Israel Corporation Ltd.

Condensed Consolidated Interim Financial Statements

As at September 30, 2019

(UNAUDITED)

Contents

Report of the Corporation's Board of Directors

For the Three-Month and Nine-Month Periods Ended September 30, 2019

Israel Corporation Ltd. (hereinafter – "the Corporation") is an Israeli-resident company that was incorporated in Israel, the securities of which are listed for trading on the Tel-Aviv Stock Exchange.

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

As stated in Part A to the Annual Periodic Report, 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 Bazan, also to make new investments[1].

This Directors' Report is submitted as part of the interim financial statements as at September 30, 2019 (hereinafter – "the Date of the Report") (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 September 30, 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, 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.

2. Subsequent to the date of the report, on November 11, 2019, amendment of the terms of debenture certificates was approved by the General Meeting of the holders of the debentures (Series 7, 10, 11, 12 and 13). For additional details – see Note 5A(5) to the Interim Consolidated Financial Statements

3. On May 21, 2019, the Corporation published a shelf prospectus.

4. On July 8, 2019, Standard & Poor's Maalot (hereinafter – "S&P Maalot") gave notice of reconfirmation of the Corporation's rating of ilA/stable, with a stable rating outlook.

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

[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.

5. For details regarding the Corporation's liabilities – see the Immediate Report regarding the total liabilities based on repayment date that was published on November 14, 2019 (Reference No. 2019-01-098244). 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 Note 6A to the Interim Consolidated Financial Statements and Note 20B(1) to the annual consolidated financial statements for 2018.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

– The total sales for the three-month and nine-month periods ended September 30, 2019 amounted to about $1,325 million and about $4,165 million, respectively, compared with about $1,371 million and about $4,146 million, respectively, in the corresponding periods last year.

– The total net income attributable to the owners of the Corporation for the three-month and nine-month periods ended September 30, 2019 amounted to about $42 million and about $165 million, respectively, compared with net income attributable to the owners of the Corporation of about $20 million and about $501 million, respectively, in the corresponding periods last year. The income for the nine-month period ended September 30, 2018 included the amount of $394 million, the Corporation's share of the capital gain recorded by ICL, due to completion of the transaction for sale of the Fire Safety and Oil Additives businesses.

– The total assets, as at September 30, 2019, amounted to about $10,294 million, compared with about $10,040 million, as at September 30, 2018, and compared with about $10,100 million, as at December 31, 2018.

– The current assets net of the current liabilities, as at September 30, 2019 amounted to about $820 million, compared with about $827 million as at September 30, 2018, and compared with about $912 million, as at December 31, 2018.

– The balance of the non-current assets, as at September 30, 2019 amounted to about $7,286 million, compared with about $6,822 million as at September 30, 2018, and compared with about $6,831 million, as at December 31, 2018.

– The non-current liabilities, as at September 30, 2019, amounted to about $4,261 million, compared with about $4,084 million, as at September 30, 2018, and compared with about $4,133 million, as at December 31, 2018.

– The total equity as at September 30, 2019 amounted to about $3,845 million and the total equity attributable to the owners of the Corporation amounted to about $1,531 million, compared with total equity of $3,565 million and total equity attributable to the owners of the Corporation of $1,363 million as at September 30, 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.

FINANCIAL POSITION AND RESULTS OF OPERATIONS (Cont.)

Set forth below are the results of operations of the Group companies for the period July – September 2019:

– ICL finished the third quarter of 2019 with income of about $130 million, compared with income of about $129 million in the corresponding quarter last year.

– Bazan finished the third quarter of 2019 with income of about $7 million, compared with income of about $16 million in the corresponding quarter last year.

Set forth below are the results of operations of the Group companies for the period January – September 2019:

– ICL finished the period of the report with income of about $427 million, compared with income of about $1,158 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, as a result of completion of the transaction for sale of the Fire Safety and Oil Additives businesses.

– Bazan finished the period of the report with income of about $99 million, compared with income of about $187 million in the corresponding period last year.

Set forth below is the composition of the Corporation's results attributable to the owners:

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2019	**2018**	**2019**	**2018**
	$ Millions			
ICL	**60**	60	**198**	(1)549
Bazan	**3**	4	**34**	61
Amortization of excess cost	**(3)**	(3)	**(9)**	(9)
Administrative, general, financing and other expenses of the Corporation's headquarters	**(19)**	(25)	**(60)**	(73)
Gain (loss) from re-measurement to fair value of collar options(2)	**1**	(17)	**2**	(29)
Tax income (expenses) of the Corporation's headquarters	**–**	1	**–**	2
	42	20	**165**	501

(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 in the first quarter of 2018.

(2) Further to that stated in Note 16.E.1(f) to the annual 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 Bazan – see the sections below.

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

The total financial liabilities of the Corporation and of the wholly owned and controlled headquarters companies (hereinafter – "the Headquarters Companies") as at the Date of the Report amounted to about $1,332 million. The balance of the fair value of the options in the financial transaction (hereinafter – "the Collar Options") economically reduces the liabilities by about $1 million and, in addition, the balance of the fair value of the currency and interest SWAP transactions mainly in respect of the debentures, economically decreases the liabilities by about $29 million.

As at the Date of the Report, the investments of the Corporation and of the Headquarters Companies in liquid assets amounted to about $302 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 $1,000 million, compared with net debt balances of about $1,110 million and about $1,092 million, as at September 30, 2018 and as at December 31, 2018, respectively. As at the date of the report, the net financial liabilities of the headquarters companies standing alone amounted to about $143 million.

In September 2014, the Corporation entered into a financial transaction with financial entities (the collar transaction), 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 period of the report, 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 September 30, 2019, September 30, 2018 and December 31, 2018, which is included in the Corporation's net debt, amounted to about $2 million, $82 million and about $61 million, respectively. Subsequent to the date of the report, in October 2019, the final settlement of the balance of the loan was made.

In the period of the report, the Corporation and the Headquarters Companies repaid liabilities in the amount of $239 million, of which payment of principal of the debentures (Series 7, 10 and 11) (net of hedging transactions), in the amount of about $210 million, and made repayment of a long-terms loan from a bank, in the amount of $30 million. In August 2019, an agreement was signed with a bank for increase of the loan by additional $30 million and increase of the average life to 3 years. Subsequent to the Date of the Report, in November 2019, a loan agreement was signed with a bank, in the amount of $50 million, with an average life of about 3 years.

In the period of the report, the Corporation increased the credit frameworks from $50 million to $160 million. For additional details – see Note 5A(1) to the Interim Consolidated Financial Statements. As at September 30, 2019, the Corporation had a long-term secured credit framework from banks, in the amount of $160 million. As at the date of the report, the said frameworks had not been utilized. Subsequent to the Date of the Report, in November 2019, as part of the above-mentioned loan agreement, the Corporation also signed an additional credit framework, in the amount of $25 million, for a period of 3 years.

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.

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

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 dividends, net of tax, from ICL, in the amount of about $95 million.

Corporation's credit rating

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 reconfirmation of a rating of ilA/stable, with a stable rating outlook.

On July 8, 2019, S&P gave notice of reconfirmation of a rating of ilA/stable, with a stable rating outlook.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES:

ISRAEL CHEMICALS LTD.

