of three of ICL's office buildings – see Note 6B(4) to the Interim Consolidated Financial Statements.

Section 8.17 to the Periodic Report – Liquidity and Sources of Capital

For additional details regarding reduction of ICL's credit framework in the scope of $35 million and €100 million – see the ICL Section of the Report of the Board of Directors "Financial Liabilities" above.

Section 8.16 to the Periodic Report – Directors, Senior Management and Employees

For additional details regarding changes in the members of senior management – see the ICL Section of the Report of the Board of Directors "Updates regarding Directors and Members of Senior Management" above.

Section 8.16 to the Periodic Report – Remuneration

For additional details regarding grant of equity remuneration – see Note 5B(1) to the Interim Consolidated Financial Statements.

Section 8.21 to the Periodic Report – Legal Proceedings

For an update regarding completion of the arbitration proceedings in connection with the royalties matter in Israel – see Note 6B(2) to the Interim Consolidated Financial Statements.

For an update regarding a National Site Plan (NSP 14B) that includes the Barir Field – see Note 6B(3) to the Interim Consolidated Financial Statements.

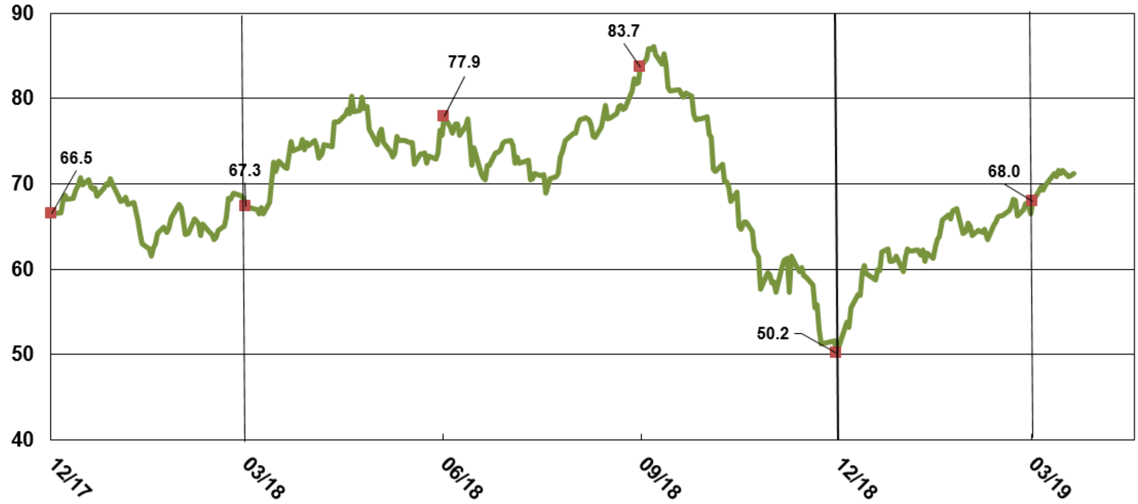
For an update regarding a petition filed in the United States regarding Customs duties against anti-dumping and countervailing duties on imports of magnesium from Israel – see Note 6B(5) to the Interim Consolidated Financial Statements.

For an update regarding legal proceedings underway against IBM – see Note 6B(1) to the Interim Consolidated Financial Statements.

OIL REFINERIES LTD.

The Fuels segment

Crude oil price – Brent crude oil prices in 2018–2019 (U.S.$ per barrel)



	1–3/2019	**1–3/2018**	**Change**
Average price of Brent crude oil	**63.1**	66.8	(6%)

– The sharp rise in the Brent price during the period of the report is mainly due to OPEC's production reduction policy and US sanctions on Iran and Venezuela, which have reduced part of the supply on the market and tightened the global supply.

– Subsequent to the date of the report, due to intensification of the sanctions against Iran, and against American pressure on other OPEC members to increase output, the Brent price continued to rise, so that its price proximate to the approval date of the report was US$72 per barrel.

– In the period of the report, the price of Ural crude, which is heavy crude oil, compared to the price of Brent (which is light crude oil), was traded with an average premium of US$0.3 per barrel, compared with a discount of US$1.7 in the corresponding period last year. The relative strengthening in Ural was mainly due to the decrease in the supply of heavy crude oil following the sanctions on Iran and Venezuela, and increased consumption for cracking to produce intermediate distillates (such as diesel fuel and kerosene) as demand increased. In addition, Ural crude oil supplied to Europe was recently found to be contaminated, which has increased the supply shortage.

– During the period of the report, the crude oil futures market was flat. As at the date of the report, the market became backwardated at average of USD 0.6 per barrel per month.

OIL REFINERIES LTD. (Cont.)

Refining margins

Reuters Ural margin and Bloomberg Average Ural margin* (U.S.$ per barrel)

	1–3/2019	1–3/2018	Change
Reuters Ural margin	**3.6**	4.0	(10%)
Bloomberg Average Ural margin	**4.5**	5.4	(17%)

Source: Reuters and Bloomberg

* As defined in the Report of the Company's Board of Directors for 2018 – ORL Section.

– The main cause of the decline in the Ural margins in the period compared to the corresponding period last year is the sharp rise in the Brent price and the strengthening of the Ural price compared with Brent, which led to a decrease in the Ural margins.

– Subsequent to the date of the report and up to the approval date of the report, the Reuters Ural margin was US$1.9 per barrel and the Bloomberg Average Ural margin was US$3.1 per barrel due to, among other things, the continued rise in the Ural prices.

Average Mediterranean Basin transportation diesel, gasoline and fuel oil margins compared to Brent crude oil (U.S.$ per barrel)

	1–3/2019	1–3/2018	Change
Diesel	**17.0**	13.7	24%
Gasoline	**4.0**	10.0	(60%)
3.5% fuel oil	**(2.7)**	(10.1)	73%

Source: Reuters

– The diesel margin continues to be stable while increasing compared to the corresponding period last year, mainly due to an increase in demand for transportation, heating and electricity.

– The gasoline margin declined during the period of the report compared to the corresponding period last year, mainly as a result of a seasonal decrease in demand and an increase in supply in the US and in the Persian Gulf region.

– The fuel oil margin increased significantly in the period of the report compared to the corresponding period last year, mainly due to demand for fuel oil for cracking, industry and marine transportation.

OIL REFINERIES LTD. (Cont.)

Refining margins

Consumption of distillates in the domestic market (1) (in thousands of tons)

	1–3/2019	**10–12/2018**	**7–9/2018**	**4–6/2018**	**1–3/2018**
Transportation fuels (2)	**1,875**	1,921	1,985	1,947	1,828
Other distillates (1)	**705**	719	669	739	664
Total	**2,580**	2,640	2,654	2,686	2,492

Source: Ministry of National Infrastructures

(1) Domestic consumption of distillates (transportation, industrial and heating fuels) rose by 4% compared to the corresponding period last year.

(2) Consumption of transportation fuels (gasoline, diesel and kerosene) increased by 3% in the period of the report compared to the corresponding period last year.

Refining volume

Set forth below is data with respect to utilization of crude oil refining plants, crude oil refining volume and HVGO imports in the Fuels segment (in thousands of tons)

	1–3/2019	**1–3/2018**	**Change**
Refining volume	**2,299**	2,433	(134)
HVGO imports, net	**281**	171	110
Total	**2,580**	2,604	(24)
Utilization of crude oil refining plants	**95%**	100%	(5%)

In the period of the report, utilization of refining facilities was 95% due to the limited availability of crude oil at ORL's facilities during the winter months. Nonetheless, the total product output was similar to the corresponding period last year.

Polymers Segment – Carmel Olefins

Average price of Polymers and Naphtha (U.S.$ per ton)

	1–3/2019	**1–3/2018**	**Change**
Naphtha	**517**	584	(11%)
Polypropylene	**1,288**	1,415	(9%)
Polyethylene	**1,115**	1,408	(21%)

– Raw material prices, particularly naphtha prices, decreased in the period of the report compared with the corresponding period last year, parallel to the decrease in the crude oil prices.

– Polypropylene prices decreased in the period of the report compared with the corresponding period last year, parallel to the decrease in raw material and energy prices.

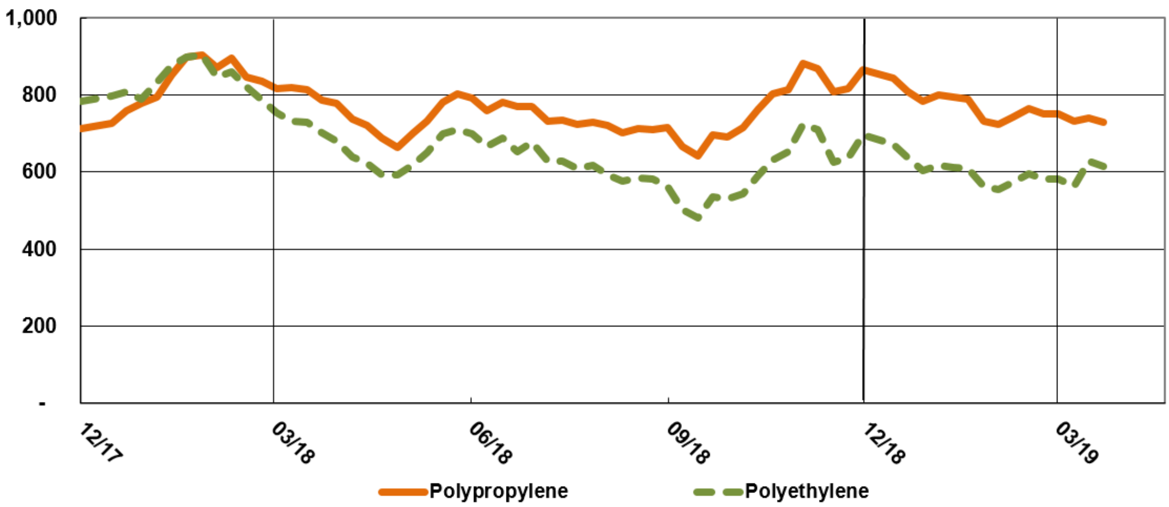
– The price of polyethylene decreased more than the drop in raw material and energy prices as production from shale oil and natural gas products, at a lower cost, increased.

OIL REFINERIES LTD. (Cont.)

Polymers Segment – Carmel Olefins (Cont.)

Margins

Difference between Polymers and Naphtha prices in 2018–2019 (U.S.$ per ton)



Source: ICIS

Change in the average difference between the polymer and naphtha prices (U.S.$ per ton)

	1–3/2019	1–3/2018	Change
Polypropylene	**771**	831	(7%)
Polyethylene	**598**	824	(27%)

– In the period of the report, the difference between the price of Polypropylene, and especially of Polyethylene, and the price of naphtha was low compared to the corresponding period last year, due to the decline in polyethylene prices.

Polymers Production Volume (thousands of tons)

	1–3/2019	1–3/2018
Polymers	**139**	108

– The increase in volume of polymer production at Carmel Olefins in the period of the report is mainly due to planned maintenance work on the ethylene facility carried out in the first quarter of 2018.

OIL REFINERIES LTD. (Cont.)

Results of operations

In order to present the results of the activities of the Fuels' segment on an economic basis as well, and for purposes of comparison with the various benchmark margins, the accounting effects in the fuel segment are adjusted and presented in a way that allows a better understanding of the performance of the Fuels' segment. Therefore, in this Report, the term "adjusted consolidated EBITDA" relates to the adjusted EBITDA of the Fuels' segment together with the EBITDA reported in the other activity sectors of the ORL Group.

Set forth below is selected data for the period of the report from the reported consolidated statements of income and the data is after eliminating accounting impacts for the first quarter (in millions of dollars):

	1–3/2019	1–3/2018	Change
Sales	**1,574**	1,646	(4%)
EBITDA	**148**	156	(5%)
Depreciation expenses	**42**	42	–
Other income (expenses), net [(1)]	**(4)**	1	(500%)
Operating income	**102**	115	(11%)
Financing expenses, net	**29**	26	12%
Taxes on income	**10**	15	(33%)
Net income	**63**	74	(15%)
Fuel segment adjustments*	**5**	(36)	
Adjusted EBITDA	**153**	120	28%
Adjusted income	**107**	79	36%
Net adjusted income	**68**	38	80%

* See below for details regarding the components of the adjustments in the fuel segment.
(1) Includes amortization of excess cost.

Results of operations for the period January – March 2019

Turnover of sales to external customers, by operating segment:

	Revenues (US$ millions)				Average price of product mix (US$ per ton)	
	1–3/2019	Change	1–3/2018	Change	1–3/2019	1–3/2018
Adjustments Fuels Segment (1)	**1,201**	**76%**	1,273	77%	**527**	549
Polymers Segment – Carmel Olefins (2)	**189**	**12%**	174	11%	**1,237**	1,406
Polymers Segment – Ducor	**59**	**4%**	55	3%	**1,367**	1,515
Aromatics Segment – Gadiv (3)	**112**	**7%**	125	8%	**744**	826
Adjustments and others	**13**	**1%**	19	1%		
Total consolidated income	**1,574**	**100%**	1,646	100%		

(1) Mainly due to a decrease in the price of energy, parallel to a decrease in the price of crude oil.
(2) Mainly due to an increase in the quantities sold due to the periodic maintenance in the ethylene facility in the first quarter of 2018.
(3) Mainly due to a decrease in prices, parallel to a decrease in the price of crude oil.

It should be noted that in the refining and petrochemical industry, the main factor affecting the operating results is not the sales turnover, but rather the refining and petrochemical margins, which is the difference between the revenues from the sale of a mix of products and the cost of the raw materials purchased for their production. In addition, the results are affected by the availability of production facilities.

OIL REFINERIES LTD. (Cont.)

Results of operations for the period January – March 2019 (Cont.)

Breakdown of adjustment components in the Fuels segment and their effect on the EBITDA (US$ millions):

	January–March	
	2019	**2018**
	$ millions	
Reported EBITDA	**88**	86
Impacts of timing differences (1)	**(5)**	(14)
Impacts of adjustment of value of inventory to market value, net	**10**	(16)
Impacts of changes in fair value of derivatives and realizations	**–**	(6)
Total adjustments in the fuels' segment (2)	**5**	(36)
Adjusted EBITDA	**93**	50
Adjusted margin (US$ per ton)	**56.4**	40.0
Adjusted margin (US$ per barrel)	**7.7**	5.5

(1) As at the date of the report, the volume of inventory that is not hedged with contracts is 480 thousand tons.
(2) As defined in the Report of the Company's Board of Directors' for 2018.

Refining margin (US4 per barrel)

	1–3/2019	**10–12/2018**	**7–9/2018**	**4–6/2018**	**1–3/2018**
ORL's adjusted refining margin	**7.7**	6.1	(*)8.1	7.8	5.5
Bloomberg Average Ural margin	**4.5**	5.5	6.2	6.0	5.4
Reuters Ural margin	**3.6**	4.7	5.2	4.4	4.0

(*) The refining margin is pro forma adjusted, as defined in the Board of Directors' Report for 2018. The pro forma adjusted refining margin for the third quarter of 2018, was USD 8.6 per barrel.

Ural margins declined in the first quarter of 2019, mainly due to the increase in the price of Ural crude oil, which ORL did not process in significant volumes during the period of the report.

In the period of the report and thereafter, no significant changes or innovations occurred in ORL's business except as noted below:

1. Further to that stated in Section 1.6.2.1.3 of the Annual Periodic Report regarding the expected change in the beginning of 2020 in the Marine Fuel Standard, subsequent to the period of the report, ORL began marketing marine fuel that meets the requirements of the new Standard.

OIL REFINERIES LTD. (Cont.)

In the period of the report and thereafter, no significant changes or innovations occurred in ORL's business except as noted below: (Cont.)

2. Further to that stated in section 1.12.9 of the Annual Periodic Report regarding the study conducted by the National Economic Council and the inter-ministerial task force for reviewing the future of the ORL Group in the Haifa Bay, in the period of the report several slides were presented to the Haifa Local Planning and Building Committee, though ORL's plant is not within its jurisdiction, by the Haifa Municipality Chief Engineer, which Israel Lands Authority (ILA) permitted him to present and which refers to a plan prepared at the request of ILA and includes an area of 36,500 dunams, to be used for the construction of 83,000 housing units, 6,500 dunams for industrial/commercial use and 9,000 dunams for parks and open spaces. This, among other things, by evacuating all factories located in the area of the plan, including the ORL Group plants. The Haifa Local Planning and Building Committee decided that "the Committee adopts the 'Innovation Valley' program and announces that this plan, which represents a historic change, will serve as the foundation for future development of the Gulf... The Local Committee requests that the Government of Israel adopt this plan and implement it in the near future, with the cooperation of Government Ministries and the Local Authority". It is noted that this is not a statutory process or a decision that has statutory status.

   As at date of the report, ORL is unable to assess the outcome of the inter-ministerial task force's study, whether and when such outcome will be presented to the Government, nor the date and content of the Government's decision, if and when such decision is made on this matter.

3. Further to that stated in Section 1.17.2.3 of the Annual Periodic Report regarding benzene measurements at monitoring stations in the Haifa area, in the period of the report, the Ministry of Environmental Protection issued an administrative order to ORL and Gadiv for the prevention or reduction of air pollution, in which the companies were required to install means for reducing emissions in their storage tanks that contribute significantly to benzene emissions, and to replace equipment components through which benzene flows for components that comply with the best available technique, according to the time schedules set in the order, part of which do not coincide with ORL's planned shutdown dates, and this includes their replacement in the crude distillation unit CDU 4, the isomerization facility and the continuous catalytic reformer (CCR) by no later than August 31, 2020. ORL is preparing to implement the requirements of the administrative order and is in contact with the Ministry of Environmental Protection.

   ORL's assessment of the effect of the measures for reducing benzene emissions on the actual measured concentrations regarding the companies' compliance with the provisions of the administrative order and its effect on ORL's operating results is "forward-looking" information that depends, inter alia, on the actual results achieved due to the measures adopted by the companies to reduce benzene emissions from their facilities, as well as the timing of implementing the required measures, and it may be different, if these results will be different from the current assessment.

4. Further to that stated in Section 1.8.7 of the Annual Periodic Report, the business licenses and temporary permits issued by the Haifa Municipality for all of the Group companies were extended up to June 30, 2019.

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 signing date of the of the Corporation's Periodic Report for 2018 on March 19, 2019 and up to the publication date of this report[5]:

To Section 8 of Paragraph A of the Periodic Report – Description of the Corporation's Business based on Activity Segments – Israel Chemicals Ltd. (hereinafter – "ICL")

A. Regarding issuance of a final arbitration decision as part of the arbitration proceedings being carried on between Dead Sea Works Ltd. and the State of Israel regarding royalties – see the Corporation's Immediate Report dated April 29, 2019 (Ref. No. 2019-01-040672).