	7–9/2019		7–9/2018		1–9/2019		1–9/2018		2018	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
Sales	**1,325**	**–**	1,371	–	**4,165**	**–**	4,146	–	5,556	–
Gross profit	**472**	**36**	458	33	**1,481**	**36**	1,347	32	1,854	33
Operating income	**201**	**15**	196	14	**668**	**16**	1,353	33	1,519	27
Adjusted operating income (1)	**201**	**15**	200	15	**672**	**16**	539	13	753	14
Net income attributable to ICL's shareholders	**130**	**10**	129	9	**427**	**10**	1,158	28	1,240	22
Adjusted net income attributable to ICL's shareholders (1)	**130**	**10**	134	10	**431**	**10**	353	9	477	9
Diluted income per share (in $)	**0.10**	–	0.10	–	**0.33**	–	0.91	–	0.97	–
Adjusted diluted income per share (in $)	**0.10**	–	0.10	–	**0.34**	–	0.28	–	0.37	–
Adjusted EBITDA (2)	**307**	**23**	295	22	**997**	**24**	842	20	1,164	21
Cash flows from operating activities	**368**	**–**	196	–	**780**	**–**	396	–	620	–
Cash flows used for acquisition of property, plant and equipment and other assets (3)	**147**	**–**	145	–	**419**	**–**	393	–	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.

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 the adjusted operating income, adjusted net income attributable to ICL's shareholders, adjusted diluted earnings per share 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.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

	7–9/2019	7–9/2018	1–9/2019	1–9/2018	2018
			$ millions		
Operating income	**201**	196	**668**	1,353	1,519
Capital gain (1)	–	–	–	(841)	(841)
Impairment loss (reversal) on property, plant and equipment (2)	–	3	**(10)**	19	19
Provision for early retirement and dismissal of employees (3)	–	–	–	7	7
Provision for legal claims (4)	–	1	**14**	1	31
Provision for closure costs (5)	–	–	–	–	18
Total adjustments to operating income	–	4	**4**	(814)	(766)
Total adjusted EBITDA	**201**	200	**672**	539	753
Net income attributable to the shareholders of ICL	**130**	129	**427**	1,158	1,240
Total adjustments to operating income	–	4	**4**	(814)	(766)
Adjustments to financing expenses (6)	–	3	–	3	10
Total tax impact of the above operating income and financing expenses adjustments	–	(2)	–	6	(7)
Total adjusted net income attributable to the shareholders of ICL	**130**	134	**431**	353	477

(1) A capital gain recognized in 2018 from the sale of the Fire Safety and Oil Additives (P_2S_5) businesses.

(2) In 2019, due to an agreement for the sale of assets in Germany, a partial reversal of a provision for an impairment loss related to those assets which was incurred in 2015 (see Note 6B(5) to the financial statements). 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 the transition of ICL's facility in the UK (ICL Boulby) to sole production of Polysulphate®.

(4) In 2019 and 2018, an increase of the provision in connection with finalization of the royalties' arbitration in Israel relating to prior periods (see Note 6B(8) to the interim consolidated financial statements), which in 2018 was partly offset by a VAT refund relating to prior periods (2002–2015) in Brazil.

(5) In 2018, an increase of the restoration plan provision relating to the closure cost of the Sallent site in Spain.

(6) Interest and linkage expenses resulting from an increase of the provision related to the royalties' arbitration in Israel in 2018 (see Section 4 above).

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Calculation of the adjusted EBITDA was made as follows:

	7–9/2019	7–9/2018	1–9/2019	1–9/2018	2018
			$ millions		
Net income attributable to ICL's shareholders	**130**	129	**427**	1,158	1,240
Depreciation and amortization	**110**	94	**330**	296	403
Financing expenses, net	**32**	23	**104**	92	158
Taxes on income	**35**	45	**132**	110	129
Adjustments*	**–**	4	**4**	(814)	(766)
Total adjusted EBITDA**	**307**	295	**997**	842	1,164

* See "Adjustments to reported operating and net income (Non-GAAP)" above.
** The total adjusted EBITDA for the third quarter of 2019 and the first nine months of 2019 was positively impacted by $15M and $45M, respectively, as a result of lower lease expenses deriving from the initial application of IFRS 16. For further information, see Note 3 to the Interim Consolidated Financial Statements.

Calculation of the diluted adjusted earnings per share was made as follows:

	7–9/2019	7–9/2018	1–9/2019	1–9/2018	2018
			$ millions		
Net income to ICL's shareholders	**130**	129	**427**	1,158	1,240
Adjustments*	**–**	4	**4**	(814)	(766)
Adjusted net income to ICL's shareholders	**130**	134	**431**	353	477
Weighted-average number of diluted ordinary shares outstanding (in thousands)	**1,283,675**	1,278,780	**1,283,401**	1,276,564	1,283,781
Diluted adjusted earnings per share (in dollars)**	**0.10**	0.10	**0.34**	0.28	0.37

* See "Adjustments to reported operating and net income (Non-GAAP)" above.
** The adjusted diluted earnings per share is calculated as follows: dividing the adjusted net income-shareholders of ICL's by the weighted-average number of diluted ordinary shares outstanding (in thousands).

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Results of operations for the period July – September 2019

Sales:

	$ millions		
	Sales	**Expenses**	**Operating income**
Q3 2018 figures	1,371	(1,175)	196
Total adjustments Q3 2018 *	–	4	4
Adjusted Q3 2018 figures (less divested businesses)	1,371	(1,171)	200
Quantity	(42)	36	(6)
Price	18	–	18
Exchange rate	(22)	13	(9)
Raw materials	–	8	8
Energy	–	8	8
Transportation	–	(10)	(10)
Operating and other expenses	–	(8)	(8)
Adjusted Q3 2019 figures	**1,325**	**(1,124)**	**201**
Total adjustments Q3 2019 *	–	–	–
Q3 2019 figures	**1,325**	**(1,124)**	**201**

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

Quantity – the negative impact on the operating income derives mainly from lower sales volumes of phosphate fertilizers, potash and dairy proteins, partly offset by increased sales volumes of green phosphoric acid and bromine-based industrial solutions.

Price – the positive impact on the operating income derives mainly from an increase in the selling prices of bromine-based industrial solutions, bromine-based and phosphorus-based flame retardants, as well as specialty phosphates. This increase was partly offset by a decrease in the selling prices of phosphate commodities.

Exchange rate – the unfavorable impact on the operating income derives mainly from the devaluation in the average exchange rate of the euro and the Chinese yuan against the dollar which decreased revenue more than it contributed to operational cost-savings. Additionally, the appreciation in the average exchange rate of the shekel against the dollar increased the operational costs.

Raw materials – the positive impact on the operating income derives mainly from lower consumed phosphate rock prices in China and lower consumed sulphur prices, partly offset by higher costs of acids acquired from external sources.

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

Transportation – the negative impact on the operating income derives mainly from higher marine transportation prices.

Operating and other expenses – the negative impact on the operating income derives mainly from income related to changes in pension liabilities recorded in the corresponding quarter last year and an increase in depreciation expenses.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Results of operations for the second quarter of 2019 (Cont.)

Sales: (Cont.)

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

	7–9/2019		7–9/2018	
	$ millions	%	$ millions	%
Europe	**447**	**34**	446	33
Asia	**354**	**27**	352	26
South America	**245**	**18**	262	19
North America	**191**	**14**	204	15
Rest of the world	**88**	**7**	107	7
Total	**1,325**	**100**	1,371	100

Europe – sales to the European market remained stable as higher sales volume of acids were mostly offset by lower quantities sold of specialty agriculture products, bromine-based flame retardants and phosphorus-based flame retardants, together with the negative impact of the devaluation in the average exchange rate of the euro against the dollar.

Asia – the minor increase derives mainly from an increase in the quantities sold of elemental bromine and phosphate rock. The increase was partly offset by a decrease in the quantities of phosphate fertilizers sold and 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 a decrease in the selling prices and quantities of phosphate fertilizers sold together with lower quantities of potash sold.

South America – the decrease derives mainly from a decrease in the quantities sold of potash and phosphate fertilizers, partly offset by increased sales volumes of clear brine fluids.

Rest of the world – the decrease derives mainly from a decrease in the quantities of dairy proteins sold, partly offset by increased sales volumes of electricity surplus from the new power station in Sodom.

Financing expenses, net

The net financing expenses in the third quarter of 2019 amounted to $32 million, compared with net financing expenses of $23million in the corresponding quarter last year, an increase of $9 million.