B. For the financial statements of ICL as at March 31, 2019 and a slide presentation published by ICL further thereto – see the Corporation's Immediate Reports dated May 7, 2019 (Ref. Nos. 2019-01-043966 and 2019-01-043975, respectively). In addition, on May 14, 2019, the Corporation published the financial statements and Report of the Board of Directors of ICL as at March 31, 2019 in Hebrew. See the Corporation's Immediate Reports dated May 14, 2019 (Ref. Nos. 2019-01-046012 and 2019-01-046015, respectively).

For additional details regarding ICL's business developments – see the Report of the Board of Directors of the Corporation as at March 31, 2019.

To Section 9 of Paragraph A of the Periodic Report – Description of the Corporation's Business based on Activity Segments – Oil Refineries Ltd. (hereinafter – "ORL")

A. On March 12, 2019, the Chairman of the Board of Directors of ORL, Mr. Ovadia Eli, gave notice of conclusion of his service as the Chairman of the Board of Directors of ORL. The Board of Directors of ORL decided to appoint Mr. Johanan Locker as a director and to elect him as Chairman of the Board of Directors of ORL commencing from the conclusion of the service of Mr. Ovadia Eli, which is expected to take place in the second quarter, after the period of the report. It was clarified that Mr. Locker's entry into the position is expected to take place on July 1, 2019 and accordingly and in light of the circumstances, it was agreed between Mr. Eli and ORL that the date of the notification of conclusion of his service will be postponed to the date of entry of Mr. Locker into the position of Chairman of the Board of Directors of ORL in order to ensure management continuity in ORL and an overlap (transition).

B. Subsequent to the date of the report, on May 6, 2019, the CEO of ORL, Mr. Yashar Ben Mordochai, gave notice of conclusion of his position with ORL on May 31, 2019. ORL's Board of Directors decided to appoint Mr. Shlomi Bason, who serves as the Deputy CEO and as Vice President of Human Resources, Safety, Environmental Protection and Security as the Acting CEO (temporary), commencing from June 1, 2019.

For additional details regarding ORL's business developments – see the Report of the Board of Directors of the Corporation as at March 31, 2019.

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[5] 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 Annual Report for 2018 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 2018, which was published on March 19, 2019 (Ref. No. 2019-01-024244) (hereinafter – "the Periodic Report"). 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.)

To Sections 12.2 and 15.2 of Paragraph A of the Periodic Report – Description of the Corporation's Business based on Activity Segments – Bank Credit and Significant Events and Agreements

For additional details regarding the financial closing for shares of ICL as stated in Sections 12.2 and 15.2 of the Periodic Report –see Note 5A(2) to the condensed consolidated interim financial statements as at March 31, 2019.

To Regulation 24(A) of Paragraph D of the Periodic Report – Additional details regarding the Corporation – Holdings of Interested Parties and Senior Officers

For a report with respect to the holdings of interested parties and officer of the Corporation – see the Corporation's Immediate Report dated April 4, 2019 (Ref. No. 2019-01-033316).

To Regulation 26A of Paragraph D of the Periodic Report – Additional Details regarding the Corporation – the Corporation's Senior Officers

For a report with respect to the Corporation's senior officers – see the Corporation's Immediate Report dated March 19, 2019 (Ref. No. 2019-01-024169).

To Regulation 29C of Paragraph D of the Periodic Report – Additional Details regarding the Corporation – Decisions of the Extraordinary General Meeting of the Corporation's Shareholders

Subsequent to the date of the report, on April 18, 2019, a summons was published for an extraordinary General Meeting of the Corporation's shareholders where on its Day's Agenda is approval of the service and employment conditions of Mr. Yoav Doppelt as the Corporation's designated CEO, and approval of granting a certificate of indemnity for an officer, for Mr. Johanan Locker. For additional details – see the Corporation's Immediate Report dated April 18, 2019 (Ref. No. 2019-01-038845). Up to the date of this Report, the said General Meeting had not yet been held.

ADDITIONAL INFORMATION INCLUDED IN THE AUDITORS' REVIEW REPORT

Set forth below is a quote from the Auditors' Review Report regarding a direction of attention:

Without qualifying our opinion as stated above, we direct attention to that stated in Note 6.C.2–3 regarding certain legal proceedings and other contingencies against ORL and its subsidiaries, which in the estimation of the managements of the defendant companies, based on the opinion of their legal advisors, it is not possible to predict at this point the impact thereof on the financial statements, if any, and accordingly, no provision in respect thereof has been included in the financial statements.

Aviad Kaufman	**Avisar Paz**
Chairman of the Board of Directors	**CEO**

May 16, 2019

Israel Corporation Ltd.

Condensed Consolidated Interim Financial Statements

As at March 31, 2019

(Unaudited)

In Millions of U.S. Dollars

Israel Corporation Ltd.
Condensed Consolidated Interim Financial Statements
At March 31, 2019
Unaudited

Contents

Somekh Chaikin
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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 comprising of the condensed consolidated interim statement of financial position as at March 31, 2019 and the related 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 the preparation and presentation of this interim financial information for this interim period in accordance with IAS 34 "*Interim Financial Reporting*", 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 this interim financial information based on our review.

Scope of the Review

We conducted our review in accordance with Standard on Review Engagements 1, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of 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, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with 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 interim 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.

Emphasis of matter paragraph (drawing of attention)

Without qualifying our above-mentioned conclusion, we direct attention to that stated in Note 6.C.2-3 regarding certain legal proceedings and other contingencies against ORL and its subsidiaries, which in the estimation of the managements of the defendant companies, based on the opinion of their legal advisors, it is not possible to predict at this point the impact thereof on the financial statements, if any, and accordingly, no provision in respect thereof has been included in the financial statements.

Somekh Chaikin
Certified Public Accountants (Isr.)

May 16, 2019

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Financial Position

	At March 31		At December 31
	2019	**2018**	**2018**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Assets			
Cash and cash equivalents	**135**	1,264	199
Short-term investments and deposits	**333**	460	478
Trade receivables	**1,071**	1,014	990
Inventories	**1,254**	1,255	1,290
Other receivables and debit balances, including derivative instruments	**284**	332	312
Total current assets	**3,077**	4,325	3,269
Non-Current Assets			
Investments in associated companies accounted for using the equity method of accounting	**623**	571	598
Investments measured at fair value through other comprehensive income	**201**	219	145
Derivative instruments	**50**	114	31
Deferred tax assets	**83**	123	122
Other non-current assets	**370**	384	356
Property, plant and equipment	**5,009**	4,627	4,710
Intangible assets	**863**	931	869
Total non-current assets	**7,199**	6,969	6,831
Total assets	**10,276**	11,294	10,100

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
	2019	2018	2018
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Liabilities			
Credit from banks and others	**929**	921	916
Trade payables	**616**	736	715
Provisions	**36**	59	37
Dividend payable to the owners of the Corporation	**–**	120	–
Other current liabilities, including derivative instruments	**666**	757	689
Total current liabilities	**2,247**	2,593	2,357
Non-Current Liabilities			
Debentures and long-term loans	**3,146**	4,132	3,066
Derivative instruments and other non-current liabilities	**24**	19	26
Provisions	**227**	206	229
Liabilities for deferred taxes	**317**	268	309
Long-term provisions for employee benefits	**526**	590	503
Total non-current liabilities	**4,240**	5,215	4,133
Total liabilities	**6,487**	7,808	6,490
Equity			
Share capital and premium	**326**	326	326
Capital reserves	**(166)**	(105)	(202)
Capital reserve in respect of transactions with controlling shareholder	**190**	190	190
Retained earnings	**1,143**	944	1,079
Total equity attributable to the owners of the Corporation	**1,493**	1,355	1,393
Holders of non-controlling interests	**2,296**	2,131	2,217
Total equity	**3,789**	3,486	3,610
Total liabilities and equity	**10,276**	11,294	10,100

Aviad Kaufman	**Avisar Paz**	**Sagi Kabla**
Chairman of the Board of Directors	**CEO**	**CFO**

Approval date of the financial statements: May 16, 2019

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		Year Ended December 31
	2019	**2018**	**2018**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Sales	**1,415**	1,404	5,556
Cost of sales	**916**	974	3,707
Gross profit	**499**	430	1,849
Research and development expenses	**13**	14	55
Selling, transportation and marketing expenses	**195**	200	798
Administrative and general expenses	**65**	72	263
Other expenses	**16**	13	110
Other income	**(14)**	(855)	(868)
Operating income	**224**	986	1,491
Financing expenses	**111**	83	350
Financing income	**(59)**	(35)	(94)
Financing expenses, net	**52**	48	256
Share in income of associated companies accounted for using the equity method of accounting	**19**	24	56
Income before taxes on income	**191**	962	1,291
Taxes on income	**50**	44	95
Income for the period	**141**	918	1,196
Attributable to:			
Owners of the Corporation	**65**	432	549
Holders of non-controlling interests	**76**	486	647
Income for the period	**141**	918	1,196
Income per share attributable to the owners of the Corporation: (in dollars)			
Basic and diluted income per share	**8.60**	56.66	71.82

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		Year Ended December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Income for the period	**141**	918	1,196
Components of other comprehensive income (loss) that will be recognized in future periods in the statement of income			
Foreign currency translation differences in respect of foreign activities	–	43	(95)
Net change in fair value of cash flow hedges transferred to the statement of income	**(24)**	7	27
Effective portion of the change in fair value of cash flow hedges	**32**	(4)	(33)
Group's share in other comprehensive income (loss) of companies accounted for using the equity method of accounting	**6**	3	(2)
Income tax in respect of components of other comprehensive income	**(1)**	–	–
Total	**13**	49	(103)
Components of other comprehensive income (loss) that will not be recognized in future periods in the statement of income			
Actuarial gains (losses) from defined benefit plans, net	**(14)**	48	56
Net change in investments measured at fair value through other comprehensive income	**53**	(2)	(58)
Group's share in other comprehensive income of investee companies accounted for using the equity method of accounting	–	1	3
Income taxes in respect of components of other comprehensive loss	**(3)**	(8)	(3)
Total	**36**	39	(2)
Other comprehensive income (loss) for the period, net of tax	**49**	88	(105)
Comprehensive income for the period	**190**	1,006	1,091
Attributable to:			
Owners of the Corporation	**91**	477	499
Holders of rights non-controlling interests	**99**	529	592
Comprehensive income for the period	**190**	1,006	1,091

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						Non-controlling interests	Total equity
	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, 2019								
Balance at January 1, 2019 (audited)	**326**	**(196)**	**(6)**	**190**	**1,079**	**1,393**	**2,217**	**3,610**
Share-based payments in a subsidiary	–	–	–	–	–	–	**2**	**2**
Dividend to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	**(33)**	**(33)**
Sale of shares of subsidiary while retaining control	–	**1**	–	–	**8**	**9**	**11**	**20**
Income for the period	–	–	–	–	**65**	**65**	**76**	**141**
Other comprehensive income (loss) for the period, net of tax	–	**(1)**	**36**	–	**(9)**	**26**	**23**	**49**
Balance at March 31, 2019	**326**	**(196)**	**30**	**190**	**1,143**	**1,493**	**2,296**	**3,789**
For the three months ended March 31, 2018								
Balance at January 1, 2018 (audited)	326	(157)	40	190	614	1,013	1,624	2,637
Impact of first-time application of IFRS 9	–	–	(14)	–	(5)	(19)	–	(19)
Balance at January 1, 2018 (audited)	326	(157)	26	190	609	994	1,624	2,618
Share-based payments in a subsidiary	–	–	–	–	–	–	8	8
Dividend to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	(36)	(36)
Dividends to equity holders	–	–	–	–	(120)	(120)	–	(120)
Sale of shares of subsidiary while retaining control	–	1	–	–	3	4	6	10
Income for the period	–	–	–	–	432	432	486	918
Other comprehensive income for the period, net of tax	–	19	6	–	20	45	43	88
Balance at March 31, 2018	326	(137)	32	190	944	1,355	2,131	3,486

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 Corporation's shareholders						Non-controlling interests	Total capital
	Share capital and premium	Translation reserve for foreign activities	Capital reserves	Capital reserve for transactions with controlling shareholder	Retained earnings	Total		
	$ millions							
Balance at January 1, 2018	326	(157)	40	190	614	1,013	1,624	2,637
Impact of first-time application of IFRS 9	–	–	(14)	–	(5)	(19)	–	(19)
Balance at January 1, 2018 (after first-time application)	326	(157)	26	190	609	994	1,624	2,618
Share-based payments in a subsidiary	–	–	–	–	–	–	19	19
Expiration of options granted to employees of a subsidiary	–	–	–	–	1	1	(1)	–
Dividend to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	(129)	(129)
Dividends to equity holders	–	–	–	–	(120)	(120)	–	(120)
Sale of shares of subsidiary while retaining control	–	3	1	–	18	22	36	58
Conversion of debt of a subsidiary	–	–	–	–	–	–	73	73
Issuance of shares of a subsidiary to holders of non-controlling interests	–	–	–	–	(3)	(3)	3	–
Income for the year	–	–	–	–	549	549	647	1,196
Other comprehensive income (loss) for the year, net of tax	–	(42)	(33)	–	25	(50)	(55)	(105)
Balance at December 31, 2018	326	(196)	(6)	190	1,079	1,393	2,217	3,610

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
	2019	**2018**	**2018**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Cash flows from operating activities			
Income for the period	**141**	918	1,196
Adjustments:			
Depreciation and amortization	**113**	98	408
Impairment in value of assets	**–**	–	17
Financing expenses, net	**71**	34	133
Share in income of associated companies accounted for using the equity method of accounting	**(19)**	(24)	(56)
Capital gain	**(12)**	–	–
Gain on sale of businesses	**–**	(841)	(841)
Share-based payment transactions	**2**	8	19
Loss (gain) from re-measurement to fair value of collar options	**(1)**	5	26
Taxes on income	**50**	44	95
	345	242	997
Change in inventories	**13**	(42)	(115)
Change in trade and other receivables	**(56)**	(50)	(111)
Change in trade and other payables	**(111)**	(37)	113
Change in provisions and employee benefits	**1**	(26)	(66)
	192	87	818
Income taxes paid, net	**(34)**	(29)	(59)
Dividends received	**–**	21	23
Net cash provided by operating activities	**158**	79	782

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		Year Ended December 31
	2019	**2018**	**2018**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Cash flows from investing activities			
Investments in (withdrawals from) long-term deposits	**14**	10	(13)
Proceeds from sale of property, plant and equipment	**35**	–	2
Short-term deposits and investments, net	**152**	81	55
Proceeds from sale of businesses, net of transaction costs	**–**	931	902
Acquisition of property, plant and equipment and intangible assets	**(131)**	(127)	(572)
Collection of long-term loans from related company	**–**	200	200
Interest received	**2**	41	47
Receipts from (payments for) derivative transactions used for an economic hedge, net	**24**	4	(46)
Net cash provided by investing activities	**96**	1,140	575
Cash flows from financing activities			
Dividend paid to holders of non-controlling interests in subsidiary	**(33)**	(36)	(129)
Receipt of long-term loans and issuance of debentures	**240**	656	1,984
Repayment of long-term loans and debentures	**(464)**	(621)	(2,729)
Dividend paid to the owners of the Corporation	**–**	–	(120)
Short-term credit from banks and others, net	**(18)**	(63)	(108)
Receipts from derivative transactions used for an accounting hedge, net	**1**	4	1
Interest paid	**(44)**	(58)	(195)
Net cash used in financing activities	**(318)**	(118)	(1,296)
Increase (decrease) in cash and cash equivalents	**(64)**	1,101	61
Cash and cash equivalents at beginning of the period	**199**	164	159
Cash and cash equivalents held as part of assets held for sale	**–**	–	5
Effect of exchange rate fluctuations on balances of cash and cash equivalents	**–**	(1)	(26)
Cash and cash equivalents at the end of the period	**135**	1,264	199

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

Note 1 – The Reporting Entity

Israel Corporation Ltd. (hereinafter – "the Corporation") is an Israeli-resident corporation incorporated in Israel 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. The consolidated financial statements include those of the Corporation, its subsidiaries (hereinafter – "the Group") along with the Group's rights in associated companies.

The Corporation acts to advance and develop the Group's existing businesses in and outside of Israel. The Corporation operates, by means of two main investee companies, Israel Chemicals Ltd. (hereinafter – "ICL and its Subsidiaries") and Oil Refineries Ltd. (hereinafter – "ORL and its Subsidiaries"). The Corporation is involved in management of the Group companies through directors serving on the Boards of Directors of the investee companies.

On March 13, 2019, the Corporation's Board of Directors decided to update the Corporation's business strategy such that it will include, along with the target of continuing to maximize the value of its investments in ICL and ORL, also to make new investments – this being in accordance with certain guiding principles. The Corporation intends to contact the holders of its financial debt in order to update the agreements accordingly.

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, 2018 (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 16, 2019.

B. 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 3 – Significant Accounting Policies

The Group's accounting policies in these condensed consolidated interim financial statements are the same accounting policies applied in the Annual Financial Statements, except as detailed below:

First-time application of new standards

IFRS 16 "Leases" (hereinafter – "IFRS 16" of "the Standard")

IFRS 16 replaces IAS 17 "Leases" and its related interpretations. The Standard's instructions supersede the requirement of IAS 17 from lessees to classify leases as operating leases or finance leases. The new Standard presents a unified model for the accounting treatment of all leases according to which the lessee has to recognize a right-of-use asset and a lease liability in its financial statements.

Commencing from January 1, 2019, the Group applies the provisions of the Standard without restating the comparative data.

On the inception date of the lease, ICL determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, ICL assesses whether it has the following two rights throughout the lease term:

1) The right to obtain substantially all the economic benefits from use of the identified asset; and

2) The right to direct the use of the identified asset.

The lease term is the non-cancellable period of the lease plus periods covered by an extension or termination option if it is reasonably certain that the lessee will exercise or not exercise the option, respectively.

On the initial application date, ICL recognized a lease liability in the amount of about $300 million in the "long-term debt" and "short-term debt" categories, according to the present value of the future lease payments discounted using ICL's borrowing rate at that date, and concurrently recognized a right-of-use asset in the same amount in the "property, plant and equipment" category. ICL's discount rates used for measuring the lease liability are in the range of 3.4% to 6.4%. Depreciation is calculated on a straight-line basis over the remaining contractual lease period.

In the first quarter of 2019, ICL recognized depreciation expenses in the amount of $13 million in respect of amortization of the right-of-use asset and finance expenses of $6 million in respect of the lease liability, in place of lease expenses in the amount of $15 million that would have been recorded according to the previous standard.