The increase derives mainly due to implementation of IFRS16 (new accounting standard for leases), in the amount of $6 million and due to the strengthening of the Israeli shekel against the dollar during the quarter.

Tax expenses

Tax expenses in the third quarter of 2019 and 2018 amounted to $35 million and $45 million, respectively, reflecting an effective tax rate of about 21% and about 26%, respectively. ICL's lower tax rate in 2019 compared to the corresponding quarter last year derives mainly from the change in deferred taxes in relation to prior years.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Results of operations for the period January – September 2019

Sales:

	$ millions		
	Sales	**Expenses**	**Operating income**
January – September 2018 figures	4,146	(2,793)	1,353
Total adjustments January – September 2018 *	–	(814)	(814)
Adjusted January – September 2018 figures	4,146	(3,607)	539
Divested businesses	(50)	47	(3)
Adjusted January – September 2018 figures (less divested businesses)	4,096	(3,660)	536
Quantity	(3)	15	12
Price	176	–	176
Exchange rate	(104)	87	(17)
Raw materials	–	(15)	(15)
Energy	–	24	24
Transportation	–	(9)	(9)
Operating and other expenses	–	(35)	(35)
Adjusted January – September 2019 figures	**4,165**	**(3,493)**	**672**
Total adjustments January – September 2019 *	**–**	**(4)**	**(4)**
January – September 2019 figures	**4,165**	**(3,497)**	**668**

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

Divested businesses – results of operations of divested businesses, which includes the Fire Safety and Oil Additives (P_2S_5) businesses, which were divested in the first quarter of 2018, together with the Rovita business which was divested in the third quarter of 2018.

Quantity – the positive impact on the operating income resulted mainly from a varied product-mix throughout ICL’s different segments. This mainly resulted from higher sales volumes of bromine-based industrial solutions, phosphate fertilizers and green phosphoric acid which was partly offset by a decrease in the quantities sold of acids, dairy proteins, phosphorus-based flame retardants and specialty agriculture products.

Price – the positive impact on the operating income derives mainly from an increase in the selling prices of potash (an increase of $18 in the average realized price per tonne compared to the corresponding period 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 the Industrial Products segment's business-lines.

Exchange rate – the unfavorable impact on the operating income 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 Chinese yuan and the shekel against the dollar decreasing operational costs.

Raw materials – the negative impact on the operating income derives mainly from higher costs of acids acquired from external sources and an increase in the prices of various raw materials used for products of the Innovative Ag Solutions segment. This negative impact was partly offset by lower consumed phosphate rock prices in China and lower consumed sulphur prices.

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

Transportation – the negative impact on the operating income derives mainly from higher marine transportation prices.

Operating and other expenses – the negative impact on the operating income derives mainly from higher operating costs, mainly due to the activation of the new salt plant in Spain, income related to changes in pension liabilities recorded in the corresponding period last year and an increase in depreciation expenses.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

Sales: (Cont.)

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

	1–9/2019		1–9/2018	
	$ millions	**%**	**$ millions**	**%**
Europe	**1,506**	**36**	1,552	37
Asia	**1,122**	**27**	1,019	25
North America	**701**	**17**	744	18
South America	**545**	**13**	514	12
Rest of the world	**291**	**7**	317	8
Total	**4,165**	**100**	4,146	100

Europe – the decrease derives mainly from the divestiture of the Fire Safety and Oil Additives (P_2S_5) and Rovita businesses, a decrease in the quantities sold of potash, specialty agriculture products, bromine-based flame retardants and phosphorus-based flame retardants, 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 phosphate fertilizers and an increase in the quantities sold of green phosphoric acid and clear brine fluids.

Asia – the increase derives mainly from an increase in the quantities sold and selling prices of potash, bromine-based flame retardants and elemental bromine together with an increase in the quantities sold of green phosphoric acid and phosphate rock. The increase was partly offset by a decrease in the selling prices 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 (P_2S_5) business and a decrease in the selling prices and quantities of phosphate fertilizers sold, partly offset by an increase in the selling prices of clear brine fluids.

South America – the increase derives mainly from an increase in the quantities sold of phosphate fertilizers and clear brine fluids, partly offset by a decrease in the quantities of acids sold.

Rest of the world – the decrease derives mainly from a decrease in dairy proteins, specialty agriculture products and potash quantities sold, partly offset by increased sales of electricity surplus from the new power station in Sodom.

Financing expenses, net

The net financing expenses in the nine months ended September 30, 2019 amounted to $104 million, compared with $92 million in the corresponding period last year – an increase of $12 million.

The increase derives mainly due to implementation of IFRS16 (new accounting standard for leases), in the amount of $16 million and due to the strengthening of the Israeli shekel against the dollar. This increase was partly offset mainly due to costs relating to early redemption of debentures recorded in the corresponding period last year, in the amount of $12 million.

Tax expenses

Tax expenses in the nine months ended September 30, 2019 and September 30, 2018 amounted to $132 million and $110 million, respectively, reflecting an effective tax rate of about 23% and 9%, respectively. ICL's low tax rate in the corresponding period last year derives mainly from an exempt income from the divestiture of businesses and the devaluation of the shekel against the dollar during the period. On the other hand, the tax rate in the nine months ended September 30, 2019 was negatively affected by the appreciation of the shekel against the dollar during the period.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

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

– ICL Industrial Products' sales and operating income in the third quarter of 2019 increased compared to the corresponding quarter last year, driven mainly by higher sales of elemental bromine and clear brine fluids.

– During the third quarter of 2019 elemental bromine prices in China decreased compared to the second quarter of 2019, mainly as a result of the usual seasonal pattern, which is reflected in an increase in local production as the dry season in Shandong province begins. In addition, the bromine prices in China in US dollar terms were negatively affected by the devaluation of the Chinese yuan. However, elemental bromine prices in China were at the same level compared to the corresponding quarter last year. ICL continues to benefit from improved pricing in its bromine value chain.

– Compared to the corresponding quarter last year, ICL's sales volume of elemental bromine in China increased, mainly as a result of the decrease in local production due to the depletion of resources and environmental-related regulatory pressure. Additionally, sales volumes of bromine-based flame retardants moderately decreased.

– The increase in the sales of clear brine fluids compared to the corresponding quarter last year was driven by higher activity in Guyana (South America) and the North Sea as well as higher selling prices.

– Phosphorus-based flame retardants sales slightly decreased compared to the third quarter of 2018, while profit improved, as higher prices and lower raw material costs compensated for lower sales volumes.

– Sales of specialty minerals slightly increased compared to the corresponding quarter last year, due to higher sales of MgCl to the US for pre-season sales for snow melting.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Industrial Products (Cont.)

Significant highlights and business environment (Cont.)

– During the quarter, ICL announced it has signed several strategic agreements with customers in Asia and as a result will increase its annual bromine compounds capacity and its bromine isotank fleet. ICL expects to invest approximately $50 million for these capacity expansions and anticipates that they will generate additional annual revenues of up to $110 million, beginning in 2021[2].

  The continuing depletion of Chinese bromine resources, together with increased environmental-related regulatory pressure, is expected to result in greater motivation of Chinese customers to seek a reliable, long-term supplier to ensure their uninterrupted production[3].

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[2] The estimates regarding expansion of the annual production capacity of bromine compounds and increase of the isotank fleet for transport of bromine and the contribution thereof to production of additional revenues for ICL, including the amount of the investment and the start and length of the period of execution of the expansion 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 the bromine market, volatility in the world markets for the end-products to which the bromine is targeted, particularly the target markets for ICL's products, including, among other things, changes in the level of supply and demand, changes in the prices of the end-products for which the bromine is intended, input prices, shipping and energy costs, and there also could be impacts from actions taken by the governments, producers and consumers.