Note 3 – Significant Accounting Policies (Cont.)

First-time application of new standards, amendments to standards and interpretations (Cont.)

IFRS 16 "Leases" (hereinafter – "IFRS 16" of "the Standard") (Cont.)

Main Expedients the Company elected to adopt:

1) Not applying the requirement to recognize a right-of-use asset and a lease liability with respect to short-term leases of up to one year as well as for leases that end within 12 months from the initial application date.

2) Not separating non-lease components from lease components and, instead, accounting for all the lease components and related non-lease components as a single lease component.

3) Relying on a previous assessment of whether an arrangement contains a lease in accordance with IAS 17 "Leases", and IFRIC 4 "Determining whether an Arrangement contains a Lease" with respect to agreements that exist at the initial application date.

4) Not applying the requirement to recognize a right-of-use asset and a lease liability in respect of leases where the underlying asset has a low value.

Note 4 – Information on Activity Segments

A. General

Breakdown of the Group in to reportable operating segments in accordance with IFRA 8 derives from Management's reports, which are based on the activity areas of the companies ICL and ORL, as detailed below:

1) **Israel Chemicals Ltd.** – ICL is a global specialty minerals and chemicals company operating potash, bromine and phosphate mineral value chains in a unique, integrated business model. ICL extracts raw materials from well-positioned mineral assets and utilizes technology and industrial know-how to add value for customers in key agricultural and industrial markets worldwide. ICL focuses on strengthening leadership status in all of its core value chains. ICL also intends to strengthen and diversify its product portfolio in the area of innovative agro solutions, while leveraging its existing capabilities and agronomic know-how, as well as the advanced technological ecosystem existing in Israel.

   ICL is an Israeli-resident company that was incorporated in Israel and its shares are registered for trading on the Tel-Aviv Stock Exchange in Israel and the New York Stock Exchange ("NYSE") in the United States.

2) **Oil Refineries Ltd.** (associated company) – ORL and its subsidiaries are industrial companies operating in Israel and are engaged, mainly, in production of fuel products, raw materials for the petrochemical industry and materials for the plastics industry and accompanying products. The factories of ORL's subsidiaries are integrated in ORL's facilities. In addition, ORL provides power and water (mainly steam) services to a number of industries located near the refinery in Haifa.

   ORL is an Israeli-resident company that was incorporated in Israel and its shares are registered for trading on the Tel-Aviv Stock Exchange in Israel.

   The data with respect to ORL presented in this Note includes ORL's full data, without adjustment for the rate of holdings. The "adjustments" column adjusts the results to the statement of income, mainly due to presentation of ORL's data.

B. Evaluation of the segment's performance as part of the management reports is based on the EBITDA data (after certain adjustments made by the companies).

Adjustments in ORL – recording method deriving from International Financial Reporting Standards, timing differences of purchase and sale of unhedged inventories, and adjustment of hedged inventories to market value.

Adjustments in ICL – net income attributable to the Corporation's shareholders less depreciation and amortization, net financing expenses, taxes on income and unusual income/expenses.

Information regarding activities of the reportable segments is set forth in the following tables.

Note 4 – Information on Activity Segments (Cont.)

C. Information relating to Business Segments

	ICL	ORL	Adjustments (1)	Total
	Unaudited			
	$ millions			
For the three months ended March 31, 2019				
Sales to external customers	**1,415**	**1,574**	**(1,574)**	**1,415**
EBITDA for the period (2)	**350**	**153**	**(154)**	**349**
Depreciation and amortization	**111**	**45**	**(43)**	**113**
Financing income	**(44)**	**(3)**	**(12)**	**(59)**
Financing expenses	**79**	**32**	**–**	**111**
Share in income of equity-accounted investees	**–**	**–**	**(19)**	**(19)**
Unusual or one-time expenses and adjustments	**12**	**6**	**(6)**	**12**
	158	**80**	**(80)**	**158**
Income before taxes	**192**	**73**	**(74)**	**191**
Taxes on income	**51**	**10**	**(11)**	**50**
Income for the period	**141**	**63**	**(63)**	**141**

	ICL	ORL	Adjustments (1)	Total
	Unaudited			
	$ millions			
For the three months ended March 31, 2018				
Sales to external customers	1,404	1,646	(1,646)	1,404
EBITDA for the period (2)	251	120	(122)	249
Depreciation and amortization	97	45	(44)	98
Financing income	(25)	(9)	(1)	(35)
Financing expenses	40	35	8	83
Share in income of equity-accounted investees	(1)	–	(23)	(24)
Unusual or one-time income and adjustments	(831)	(40)	36	(835)
	(720)	31	(24)	(713)
Income before taxes	971	89	(98)	962
Taxes on income	45	15	(16)	44
Income for the period	926	74	(82)	918

(1) Most of the adjustments stem from the ORL segment.
(2) See Section B above.

Note 4 – Information on Activity Segments (Cont.)

C. Information relating to Business Segments (Cont.)

	ICL	ORL	Adjustments (1)	Total
	$ millions			
2018:				
Total sales to external customers	5,556	6,676	(6,676)	5,556
EBITDA (2)	1,164	507	(513)	1,158
Depreciation and amortization	420	193	(188)	425
Financing income	(56)	(49)	11	(94)
Financing expenses	214	128	8	350
Share in income of associated companies	(3)	–	(53)	(56)
Unusual or one-time expenses (income) and adjustments	(775)	1	16	(758)
	(200)	273	(206)	(133)
Income before taxes	1,364	234	(307)	1,291
Taxes on income	129	47	(81)	95
Income for the year	1,235	187	(226)	1,196

(1) Most of the adjustments stem from the ORL segment.
(2) See Section B above.

D. Sales based on Geographic Areas

The following table presents the distribution of ICL's operating sales by geographical location of the customer

	1–3/2019		1–3/2018		1–12/2018	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
United States	245	17	245	17	903	16
China	205	14	166	12	848	15
United Kingdom	122	9	117	8	382	7
Germany	100	7	104	7	365	7
Brazil	98	7	106	8	656	12
Spain	73	5	72	5	262	5
France	59	4	74	5	267	5
Israel	54	4	48	3	223	4
India	43	3	40	3	211	4
Italy	35	2	42	3	125	2
Other	381	28	390	29	1,314	23
Total	**1,415**	**100**	**1,404**	**100**	5,556	100

Note 4 – Information on Activity Segments (Cont.)

D. Sales based on Geographic Areas (Cont.)

The following table presents the distribution of ICL's operating sales by geographical location of the customer:

	Industrial products	Potash	Phosphate solutions	Innovative agricultural solutions	Other activities	Adjustments to the consolidated	Total consolidated
	$ millions						
For the three months ended March 31, 2019							
Europe	**135**	**137**	**202**	**113**	**8**	**(19)**	**576**
Asia	**99**	**121**	**123**	**30**	**–**	**(5)**	**368**
North America	**91**	**46**	**97**	**28**	**–**	**–**	**262**
South America	**10**	**35**	**67**	**5**	**–**	**–**	**117**
Rest of the world	**15**	**45**	**48**	**29**	**1**	**(46)**	**92**
Total	**350**	**384**	**537**	**205**	**9**	**(70)**	**1,415**
For the three months ended March 31, 2018							
Europe	126	137	200	115	22	(17)	583
Asia	94	94	118	32	1	(5)	334
North America	82	37	98	33	24	(7)	267
South America	4	55	55	5	1	(1)	119
Rest of the world	11	30	62	36	1	(39)	101
Total	317	353	533	221	49	(69)	1,404
For the year ended December 31, 2018							
Europe	473	459	719	362	49	(92)	1,970
Asia	399	519	481	105	2	(18)	1,488
North America	347	107	405	103	24	(8)	978
South America	21	408	264	21	1	(3)	712
Rest of the world	56	130	230	150	3	(161)	408
Total	1,296	1,623	2,099	741	79	(282)	5,556

Note 5 – Additional Information

A. The Corporation

1. On February 4, 2019, the Corporation signed a secured credit framework with a bank, in the amount of $50 million. The secured credit framework is for a period of three years from the date it was received. Various limitations were included in the loan agreement, including continued control of the Corporation by its present controlling shareholders, and continued control by the Corporation of ICL and a cross-default mechanism. The loan agreement also includes various other causes of action as are customary in credit agreements. The Corporation committed to provide collateral in the form of marketable shares of ICL in order to withdraw money from the credit framework.

2. Further to that stated in Note 10.B to the annual financial statements, during the period of the report the Corporation continued making a "physical settlement" pursuant to the terms of the Financial Transaction, and as a result, during the period of the report, the number of shares held by the Corporation declined by a total of about 3,430 thousand shares, and as at March 31, 2019, the rate of the Corporation's holdings in ICL's issued share capital was about 46.4%, compared with 46.6% at the beginning of the year. As at the date of the report, the balance of the shares remaining under the "physical settlement" was about 6.5 million shares, and the balance of the period of the Financial Transaction is about 0.5 years. As a result of the decline in the rate of holdings, the Corporation recognized an increase in the non-controlling interests, in the amount of about $11 million, and at the same time an increase in the retained earnings, in the amount of about $8 million, and an increase in the translation reserve, in the amount of about $1 million, stemming from the difference between the "physical settlement" plus closing out of the derivative that stood against it, and the increase in the non-controlling interests. Subsequent to the date of the report, on May 16, 2019, closing out of the Financial Transaction was completed with reference to an additional quantity of about 1,143 thousand shares of ICL by means of a "physical settlement" and the rate of the Corporation's holdings in ICL's issued share capital as at the aforesaid date was about 46.3%.