[3] 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 bromine markets, particularly the target markets for ICL's products, including, among other things, changes in the level of supply and demand, changes in the prices of the end-products for which the bromine is intended, input prices, shipping and energy costs, and there also could be impacts from actions taken by the governments, producers and consumers. Impacts are also possible due to possible changes in the situation in the financial markets, including changes in the currency rate of exchange, the credit situation and interest costs.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Industrial Products (Cont.)

	7–9/2019	7–9/2018	1–9/2019	1–9/2018	2018
			$ millions		
Total sales	**339**	328	**1,025**	976	1,296
Sales to external customers	**337**	325	**1,017**	965	1,281
Sales to internal customers	**2**	3	**8**	11	15
Segment income (after allocation of administrative and general expenses)	**88**	83	**278**	230	300
Depreciation and amortization	**17**	16	**49**	47	63
Capital investments – impact of application of IFRS 16*	**–**	–	**6**	–	–
Capital investments – current	**26**	14	**50**	38	50

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

Results of operations for July – September 2019

	$ millions			
	Sales	**Expenses**	**Operating income**	
Q3 2018 figures	328	(245)	83	
Quantity	–	**2**	**2**	
Price	**14**	–	**14**	
Exchange rate	**(3)**	**1**	**(2)**	
Raw materials	–	–	–	
Energy	–	–	–	
Transportation	–	**(1)**	**(1)**	
Operating and other expenses	–	**(8)**	**(8)**	
Q3 2019 figures	**339**	**(251)**	**88**	

Quantity – the moderate positive impact on the segment's operating income derives mainly from higher quantities of bromine-based industrial solutions sold, partly offset by a decrease in the quantities sold of bromine and phosphorus-based flame retardants.

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

Exchange rate – the unfavorable impact on the segment's operating income derives mainly from the devaluation in the average exchange rate of the euro against the dollar, which decreased the segment's revenue more than it contributed to operational cost-saving. Additionally, the appreciation in the average exchange rate of the shekel against the dollar increased operational costs.

Operating and other expenses – the negative impact on the segment's operating income derives mainly from income recorded in the corresponding quarter last year relating to changes in pension liabilities.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Industrial Products (Cont.)

Results of operations for January – September 2019

	$ millions		
	Sales	**Expenses**	**Operating income**
January – September 2018 figures	976	(746)	230
Quantity	**12**	**1**	**13**
Price	**51**	**–**	**51**
Exchange rate	**(14)**	**12**	**(2)**
Raw materials	**–**	**(4)**	**(4)**
Energy	**–**	**1**	**1**
Transportation	**–**	**(2)**	**(1)**
Operating and other expenses	**–**	**(9)**	**(9)**
January – September 2019 figures	**1,025**	**(747)**	**278**

Quantity – the positive impact on the segment's operating income derives mainly from an increase in the quantities of bromine-based industrial solutions sold, partly offset by a decrease in the quantities of phosphorus-based flame retardants sold.

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

Exchange rate – the unfavorable impact on the segment's operating income derives mainly from the devaluation in the average exchange rate of the euro against the dollar, which decreased the segment's revenue, partly offset by the devaluation in the average exchange rate of the euro and the shekel against the dollar, which decreased operational costs.

Operating and other expenses – the negative impact on the segment's operating income derives mainly from income recorded in the corresponding period last year relating to changes in pension liabilities.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Potash

Significant highlights and business environment

– The Potash segment's sales decreased by 8%, while the operating income increased by 6% compared to the corresponding quarter last year, as lower potash sales volumes were more than offset by lower operating costs, deriving mainly from lower costs in the Polysulphate® operations at ICL Boulby and from lower energy costs attributed mainly to the new power station in Sodom.

– The Grain Price Index increased towards the end of the third quarter of 2019, mainly due to a decrease in projected production volumes during the 2019/2020 agricultural year[4] attributed to unfavorable weather conditions during the planting season. In the USDA's WASDE (World Agricultural Supply and Demand Estimates) report published in October 2019, the estimated grains stock-to-use ratio for the 2019/2020 agricultural year decreased to 29.9% compared to 39.3% for 2018/2019 and 31.4% for 2017/2018.

– Potash spot prices decreased during the third quarter of 2019 across global markets due to high availability.

– According to Argus, potash imports to China in the first nine months of 2019 amounted to 7.7 million tons, an increase of about 38% over the corresponding period last year. Together with the increase in imports, demand in China was negatively impacted by the devaluation of the Chinese yuan and lower planting areas attributed to the African Swine Fever. As a result, port inventories at the end of September 2019 reached a record of about 3.5 million tons.

– According to the FAI (Fertilizer Association of India), potash imports to India in the third quarter of 2019 amounted to 0.95 million tons, an increase of 26% compared to the corresponding quarter last year.

– Towards the end of October 2019, Uralkali (Russia) as well as Belaruskali (Belarus) signed new potash supply contracts with IPL, the major Indian importer, at a price of $280/ton CFR to be supplied by the end of March 2020. The price reflects a decrease of $10 per ton from the 2018/2019 contracts. After ICL has completed the shipments to India under the previous contract early in the third quarter of 2019, it signed an agreement to update the price for all shipments from October 2019 to March 2020, which are in line with its five-year supply agreement with IPL signed in the end of 2018.

[4] 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. Impacts are also possible due to possible changes in the situation in the financial markets, including changes in the currency rate of exchange, the credit situation and interest costs.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Potash (Cont.)

Significant highlights and business environment (Cont.)

– In Brazil, prices were negatively impacted by increased competition since early this year, as suppliers diverted quantities from other markets which suffered from weak demand. According to CRU (Fertilizer Week Historical Prices, October 2019) the average price of granular potash imported to Brazil in the third quarter of 2019 was $327 per ton (CFR spot), down by 5.5% and by 0.9% compared to the second quarter of 2019 and to the third quarter of 2018, respectively.

– According to Brazil's customs data, potash imports to Brazil in the third quarter of 2019 reached more than 3.4 million tons, an increase of 18.7% compared to the third quarter of 2018.

– Low palm oil prices continued to negatively impact demand and prices in South East Asia. However, palm oil prices started to recover towards the end of the third quarter of 2019.

– Market conditions have led several major manufacturers, including Mosaic, Nutrien, Uralkali, Belaruskali and K+S, to announce production cuts amounting to about 3 million tons on annual terms.

– The production of Polysulphate® at ICL's Boulby mine doubled compared to the third quarter of 2018, reaching 174 thousand tons. PotashpluS production amounted to 29 thousand tons.

– In order to enable increased production in the following years and for facility upgrade purposes, an annual production shutdown at ICL Dead Sea is scheduled for the fourth quarter of 2019. The shutdown is planned for approximately 3 weeks and is expected to significantly impact the Potash segment's results in the fourth quarter of 2019[5].

– Further to ICL's Annual Report on Form 20-F for 2018, regarding the construction of the new access tunnel to the mine in ICL Iberia, on October 2019, following the engagement with a new contractor, the excavation activities in the Suria site in Spain were resumed and the project is expected to be completed within a year[6].

– The magnesium market is characterized by improved demand in the U.S., constrained demand in China, as a result of current trade disputes, and in Europe due to slowing economic activity.

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[5] The estimates regarding the production shutdown at ICL Dead Sea, including the start date and the duration of the period of execution of the maintenance work, as well as the increase in the production constitute in future years 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 rate of evaporation in the evaporation ponds, natural environmental impacts, economic feasibility of the potash market, volatility in the world agricultural markets, particularly the target markets for ICL's products, including, changes in the level of supply and demand, extreme changes in the weather, the prices of fuel, products, commodities and grains, input prices and energy costs, and there also could be impacts from actions taken by the governments, producers and consumers.

[6] The estimates regarding conclusion of construction of the new access tunnel to the mine in this paragraph, including the date, 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, a slower rate of excavation than planned, equipment breakdowns, changes in the geological evaluations and/or unstable geological structure, along with operating and commercial difficulties and delays, among other things with subcontractors.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Potash (Cont.)

Significant highlights and business environment (Cont.)

– For details regarding the petition filed in the U.S. requesting to impose antidumping and countervailing duties on imports of magnesium from Israel, see Note 6B(2) to the interim consolidated financial statements.

– In July 2019, ICL completed an evaluation of its Spanish mining operations reserves. The full details will be provided in the Annual Report on Form 20-F for 2019. Based on our updated study, it was found that the current reserves continue to be significant and are not materially different from our last evaluation results as of December 31, 2017, which were disclosed in ICL's 2017 Annual Report, reflecting, among other things, the impact of the production since January 1, 2018.

Potash – Results of operations

	7–9/2019	7–9/2018	1–9/2019	1–9/2018	2018
			$ millions		
Total sales	**376**	409	**1,192**	1,108	1,623
Sales to external customers	**280**	321	**889**	867	1,280
Sales to internal customers	**26**	23	**77**	56	79
Other and eliminations*	**70**	65	**226**	185	264
Gross profit	**176**	171	**544**	466	696
Segment income (after allocation of administrative and general expenses)	**83**	78	**267**	177	315
Depreciation and amortization	**37**	32	**111**	101	141
Capital investments – impact of application of IFRS 16**	**–**	–	**95**	–	–
Capital investments – current	**93**	72	**246**	223	356
Average price (in dollars)***	**284**	287	**289**	271	278

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

** For further information regarding the impact of implementation 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.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Potash (Cont.)

Potash – Production and sales

	7–9/2019	7–9/2018	1–9/2019	1–9/2018	2018
	Thousands of tons				
Production	**1,050**	1,151	**3,315**	3,657	4,880
Total sales (including internal sales)	**1,079**	1,200	**3,345**	3,402	4,895
Closing inventory	**355**	655	**355**	655	385

July – September 2019

Production – in the third quarter of 2019 potash production was 101 thousand tons lower than in the corresponding quarter last year. Potash production challenges during the third quarter of 2019, including some mechanical failures in equipment, resulted in lower production rate. The planned shutdown for purposes of upgrade of the facilities, which will take place during the fourth quarter of 2019 at ICL Dead Sea, will provide long-term maintenance solutions to such mechanical failures of this type[7].

Sales – the quantity of potash sold in the third quarter of 2019 was 121 thousand tons lower than in the corresponding quarter last year, mainly due to a decrease in potash sales to Brazil and China.

January – September 2019

Production – in the first nine months of 2019 potash production was 342 thousand tons lower than in the corresponding period last year. This was due to lower production at ICL Boulby, following the shift from potash production to sole production of Polysulphate® in the second quarter of 2018, from lower production at ICL Iberia and lower production at ICL Dead Sea due to mechanical failures in equipment. The planned shutdown for purposes of upgrade of the facilities, which will take place during the fourth quarter of 2019 at ICL Dead Sea, will provide long-term maintenance solutions to such mechanical failures[8].

Sales – the quantity of potash sold in the first nine months of 2019 was 57 thousand tons lower than in the corresponding period last year, mainly due to a decrease in potash sales to Brazil and India, which was partly offset by an increase in sales to China.

[7] The estimates regarding shutdown of the production at ICL Dead Sea and the estimates with reference to the quality of the maintenance solutions obtained during the said shutdown, including the start date of execution of the maintenance period and the duration of performance 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, operational, logistical and engineering difficulties, severe changes in the weather and other natural environmental impacts.

[8] The estimates regarding shutdown of the production at ICL Dead Sea and the estimates with reference to the quality of the maintenance solutions obtained during the said shutdown, including the start date of execution of the maintenance period and the duration of performance 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, operational, logistical and engineering difficulties, severe changes in the weather and other natural environmental impacts.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Potash (Cont.)

Potash – Results of operations – July – September 2019

	$ millions			
	Sales	**Expenses**	**Operating income**	
Q3 2018 figures	409	(331)	78	
Quantity	**(32)**	**24**	**(8)**	↓
Price	**3**	**–**	**3**	↑
Exchange rate	**(4)**	**3**	**(1)**	↓
Energy	**–**	**10**	**10**	↑
Transportation	**–**	**(8)**	**(8)**	↓
Operating and other expenses	**–**	**9**	**9**	↑
Q3 2019 figures	**376**	**(293)**	**83**	

Quantity – the decrease in the quantities of potash sold had a relatively moderate negative impact on the segment's operating income due to improved site-mix.

Price – the minor positive impact on the segment's operating income derives mainly from an increase in magnesium and Polysulphate® selling prices.

Exchange rate – the unfavorable impact on the segment's operating income derives mainly from the devaluation in the average exchange rate of the euro against the dollar, which decreased revenue and the appreciation in the average exchange rate of the shekel against the dollar, which increased operational costs. This negative impact was partly offset by the devaluation in the average exchange rate of the euro and the British pound against the dollar, decreasing operational costs.

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

Transportation – the negative impact on the segment's operating income derives mainly from an increase in marine transportation prices.

Operating and other expenses – the positive impact on the segment's operating income derives mainly from lower operating costs.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Potash (Cont.)

Potash – Results of operations – January – September 2019

	$ millions			
	Sales	**Expenses**	**Operating income**	
January – September 2018 figures	1,108	(931)	177	
Quantity	**26**	**(14)**	**12**	↑
Price	**74**	–	**74**	↑
Exchange rate	**(16)**	**17**	**1**	↑
Energy	–	**26**	**26**	↑
Transportation	–	**(7)**	**(7)**	↓
Operating and other expenses	–	**(16)**	**(16)**	↓
January – September 2019 figures	**1,192**	**(925)**	**267**	

Quantity – the positive impact on the segment's operating income derives mainly from an increase in the quantities of Polysulphate® sold and a favorable potash site-mix.

Price – the positive impact on the segment's operating income derives mainly from an increase in potash selling prices (an increase of $18 in the average realized price per ton compared to the corresponding period last year).

Exchange rate – the moderate positive impact on the segment's operating income derives mainly from the devaluation in the average exchange rate of the euro, the British pound and the shekel against the dollar decreasing operational costs, partly offset by the devaluation in the average exchange rate of the euro against the dollar decreasing revenue.

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

Transportation – the negative impact on the segment's operating income derives mainly from an increase in marine transportation prices.

Operating and other expenses – the negative impact on the segment's operating income derives mainly from an increase in royalties, higher operating costs due to the activation of the new salt plant in Spain, higher depreciation expenses and income from the sale of ICL Boulby's EUA (European Union Emissions Allowance) surplus recorded last year.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Phosphate Solutions

Sales of Phosphate Solutions in the third quarter of 2019 amounted to $508 million, a decrease of approximately 4% compared to the corresponding quarter last year.

– The total sales of Phosphate Specialties amounted to $290 million, approximately 4% lower than the third quarter of 2018, mainly due to lower customer demand of Dairy Proteins in China, together with the devaluation of the euro and Chinese yuan against the US dollar. Adjusting for foreign exchange impacts, the phosphate salts and phosphoric acids businesses revenues were marginally higher compared to the third quarter of 2018, as a slight decrease of approximately 1% in sales volumes was offset by higher prices.

– Revenues of phosphate salts increased compared to the corresponding quarter last year, driven by an increase of sales in Europe and increased sales volumes of food grade phosphates in North America.

– The total phosphoric acid revenues decreased versus the prior year, due to lower sales volumes in North America caused by weather related issues impacting the specialty agriculture and construction segments. This was partially offset by higher prices. Revenues in Europe were slightly higher than last year. Sales volumes in South America decreased due to increased Chinese imports, but were higher than the second quarter of 2019, as lower input costs improved ICL's competitive position. In China, favorable market conditions contributed to improved sales volumes as well as market prices due to disruptions in alternative supply of thermal phosphoric acid.