3. Further to that stated in Note 16 to the annual financial statements, with respect to the financial covenants applicable to the debentures (Series 10, 11, 12 and 13), set forth below is actual data as at the date of the report:

   a. The Corporation's minimum shareholders' equity may not drop below $360 million. The actual amount as at the date of the report was $1,493 million.

   b. The ratio between the Corporation's shareholders' equity and the Corporation's total assets based on its separate-company (solo) financial statements net of the liquid solo assets (short-term assets and deposits) plus the net financial liabilities of the Corporation's wholly-owned investee companies may not drop below 20%. The actual amount as at the date of the report was 57%.

   As at the date of the report, the Corporation was in compliance with the existing financial covenants.

Note 5 – Additional Information

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

1. Non-marketable options

Subsequent to the date of the report, on April 15, 2019, ICL's Board of Directors approved the amendment of ICL's internal long-term incentive plan, according to which (1) only ICL's top management (including the CEO and the Executive Chairman of the Board of Directors) will be entitled to long-term incentive ("LTI") awards in the form of equity; (2) the LTI awards will be granted once every three years with a grant value reflecting a triennial grant, as opposed to an annual grant with a fixed value in previous plans; (3) the entire LTI awards will be granted in options, instead of half options and half restricted shares in previous plans; (4) vesting period of the options will be in two equal tranches, with half of the options vesting upon the lapse of 24 months from the grant date and half upon the lapse of 36 months from the grant date, as opposed to three equal annual tranches, with one-third of the options vesting upon the lapse of 12 months from the grant date, one-third upon the lapse of 24 months from the grant date, and one-third at the end of 36 months from the grant date.

Grant date	Entitled officers	Number of instruments (millions)	Issuance details	Instrument terms	Vesting conditions	Expiration date
April 15, 2019	18 officers and senior managers of ICL	13.2	An issuance of non-marketable and non-transferrable options, for no consideration, under the 2014 Equity Compensation Plan.	Upon exercise, each option may be converted into one ordinary share of NIS 1 par value of ICL.	2 equal tranches: (1) one half at the end of 24 months after the grant date; and (2) one half at the end of 36 months after the grant date.	April 15, 2024
Date of approval of the plan by the General Meeting of ICL's shareholders	ICL's CEO	3.4				
	Chairman of ICL's Board of Directors	2.1				

(1) On May 29, 2019, a General Meeting of ICL's shareholders is expected to be convened in order to approve the grant to the Chairman of ICL's Board of Directors. A General Meeting of ICL's shareholders to approve the CEO's grant approval has not yet been set.

Additional Details	April 2019 Options Grant
Share price	NIS 19.35 ($5.43)*
CPI-linked exercise price	NIS 19.21 ($5.39)*
Expected volatility	27.76%
Expected life of options (in years)	4.375
Risk-free interest rate	–0.67%
Total fair value	$22.4 million
Dividend – exercise price	Reduced on the "ex-dividend" date by the amount of the dividend per share

* The share price and exercise price are translated based on the exchange rate on the grant date for convenience purposes only.

Note 5 – Additional Information (Cont.)

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

1. Non-marketable options (Cont.)

The options issued to the managers in Israel are covered by the provisions of Section 102 of the Israeli Income Tax Ordinance. The issuance will be performed through a trustee under the Capital Gains Track. The fair value of the options was estimated using the Black & Scholes model for pricing options. The exercise price is linked to the CPI that is known on the date of payment, which is the exercise date. In a case of distribution of a dividend by ICL, the exercise price is reduced on the "ex-dividend" date, by the amount of the dividend per share (gross), based on the amount thereof in NIS on the effective date.

The expected volatility was determined on the basis of the historical volatility of ICL's share prices. The risk-free interest rate was determined on the basis of the yield to maturity of shekel-denominated Israeli Government debentures, with a remaining life equal to the anticipated life of the options.

The cost of the embedded benefits of the said plans will be recognized in the income statements over the vesting period of each tranche considering also ICL's policy relating to "Rule 75" (accelerated vesting period for managers whose age plus years of employment in the Company exceed 75).

C. Oil Refineries Ltd. (hereinafter – "ORL")

1. As detailed in Note 9C(2) to the annual financial statements, regarding agreements for purchase of natural gas for the factories of the companies in the ORL Group, in order to assure uninterrupted supply of the natural gas, subsequent to the conclusion date of the existing Tamar agreement and up to commencement of the flow of the gas to ORL by Energean pursuant to the agreement signed with it (hereinafter – "the Interim Period"), subsequent to the date of the report ORL signed an agreement for purchase of natural gas from the Tamar Partnership (hereinafter – "the Agreement"). The undertaking in the Agreement is subject to approval of the General Meeting of ORL's shareholders by a special majority, which up to the date of the report had not yet been convened.

   Set forth below are the highlight of the Agreement:

   a. The Agreement will commence on the conclusion date of the existing Tamar agreement, for a period of 6 months, and may be extended based on a decision of ORL, for additional periods of 6 months each time up to commencement of the flow of the gas to ORL by Energean, but in any case not more than a cumulative period of 8 years.

      In a case where the agreement for purchase of natural gas from Energean is cancelled, the Agreement will be extended for one period of 12 months if the cancellation takes place before the end of 2020, or for one period of 18 months if the cancellation takes place thereafter.

   b. The quantity of the natural gas ORL is expected to purchase in a 6-month period (including in each of the option periods) is above-mentioned 0.5 BCM.

Note 5 – Additional Information (Cont.)

C. Oil Refineries Ltd. (hereinafter – "ORL") (Cont.)

1. (Cont.)

Set forth below are the highlight of the Agreement: (Cont.)

c. The quantity of the natural gas will be determined based on an agreed-to formula based on linkage to the price of a barrel of Brent oil and the electricity production component.

2. As at March 31, 2019, ORL, Carmel Olefins and Ducor, were in compliance with the financial covenants determined for them in connection with their liabilities.

3. Subsequent to the date of the report, on April 8, 2019, Standard & Poor's Maalot updated the rating of ORL and of ORL's debentures to ilA, with a stable rating outlook.

Set forth below is data of ORL, without adjustment of the Corporation's rate of holdings in ORL:

Condensed data regarding associated company – ORL

Condensed data regarding the interim statement of position:

	March 31 2019	March 31 2018	December 31 2018
	(Unaudited)	(Unaudited)	(Audited)
		$ millions	
Main location of activities		ISRAEL	
Rate of ownership rights	**33.00%**	**33.06%**	**33.01%**
Current assets	**1,648**	1,644	1,391
Non-current assets	**2,425**	2,481	2,424
Current liabilities	**(1,135)**	(1,166)	(1,014)
Non-current liabilities	**(1,539)**	(1,742)	(1,481)
Total net assets	**1,399**	1,217	1,320

Condensed data regarding the interim statement of income:

	For the three months ended March 31 2019	For the three months ended March 31 2018	For the year ended December 31 2018
	(Unaudited)	(Unaudited)	(Audited)
		$ millions	
Revenues	**1,574**	1,646	6,676
Net income	**63**	74	187
Other comprehensive income	**12**	12	2
Total comprehensive income for the period	**79**	86	189

Note 6 – Contingent Liabilities, Commitments, Concessions and Other

Further to that stated in Note 20 to the annual financial statements and except as stated below, there were no significant changes in the period of the report in the contingent liabilities, commitments and concessions.

A. The Corporation

(1) Further to that stated in Note 20B(1)(a) to the annual financial statements, a hearing was scheduled for September 9, 2019.

(2) Further to that stated in Note 20B(1)(b) to the annual financial statements, on February 4, 2019 a hearing was held on the appeal in the Supreme Court in Jerusalem and on the following day the Supreme Court's decision was rendered, whereby at the end of the hearing, at the recommendation of the judges, the appellant revoked his appeal and the appeal was cancelled, with no order for expenses. This case is now finally finished.

(3) Further to that stated in Note 20B(1)(c) to the annual financial statements, a hearing on the proofs was scheduled for May 2019.

(4) Further to that stated in Note 20B(1)(d) to the annual financial statements, on January 4, 2019 a court judgment was rendered confirming the compromise agreement and giving it the force of a court decision.

(5) Further to that stated in Note 20B(1)(f) to the annual financial statements, the hearing on the appeal was scheduled for November 4, 2019.

(6) Further to that stated in Note 20B(1)(g) to the annual financial statements, a pre-trial hearing in the case was scheduled for September 25, 2019.

(7) Further to that stated in Note 20B(1)(h) to the annual financial statements, a preliminary hearing in the case was scheduled for June 12, 2019.

B. ICL

(1) Further to that stated in Note 20B(2) to the annual financial statements, regarding ICL's lawsuit against IBM Israel (hereinafter – "IBM"), for compensation for ICL's damages due to IBM's failure to meet its undertakings within ICL's IT project, on March 3, 2019, IBM filed its statement of defense, together with a counterclaim against the Company, according to which IBM claims that ICL allegedly refrained from making certain payments, conducted negotiations in bad faith, and terminated the project unilaterally, in a way that harmed IBM's reputation and goodwill and therefore claims the amount of about $51 million (about NIS 186 million), including VAT and interest. ICL rejects all that stated in the counterclaim and stands behind its claims against IBM. Considering the early stage of the proceedings, there is a difficulty in estimating the outcome thereof.

Note 6 – Contingent Liabilities, Commitments, Concessions and Other (Cont.)

B. ICL (Cont.)

(2) Further to that stated in Note 20B(2) to the annual financial statements, in connection with the royalty arbitration proceedings and the remaining disputes regarding the method of the calculation, in April 2019, after negotiations between the parties which led to a joint notice submitted to the arbitrators, a final ruling was rendered, bringing the arbitration proceedings between the parties that commenced in 2011 to an end. The final agreements reached between the parties relate to both past periods (the years 2000 through 2017 inclusive), and the mechanism to simplify the calculations of royalties to the State relating to the period as of January 1, 2018 and onward. As a result, in the financial statements for the first quarter of 2019, ICL updated its provision in the amount of $14 million under "other expenses" in the statements of income ($11 million after tax).

(3) Further to that stated in Note 20B(2) to the annual financial statements, in connection with the petitions filed to the High Court of Justice by the municipality of Arad and the residents of the Bedouin diaspora in the Arad Valley against the National Planning and Building Council (hereinafter – "the National Council"), the Government of Israel and Rotem (hereinafter – "the Respondents"), requesting to cancel the provisions of NOP 14B and the decision of the National Council regarding the advancement of a detailed plan for phosphate mining in the South Zohar field, on February 27, 2019, a hearing was held which resulted in the Supreme Court's decision to issue an order nisi instructing the Respondents to provide explanations by June 5, 2019, as to why NOP 14B should not be returned to the National Council for discussion, since no methodology was determined in NOP 14B for examining health effects and no document addressing the potential health impact was presented to the National Council.

(4) ICL signed sale agreements for three of its office buildings, located in Be'er Sheva, Israel, for a total consideration of $27 million, which were leased back to ICL. As a result, in accordance with IFRS16, in the first quarter of 2019, ICL recognized a capital gain of $11 million and a deferred income of $8 million which was deducted from the right-to-use asset (reduction in future depreciation expenses). As a result the Corporation wrote down excess cost, in not material amount.

(5) Further to that stated in Note 20B(2) to the annual financial statements, regarding the petition filed in the U.S. requesting to impose antidumping and countervailing duties on imports of magnesium from Israel, on May 3, 2019, the U.S. Department of Commerce issued a preliminary determination to impose 7.48% duties over future magnesium imports from Israel. Based on 2018 figures, such duties have an estimated annual impact of $3 million. A commerce verification process is still ahead. With respect to the antidumping, an interim decision is expected on July 1, 2019. Considering the early stage of the proceedings, there is a difficulty in estimating the overall outcome thereof.

Note 6 – Contingent Liabilities, Commitments, Concessions and Other (Cont.)

C. ORL

(1) Further to Note 20B(3)(k) to the Annual Financial Statements, in the period of the report and thereafter the court validated the settlement agreement between the Group companies and Haifa Municipality, whereby the Group will pay NIS 85 million (US$23 million), in exchange for a final and complete settlement of the payment demands for the sewage levy amounting to NIS 170 million (for the dates of the original demands – 2010), including all linkage differentials and interest and cancellation of the demands for payment of the water pipeline installation levy issued by the water and sewage corporation Mei Carmel, amounting to NIS 90 million (for the dates of the original demands – 2014), reserving the right of Mei Carmel to issue a demand for payment based on the installation fee method – water only (but not a water pipeline installation levy), and reserving all the rights, grounds and claims of the parties, without derogating from the right of the ORL Group to raise any possible claim against any such requirements. The amount was paid subsequent to the period of the report. Since the settlement amount was fully reflected in the Annual Financial Statements, that stated does not affect the results of the Group's activities in the period of the report.

(2) Further to Note 20B(3)(e) to the Annual Financial Statements, in the period of the report the Ministry of Environmental Protection delivered ORL and Gadiv an administrative order to prevent or reduce air pollution, according to which the companies were required to install means to reduce emission in the storage tanks that that significantly contribute to benzene emissions, and to replace equipment components in which benzene flows with equipment components that comply with the best available technique in the timetables set out in the administrative order, some of which do not correspond with the shutdown dates scheduled by ORL, including their replacement in crude oil refining unit 4, the isomerization unit, and the continuous catalytic reforming (CCR) unit, no later than August 31, 2020. ORL is preparing to implement the requirements of the administrative order and is in contact with the Ministry of Environmental Protection on this matter. ORL and Gadiv are unable to estimate the exposure for measurement of concentrations exceeding those stipulated in the regulations, to the extent that they are measured, on the results of their operations, if any.

(3) As detailed in Note 20B(3)(a)-(d) to the Annual Financial Statements, there are legal, administrative and other proceedings, including civil claims and warnings, against Group companies regarding environmental quality. An indictment was filed against ORL and four managers, following a fire in an intermediate materials storage tank on ORL's premises in 2016. Various warnings were received from the Ministry of Environmental Protection for alleged violations of the emission permits, poisons permits, and personal orders issued to them relating to air quality, including claims of non-compliance with maximum emission values, failure to perform various actions on time, and failure to comply with procedures of the Ministry of Environmental Protection. The Ministry of Environmental Protection is investigating a number of issues against ORL, Carmel Olefins and Gadiv, and in some of the investigations, also against managers who served at the dates relevant to the investigation of the companies, including for alleged violations of the personal orders and emissions permits issued to the companies at the dates on which they were valid and/or due to malfunctions in their facilities. For some of these proceedings, ORL's management believes, based on the opinion of its legal counsel and the legal counsel of the subsidiaries, that, at this stage, it is not possible to assess their effect, if any, on the financial statements as at March 31, 2019. Accordingly, no provision regarding this matter was included in the financial statements.

Note 7 – Financial Instruments

A. Fair value

(1) Fair value compared with book value

The carrying value in the books of certain financial assets and financial liabilities, including: cash and cash equivalents, investments, deposits and short-term loans, trade receivables, other receivables and debit balances, long-term loans granted, investments and long-term debit balances, short-term credit, trade payables, other payables and credit balances, long-term loans bearing variable interest and other non-current liabilities, correspond to or approximate their fair values.

The following table details the book value and fair value of groups of financial instruments presented in the financial statements not at their fair values:

	As at					
	March 31, 2019		March 31, 2018		December 31, 2018	
	Book value	Market value	Book value	Market value	Book value	Market value
	Unaudited		Unaudited		Audited	
	Millions of dollars					
Non-convertible debentures	**2,608**	**2,715**	2,823	2,908	2,729	2,770
Loans from banks and others	**440**	**445**	854	869	501	504

(2) Hierarchy of fair value

The following table presents an analysis of the financial instruments measured at fair value, using an evaluation method. The various levels were defined as follows:

- Level 1: Quoted prices (not adjusted) in an active market for identical instruments.
- Level 2: Observed data, direct or indirect, not included in Level 1 above.
- Level 3: Data not based on observed data in the market.

Note 7 – Financial Instruments (Cont.)

A. Fair value (Cont.)

(2) Hierarchy of fair value (Cont.)

	March 31 2019 (Unaudited)	March 31 2018 (Unaudited)	December 31 2018 (Audited)
		Book Value	
		$ millions	
Assets			
Investments measured at fair value through other comprehensive income* (1)	**201**	–	–
Investments measured at fair value through other comprehensive income* (2)	–	219	145
Derivatives used for accounting hedge (2)	**48**	25	11
Derivatives used for economic hedge (2)	**15**	163	34
Call (put) options on ICL shares (collar) (3)	**7**	38	8
	271	445	198
Liabilities			
Derivatives used for accounting hedge (2)	**13**	6	20
Derivatives used for economic hedge (2)	**9**	104	25
	22	110	45

(1) Level 1.
(2) Level 2.
(3) Level 3.

* Investment in 15% of the share capital of YTH, which was subject to a three-year lock-up period as required by Chinese law, which expired in January 2019. In light of the expiration, the investment is presented at Level 1, in accordance with its quoted market price.

Note 7 – Financial Instruments (Cont.)

A. Fair value (Cont.)

(3) Financial instruments measured at fair value at Level 3

The following table presents a reconciliation between the opening balance and the closing balance with respect to call (put) options on ICL shares (collar) financial instruments measured at fair value at Level 3 in the fair value hierarchy:

	For the three months ended		For the year ended
	March 31 2019	March 31 2018	December 31 2018
	(Unaudited)	(Unaudited)	(Audited)
	$ millions		
Opening balance	**8**	47	47
Closing of financial transaction*	**(2)**	(5)	(15)
Settlement in respect of dividend adjustment component	–	1	2
Total losses recognized in the statement of income:			
Realized	–	(1)	(2)
Unrealized	**1**	(4)	(24)
Closing balance	**7**	38	8

* See Note 5.A.2

For details regarding the basis for determining the fair value of financial instruments at Level 2 and 3 – see Note 33G to the annual financial statements.

B. Foreign currency risks

On January 1, 2019, ICL designated several swap contracts for accounting hedge. These transactions, which include principal and interest of Series E debentures and the loan from Harel Insurance Company Ltd., entitle ICL to receive fixed shekel interest against a liability to pay dollar interest at a fixed rate. For further information relating to Series E debentures and the loan from Harel Insurance Company Ltd., see Note 16 to the Annual Financial Statements. ICL designated the spot component of the exchange rate swap contracts for hedging the currency risk in the cash flows of the said debt balances. ICL applies a 1: 1 hedging ratio. The main source of ineffectiveness in these hedging ratios is the effect of ICL and counterparty credit risk on the fair value of the swap contracts. As at the date of the hedge transaction, the total balance of the hedged instruments amounted to $483 million.