– Dairy proteins revenues were lower compared to the third quarter last year due to ongoing portfolio optimization efforts (shifting from milk commodities to value added ingredients), as well as lower customer demand resulting from the softening of the infant formula market in China during 2019.

– Following the signing of new supply agreements, ICL is planning to expand its manufacturing capacity and R&D support capabilities for its ROVITARIS® alternative protein technology for the meat alternatives market. For this purpose, ICL is expected to invest approximately $20 million.[9] ROVITARIS® is a proprietary technology developed by ICL, which supports the production of allergen free plant-based food. Using ROVITARIS® technology, food manufacturers can create plant-based meat alternatives that are virtually indistinguishable from their traditional meat counterparts.

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[9] The estimates regarding expansion of the production capacity and R&D support capabilities for the ROVITARIS® alternative protein technology and the extent of the investment 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 food markets, particularly the target markets for ICL's products, including, among other things, changes in the level of supply and demand and product prices and there also could be impacts from actions taken by the governments, producers and consumers. Impacts are also possible due to possible changes in the situation in the financial markets, including changes in the currency rate of exchange, the credit situation and interest costs.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Phosphate Solutions (Cont.)

– The total sales of Phosphate Commodities amounted to $218 million, approximately 4% lower than the third quarter of 2018, due to a decrease in the phosphate fertilizers sales, partly offset by higher green phosphoric acid and phosphate rock sales. Sales' volumes of phosphate fertilizers decreased by 11% to 543 thousand tons, mainly driven by market conditions. In addition, the YPH JV results improved significantly due to lower costs (mainly of phosphate rock and sulphur).

– During the third quarter of 2019, the downward trend in phosphate commodity prices continued due to low demand combined with abundant supply. Subsequent to the date of the report, in October 2019, some commodity phosphate prices have approached their lowest level in 10 years.

– In China, soybean planting increased at the expense of corn in light of the continuous trade dispute with the US. The African Swine Fever decreased the demand for feed phosphates and formed a domestic phosphates oversupply. In India, DAP oversupply was driven by imports from China, higher domestic production in light of low raw material prices and the unchanged rate of the DAP Nutrient Based Subsidy (NBS). In Brazil, MAP oversupply is attributed to high imports during the first half of 2019.

– A group of Chinese DAP suppliers, which represents approximately 70% of China's capacity, agreed on production cuts of 0.8 to 1.0 million tons in the fourth quarter of 2019. Mosaic (US) announced that effective October 1, it will idle its Louisiana phosphates operations to reduce production by approximately 0.5 million tons in 2019.

– According to CRU (Fertilizer Week Historical Prices, September 2019), Q3 2019 DAP average price (CFR India Spot) decreased by 9% and by 20% compared to Q2 2019 and Q3 2018, respectively, to $342/ton. Q3 2019 TSP average price (CFR Brazil Spot) decreased by 4% compared to Q2 2019 and by 17% compared to Q3 2018 to $306/ton. Q3 2019 SSP average price (CPT Brazil inland 18-20% P_2O_5 Spot) decreased by 4% and by 2% compared to Q2 2019 and compared to Q3 2018 respectively, to $221/ton and the Q3 2019 average price of sulphur (bulk FOB Adnoc monthly contract) was $84 per ton, a 19.2% decrease compared to the second quarter of 2019.

– The phosphoric acid contract price (100% P_2O_5) signed between OCP (Morocco) and its Indian partners for Q4 2019 was set at $625/ton, a decrease of $30/ton compared to Q3 2019 price.

– Phosphate rock prices decreased during the third quarter of 2019 across most global spot markets, mainly due to the decrease in the demand for downstream products. According to CRU (Fertilizer Week Historical Prices, September 2019) the average price for Q3 2019 (FOB Morocco contract) was $93/ton (68-72% BPL), 8% and 3% lower than Q2 2019 and Q3 2018, respectively.

– Due to weak phosphate rock demand and prices, ICL Rotem curtailed production in its Zin plant at the end of the third quarter of 2019. This is expected to continue into the fourth quarter of 2019.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Phosphate Solutions (Cont.)

Significant highlights and business environment (Cont.)

ICL Rotem

Further to our 2018 Annual Report, securing the future of the phosphate mining operations at Rotem Israel depends on obtaining several approvals and permits from the authorities in Israel, as follows:

– An emission permit under the Israeli Clean Air Act (hereinafter – "the Law"): In 2018, ICL conducted two risk assessments by external experts regarding the ability to execute all the clean air tasks required by the Law as per their approved timeline. The risk assessments focused on the technical and safety considerations arising from implementation of a large number of parallel projects in an industrial site. The assessments indicated that there is no operational feasibility to implement the full requirements of the Law within the timeline defined in the permit. Following discussions with the Israeli Ministry of Environmental Protection (hereinafter – "the MoE"), the MoE informed ICL that during the course of discussions to renew Rotem's emission permit, which currently remains unchanged, they will consider the safety constraints, the complexity and multiplicity of projects, as well as ICL's diligence to comply with the permit conditions and their schedules, while prioritizing projects with significant environmental impact. ICL provided the MoE with the updated projects' outline, schedule and completion status. ICL will continuously update the MoE on its compliance with the updated projects' outline.

– Extension of the mining concessions: Rotem Israel has two mining concessions, which are valid until the end of 2021. The company is working with the relevant authorities to extend the concessions.

– Extension of a lease agreement: Rotem Israel has two lease agreements in effect until 2024 and 2041 and an additional lease agreement of the Oron plant, which the company has been working to extend since 2017, by exercising the extension option provided in the agreement.

– Finding economically feasible alternatives to the continued mining of phosphate rock in Israel – according to ICL's assessment of economic phosphate reserves in the existing mining areas, the estimated useful life of Rotem's phosphate rock reserves, which are essential for some of our production lines, is limited to a few years only. The company is working to obtain permits which will provide an economic alternative for future mining of phosphate rock in Israel.

– For information on the administrative petition opposing the "Lachish" plan near the Ashdod Port in Israel – see Legal Proceedings below.

Based on the aforementioned, as at the date of the Report, ICL believes that the said approvals and permits will be granted. Notwithstanding the aforesaid, there is no certainty as to the receipt of such approvals and permits and/or the date of their receipt. Failure to obtain these approvals and permits and/or a significant delay in receiving them can lead to a material impact on ICL's business, financial position and results of operations. As at September 30, 2019, Rotem Israel employs more than 1,500 people, and the overall book value of its property, plant and equipment amounts to about $784 million.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Results of operations – Phosphate Solutions

	7–9/2019	7–9/2018	1–9/2019	1–9/2018	2018
			$ millions		
Total sales	**508**	530	**1,563**	1,604	2,099
Sales to external customers	**491**	513	**1,501**	1,530	2,001
Sales to internal customers	**17**	17	**62**	74	98
Segment income	**32**	40	**99**	99	113
Depreciation and amortization	**44**	39	**133**	130	172
Capital investments – impact of application of IFRS 16*	**–**	–	**109**	–	–
Capital investments – current	**51**	42	**146**	123	180

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

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Results of operations – Phosphate Solutions (Cont.)

Results of operations – July – September 2019

	$ millions			
	Sales	**Expenses**	**Operating income**	
Q3 2018 figures	**530**	**(490)**	**40**	
Quantity	(12)	12	–	⇔
Price	2	–	2	↑
Exchange rate	(12)	7	(5)	↓
Raw materials	–	6	6	↑
Energy	–	(2)	(2)	↓
Transportation	–	(1)	(1)	↓
Operating and other expenses	–	(8)	(8)	↓
Q3 2019 figures	**508**	**(476)**	**32**	

Quantity – the operating income was not impacted by lower sales volumes due to an improved sales-mix, resulted from higher sales volumes of green phosphoric acid, relatively stable phosphate specialties sales volumes and a decrease in the sales volumes of phosphate fertilizers and dairy proteins.

Price – the segment benefited from a positive price impact throughout most of the phosphate specialties products, partly offset by a decrease in the selling prices of phosphate fertilizers and green phosphoric acid.

Exchange rate – the unfavorable impact on the segment's operating income derives mainly from the devaluation in the average exchange rate of the euro and the Chinese yuan against the dollar, which decreased the segment's revenue more than it contributed to operational cost-saving. Additionally, the appreciation in the average exchange rate of the shekel against the dollar increased operational costs.

Raw materials – the positive impact on the segment's operating income derives mainly from lower consumed phosphate rock prices in China and lower consumed sulphur prices, partly offset by higher costs of acids acquired from external sources.

Operating and other expenses – the negative impact on the segment's operating income derives mainly from higher operating costs in Israel and higher depreciation expenses.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Results of operations – Phosphate Solutions (Cont.)

Results of operations – January – September 2019

	$ millions			
	Sales	Expenses	Operating income	
January – September 2018 figures	**1,604**	**(1,505)**	**99**	
Divested businesses	(16)	19	3	
January – September (excluding divested businesses)	**1,588**	**(1,486)**	**102**	
Quantity	(21)	14	(7)	⬇
Price	45	–	45	⬆
Exchange rate	(49)	34	(15)	⬇
Raw materials	–	(7)	(13)	⬇
Energy	–	(3)	(3)	⬇
Transportation	–	–	–	⇔
Operating and other expenses	–	(16)	(16)	⬇
January – September 2019 figures	**1,563**	**(1,464)**	**99**	

Divested businesses – results of operations of the Rovita business, which was divested in the third quarter of 2018.

Quantity – the negative impact on the segment's operating income derives mainly from a decrease in sales volumes of phosphate specialties products, mostly acids and dairy proteins, partly offset by an increase in the quantities of phosphate commodities sold, mainly phosphate fertilizers and green phosphoric acid.

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

Exchange rate – the unfavorable impact on the segment's operating income derives mainly from the devaluation in the average exchange rate of the euro and the Chinese yuan against the dollar, which decreased revenue more than it contributed to operational cost-saving.

Raw materials – the negative impact on the segment's operating income derives mainly from higher costs of phosphoric acid acquired from external sources, partly offset by lower consumed phosphate rock prices in China and lower consumed sulphur prices.

Operating and other expenses – the negative impact on the segment's operating income derives mainly from higher operating costs in Israel and higher depreciation expenses.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Innovative Ag Solutions

Significant highlights and business environment

– The segment's sales remained stable compared to the third quarter of 2018, as higher prices and higher sales volumes to India and Brazil offset the negative impact of exchange rates (mainly due to the devaluation of the euro against the dollar).

– Sales to the specialty agriculture market were negatively impacted mainly by negative dollar-euro exchange rates, adverse weather conditions in some key regions (mainly Spain), as well as low supply of ammonia and plant maintenance in Israel. This decrease was partly offset by higher sales in emerging markets like India, Brazil and Turkey. Sales in Israel also increased due to some volume shift from the first half of the year which was impacted by unfavorable weather. Global demand for straight fertilizers such as MKP and MAP continued to be favorable.

– Despite the negative impact of exchange rates, sales to the Turf and Ornamental market were stable compared to the corresponding quarter last year. This was driven mainly by advanced purchases by UK distributors in preparation for the Brexit.

Results of operations – Innovative Ag Solutions

	7–9/2019	7–9/2018	1–9/2019	1–9/2018	2018
			$ millions		
Total sales	**160**	161	**567**	594	741
Sales to external customers	**156**	157	**554**	577	719
Sales to internal customers	**4**	4	**13**	17	22
Segment income	**(2)**	(1)	**23**	33	29
Depreciation and amortization	**5**	5	**15**	14	19
Capital investments – impact of application of IFRS 16*	**–**	–	**8**	–	–
Capital investments – current	**5**	3	**14**	8	15

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

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Innovative Ag Solutions (Cont.)

Results of operations – July – September 2019

	$ millions		
	Sales	**Expenses**	**Operating income**
Q2 2018 figures	**161**	**(162)**	**(1)**
Quantity	1	(1)	–
Price	1	–	1
Exchange rate	(3)	2	(1)
Raw materials	–	(1)	(1)
Energy	–	(1)	(1)
Transportation	–	–	–
Operating and other expenses	–	1	1
Q2 2019 figures	**160**	**(162)**	**(2)**

Quantity – the segment's operating income was not impacted by sales volumes, mainly as higher sales volumes in Brazil, India and Israel were offset by lower sales volumes in Europe.

Price – the positive impact on the segment's operating income derives mainly from an increase in the selling prices of liquid fertilizers.

Exchange rate – the unfavorable impact on the segment's operating income derives mainly from the devaluation in the average exchange rate of the euro against the dollar, which decreased the segment's revenue more than it contributed to operational cost-saving. Additionally, the appreciation in the average exchange rate of the shekel against the dollar increased operational costs.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Innovative Ag Solutions (Cont.)

Results of operations – January – September 2019

	$ millions		
	Sales	**Expenses**	**Operating income**
January – September 2018 figures	**594**	**(561)**	**33**
Quantity	(15)	10	(5)
Price	10	–	10
Exchange rate	(22)	19	(3)
Raw materials	–	(7)	(7)
Energy	–	–	–
Transportation	–	–	–
Operating and other expenses	–	(5)	(5)
January – September 2019 figures	**567**	**(544)**	**23**

Quantity – the negative impact on the segment's operating income derives mainly from a decrease in sales volumes of specialty agriculture products, mostly chemicals and traded materials.

Price – the positive impact on the segment's operating income derives mainly from an increase in the selling prices of liquid fertilizers.

Exchange rate – the unfavorable impact on the segment's operating income derives mainly from the devaluation in the average exchange rate of the euro against the dollar, which decreased revenue more than it contributed to operational cost-saving.

Raw materials – the negative impact on the segment's operating income derives mainly from a price increase in most of the segment's raw materials, mainly NPK fertilizers.

Operating and other expenses – the negative impact on the segment's profit derives mainly from higher operating costs.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

Net cash provided by operating activities:

In the third quarter of 2019, the cash flows provided by operating activities increased by $172 million compared with the corresponding quarter last year. This increase derives mainly from a decrease in operating assets and liabilities (working capital).

Net cash used in investing activities:

In the third quarter of 2019, the cash flows used in investing activities were similar to the level of the corresponding quarter last year, with a small increase as a result of higher investment in deposits.

Net cash used in financing activities:

In the third quarter of 2019, the cash flows used in financing activities increased by $160 million compared with the corresponding quarter last year. This increase derives mainly from an increase in net short-term debt repayments along with lease payments as a result of the implementation of the new standard IFRS 16.

Debt movement:

As at September 30, 2019, ICL's net financial liabilities amounted to $2,390 million, an increase of $178 million compared to December 31, 2018.

The increase derives mainly from an increase of $296 million in long and short-term liabilities as a result of IFRS 16 implementation (for further information, see Note 2 to ICL's financial statements). This was partly offset by a decrease in debt balances with financial institutions, mainly as a result of strong cash flow generation, allowing loan repayments.

The total amount of the securitization facility framework is $350 million. As at September 30, 2019, ICL had utilized approximately $320 million of the facility's framework. In addition, ICL has long-term credit facilities of $1,200 million, of which $150 million were utilized as at September 30, 2019.

On July 4, 2019, the credit rating agency S&P ratified ICL's international credit rating BBB– with a stable rating outlook. The credit rating agency S&P Ma'alot ratified ICL's credit rating, 'ilAA' with a stable rating outlook.

On July 17, 2019, the credit rating company Fitch Ratings revised ICL's outlook to positive from stable, while reaffirming its long-term issuer default rating at BBB–. Fitch has also affirmed the senior unsecured rating of ICL's $184 million outstanding 4.5% senior unsecured notes due 2024 and $600 million 6.375% senior unsecured notes due 2038 at BBB–.