Israel Corporation Ltd.

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

As at March 31, 2019

(Unaudited)

Israel Corporation Ltd.
Condensed Separate Information provided in
accordance with Regulation 38D of the Securities Regulations
(Periodic and Immediate Reports), 1970
As at March 31, 2019
Unaudited

Contents

Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
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To the Shareholders of Israel Corporation Ltd.

Subject: Special auditors' report on separate interim financial information according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970, of Israel Corporation Ltd. (hereinafter – "the Company") as at March 31, 2019 and for the three-month period then ended. The separate interim financial information is the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express a conclusion on this separate interim financial information based on our review.

Scope of the Review

We conducted our review in accordance with Standard on Review Engagements 1, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of separate 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, nothing has come to our attention that causes us to believe that the accompanying separate interim financial information was not prepared, in all material respects, in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Emphasis of matter paragraph (drawing of attention)

Without qualifying our above-mentioned conclusion, we direct attention to that stated in Note 6.C.2-3 to the Company's consolidated financial statements regarding certain legal proceedings and other contingencies against ORL and its subsidiaries, which in the estimation of the managements of the defendant companies, based on the opinion of their legal advisors, it is not possible to predict at this point the impact thereof on the financial statements, if any, and accordingly no provision in respect thereof has been included in the financial statements.

Somekh Chaikin
Certified Public Accountants (Isr.)

May 16, 2019

Israel Corporation Ltd.

Condensed Interim Separate-Company Financial Information as at March 31, 2019

Condensed Interim Statements of Financial Position Information

	At March 31		At December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Assets			
Cash and cash equivalents	**32**	466	77
Short-term deposits	**246**	375	379
Receivables and debit balances	**–**	6	6
Derivative instruments	**12**	30	9
Total current assets	**290**	877	471
Non-Current Assets			
Investments in investee companies	**2,216**	2,164	2,155
Loans to wholly-owned subsidiaries	**208**	214	200
Other assets	**4**	5	14
Derivative instruments	**17**	45	16
Total non-current assets	**2,445**	2,428	2,385
Total assets	**2,735**	3,305	2,856

The additional information accompanying the condensed separate financial information is an integral part thereof.

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at March 31, 2019
Condensed Interim Statements of Financial Position Information

	At March 31		At December 31
	2019	**2018**	**2018**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Liabilities			
Current maturities in respect of non-current liabilities	**291**	279	306
Payables and credit balances	**11**	63	29
Dividend payable	–	120	–
Derivative instruments	**5**	4	8
Total current liabilities	**307**	466	343
Non-Current Liabilities			
Debentures and long-term loans	**925**	1,480	1,102
Derivative instruments	**8**	2	16
Long-term balances	**2**	2	2
Total non-current liabilities	**935**	1,484	1,120
Total liabilities	**1,242**	1,950	1,463
Equity			
Share capital and premium	**326**	326	326
Capital reserves	**(166)**	(105)	(202)
Capital reserve for transactions with controlling shareholder	**190**	190	190
Retained earnings	**1,143**	944	1,079
Total equity attributable to the owners of the Corporation	**1,493**	1,355	1,393
Total liabilities and equity	**2,735**	3,305	2,856

Aviad Kaufman	**Avisar Paz**	**Sagi Kabla**
Chairman of the Board of Directors	**CEO**	**CFO**

Approval date of the financial statements: May 16, 2019

The additional information accompanying the condensed separate financial information is an integral part thereof.

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at March 31, 2019
Condensed Interim Statements of Income Information

	For the Three Months Ended March 31		For the Year Ended December 31
	2019	**2018**	**2018**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Administrative and general expenses	**2**	2	7
Other expenses (income), net	**(1)**	(4)	16
Operating income (loss)	**(1)**	2	(23)
Financing expenses	**31**	42	129
Financing income	**(15)**	(11)	(39)
Financing expenses, net	**16**	31	90
Share in income of investee companies, net	**82**	460	630
Income before taxes on income	**65**	431	517
Taxes on income (tax benefit)	**–**	(1)	(32)
Income for the period attributable to the owners of the Corporation	**65**	432	549

The additional information accompanying the condensed separate financial information is an integral part thereof.

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at March 31, 2019
Condensed Interim Statements of Comprehensive Income Information

	For the Three Months Ended March 31		For the Year Ended December 31
	2019	**2018**	**2018**
	(Unaudited)		**(Audited)**
	In Millions of U.S. Dollars		
Income for the period attributable to the owners of the Corporation	**65**	432	549
Components of other comprehensive income (loss) that will be recognized in future periods in the statement of income			
Effective portion of the change in fair value of cash flow hedges	**13**	(4)	(33)
Net change in fair value of cash flow hedges transferred to the statement of income	**(9)**	7	27
Other comprehensive income (loss) in respect of investee companies, net	**7**	24	(45)
Total	**11**	27	(51)
Components of other comprehensive income that will not be recognized in future periods in the statement of income			
Other comprehensive income in respect of investee companies, net	**15**	18	1
Total	**15**	18	1
Other comprehensive income (loss) for the period, net of tax	**26**	45	(50)
Total comprehensive income for the period attributable to the owners of the Corporation	**91**	477	499

The additional information accompanying the condensed separate financial information is an integral part thereof.

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at March 31, 2019
Condensed Interim Statements of Cash Flows Information

	For the Three Months Ended March 31		For the Year Ended December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Cash flows from operating activities			
Income for the period attributable to the owners of the Corporation	**65**	432	549
Adjustments:			
Financing expenses, net	**16**	31	90
Share in income of investee companies, net	**(82)**	(460)	(630)
Loss (income) on re-measurement to fair value of collar options	**(1)**	5	26
Taxes on income (tax benefit)	**–**	(1)	(32)
	(2)	7	3
Change in receivables and payables	**1**	(6)	(7)
	(1)	1	(4)
Income tax paid, net	**(11)**	–	(3)
Dividends received from investee companies	**25**	52	129
Net cash provided by operating activities	**13**	53	122
Cash flows from investing activities			
Short-term deposits, net	**151**	88	62
Investments in long-term deposits	**–**	–	(10)
Collection of long-term loan from related company	**–**	200	200
Collection of long-term loans to investee companies, net	**–**	86	86
Interest received	**2**	42	46
Proceeds (payments) in respect of settlement of derivatives used for hedging purposes, net	**1**	2	(2)
Net cash provided by investing activities	**154**	418	382
Cash flows from financing activities			
Dividend paid	**–**	–	(120)
Receipt of long-term loans and issuance of debentures	**–**	238	238
Repayment of long-term loans and debentures	**(194)**	(271)	(514)
Interest paid	**(19)**	(30)	(84)
Receipts from settlement of derivatives used for accounting hedge, net	**1**	4	1
Net cash used in financing activities	**(212)**	(59)	(479)
Net increase (decrease) in cash and cash equivalents	**(45)**	412	25
Cash and cash equivalents at the beginning of the period	**77**	54	54
Effect of exchange rate fluctuations on balances of cash and cash equivalents	**–**	–	(2)
Cash and cash equivalents at the end of the period	**32**	466	77

The additional information accompanying the condensed separate financial information is an integral part thereof.

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at March 31, 2019
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 and annual financial statements as at December 31, 2018 and together with the condensed consolidated financial statements as at March 31, 2019.

In this separate-company interim financial information:

A. The Corporation – Israel Corporation Ltd.

B. ICL – Israel Chemicals Ltd. and its subsidiaries.

C. ORL – Oil Refineries Ltd. and its subsidiaries.

D. Subsidiaries – Companies the financial statements of which are fully consolidated, directly or indirectly, with those of the Corporation.

E. Investee companies – Companies where the Corporation's investment therein is included, directly or indirectly, in the financial statements using the equity basis of accounting.

2. Other Information

1. On February 5, 2019, the Board of Directors of ICL decided to distribute a dividend, in the amount of about $62 million, about $0.05 per share. The dividend was distributed on March 13, 2019. The share of the Corporation's and the headquarters companies – about $29 million.

2. Subsequent to the date of the report, on May 7, 2019, the Board of Directors of ICL decided to distribute a dividend, in the amount of $76 million, about $0.06 per share. The dividend will be distributed on June 19, 2019. The share of the Corporation's and the headquarters companies – about $34 million.

Israel Corporation Ltd.

Quarterly Report regarding Effectiveness of the Internal Control over the Financial Reporting and the Disclosure in accordance with Regulation 38C(a)

As at March 31, 2019

(Unaudited)

Quarterly Report regarding Effectiveness of the Internal Control over the Financial Reporting and the Disclosure in accordance with Regulation 38C(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:

Avisar Paz, CEO;

Sagi Kabla, CFO

Maya Alcheh-Kaplan, General Counsel and company secretary;

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, 2018 (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, 2018, is effective.

Up to the date of the report, no event or matter was brought to the attention of the Board of Directors or Management that is capable of changing the evaluation of the effectiveness of the Internal Control, as presented in the framework of the Latest Annual Report regarding the Internal Control.

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, Avisar Paz, declare that:

(1) I have examined the interim financial statements of Israel Corporation Ltd. (hereinafter – "the Corporation") as at March 31, 2019 (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), 2010, 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 16, 2019

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Avisar Paz, 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, Sagi Kabla, declare that:

(1) I have examined the interim financial statements and the other financial information included in in the statements for interim periods of Israel Corporation Ltd. (hereinafter – "the Corporation") as at March 31, 2019 (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), 2010, 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 16, 2019

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Sagi Kabla, CFO