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

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Critical accounting estimates

In the nine-month period ended September 30, 2019 there were no material changes in the critical accounting estimates previously disclosed in our Annual Report on Form 20-F for the year ended December 31, 2018.

Board of Directors and members of senior management

On June 27, 2019, the members of ICL's Board: Messrs. Yoav Doppelt, Aviad Kaufman, Avisar Paz, Sagi Kabla, Ovadia Eli, Reem Aminoach and Lior Reitblatt, were reappointed for an additional year until the convening of the next annual general meeting by the Annual General Meeting ("AGM"). The AGM further approved the reappointment of Somekh Chaikin, a member of KPMG International, as ICL's independent auditor for an additional year until the convening of the next annual general meeting. The AGM also approved ICL's new compensation policy for officeholders, effective immediately as of the date of the AGM and for a period of 3 years, as well as an equity compensation grant to ICL's Chief Executive Officer, Mr. Raviv Zoller, for 2019–2021. For further information regarding the equity compensation grant – see Note 5B to the interim consolidated financial statements as at September 30, 2019.

On June 30, 2019, Mr. Johanan Locker ceased serving as ICL's Executive Chairman of the Board.

On July 1, 2019, Mr. Yoav Doppelt entered into office as ICL's Executive Chairman of the Board. Mr. Doppelt's terms of compensation were approved by the Extraordinary General Meeting that was held on May 29, 2019. For further information regarding Mr. Doppelt's equity compensation – see Note 5B to the Interim Consolidated Financial Statements.

Subsequent to the date of the report, on October 31, 2019, Mr. Charles Weidhas ceased serving as ICL's Chief Operating Officer.

Subsequent to the date of the report, on November 1, 2019, Mr. Nitzan Moshe entered into office as ICLs EVP Operations and is considered an executive officeholder of ICL.

Commencing from November 1, 2019, Mr. Anantha Desikan, SVP, Chief Innovation and Technology Officer, is considered an executive officeholder of ICL.

Mr. Eli Glazer, President of Innovative Ag Solutions Division, will retire from ICL during the last quarter of 2019.

Risk factors

In the nine-month period ended September 30, 2019, there were no material changes in the risk factors previously disclosed in our Annual Report on Form 20-F for the year ended December 31, 2018.

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.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Legal proceedings

Derivative claims

Pursuant to Item 8.21.2 of the Annual Report in connection with an application for certification of a derivative action relating to bonuses paid ICL officers for 2014–2015 ("the Certification Application"), in May 2019, the parties reached a settlement agreement, ("the Settlement Agreement") that was approved by the court in July 2019. The key elements of the Settlement Agreement are as follows:

1. ICL is to be paid a total and final amount of NIS 6.6 million (about $1.8 million), as well as reimbursement of expenses ("the Settlement Amount"), in return for "final waiver and remittance" as defined in the Settlement Agreement, and without conceding to any claim made within the Certification Application.

2. ICL is to pay the Applicant, out of the Settlement Amount, a special reward of NIS 375,000 (about $105,000) plus VAT, and fees to the Applicant's counsel, in the amount of NIS 1.5 million (about $415,000) plus VAT, as well as reimbursement of expenses.

As of the date of this report, all payments have been issued and completed.

Other Information

Administrative Petitions

In August 2019, ICL's subsidiaries: Rotem Amfert Negev Ltd., Dead Sea Works Ltd. and Bromine Compounds Ltd. ("the Applicants") filed an application to join the Petition ("the Application") that was filed by the Manufacturers Association of Israel with the Be'er Sheva District Court in May 2019 ("the Petition" and "the Association", respectively), on behalf of its members' operations in the Ashdod Port, including the Applicants, against the decision to approve a plan for construction of a residential area in proximity to the Ashdod Port and facilities thereof. The Petition and Application deal with the difficulties arising from the potential co-existence of a residential neighborhood in proximity to the port and facilities thereof, which may lead, in the future, to disruption of the port's operations and to the Association's members' operations therein, and consequently cause potential significant damage to the Applicants businesses. Subsequent to the date of the report, in October 2019, the Court informed of its decision that it does not at all accept the applications to join. Nevertheless, the Petition will proceed as usual. Subsequent to the date of the report, on November 10, 2019, a decision was rendered by the Court wherein it accepted the petition and cancelled the decision regarding approval of the plan.

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

Shelf prospectus

On March 3, 2019, ICL submitted a shelf prospectus in Israel for purposes of offering certain classes of securities that may be offered from time to time in the framework of one or more public offerings in Israel, and which will remain in effect up to March 2, 2021.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

ICL received the Maala 'Platinum +' ranking for the first time

On July 2, 2019 ICL announced that it received a ranking of 'Platinum +' by Maala, the highest possible ranking, for the first time. This is the nineth year in which ICL participated in the Maala ranking and for the first time ever ICL was awarded with the highest 'Platinum +' ranking. Maala is an Israeli leading professional umbrella organization, comprised of more than100 of the highest impact companies in Israel on corporate responsibility. The Maala ranking allows each participating company to map, compare and establish goals for responsible management, and is based on detailed criteria in diverse areas of sustainability: environmental protection, business ethics, diversity and fairness in employment, community engagement, corporate governance, sustainable procurement and others.

ICL improves its corporate governance rating to ‘Reasonable +’

ICL has recently completed a corporate governance survey with the assistance of an Israeli consultancy firm specializing in Corporate Governance – Entropy Corporate Governance Consulting Ltd The survey reviewed and examined all corporate governance components within ICL, and following its completion ICLhas recently implemented several additional elements in order to enhance various aspects of its corporate governance. In light of the positive corporate governance findings arising from the survey, and as a result of ICL’s initiatives to improve its corporate governance, Entropy has evaluated ICL’s level of corporate governance at the rank of ‘Reasonable +’ (the highest rating given to public companies in Israel with controlling shareholders).

In the Period of the Report and thereafter, there were no significant changes or new items regarding ICL’s business, except as stated below:

Section 8.9 to the Periodic Report – Corporate Responsibility, Sustainability and Contributions

For additional details regarding the 'Platinum +' ranking granted to ICL for the first time by the Maala organization – see the “Other Information” part in the ICL Section of the Report of the Board of Directors above.

For additional details regarding the Reasonable +' ranking granted to ICL for the first time by Entropy Corporate Governance Consulting Ltd – see the “Other Information” part in the ICL Section of the Report of the Board of Directors above.

Section 8.22 to the Periodic Report – Business Strategy

For additional details regarding update of the prices of potash shipments to India provided as part of the new five-year agreement with IPL – see the “Potash” caption in the “Main Events and Business Environment” part in the ICL Section of the Report of the Board of Directors above.

For additional details regarding ensuring the future of the phosphate mining activities in Israel – see the “Phosphate Solutions” caption in the “Main Events and Business Environment” part in the ICL Section of the Report of the Board of Directors above.

For additional details regarding signing of strategic agreements with customers in Asia and with reference to expansion of the annual production capacity of bromine compounds – see the “Industrial Products” caption in the “Main Events and Business Environment” part in the ICL Section of the Report of the Board of Directors above.

For additional details regarding ICL’s undertaking with a third party in connection with sale of non-core business assets – see Note 6B(6) to the Interim Consolidated Financial Statements.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Section 8.22 to the Periodic Report – Business Strategy (Cont.)

For additional details regarding ICL's intention to expand the production capacity and R&D support capabilities and its development in the area of alternative protein technology for the meat substitutes market – see the "Phosphate Solutions" caption in the "Main Events and Business Environment" part in the ICL Section of the Report of the Board of Directors above.

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

For additional details regarding sale of three of ICL's office buildings in Israel – see Note 6B(10) to the consolidated interim financial statements.

For additional details regarding completion of the evaluation work with respect to potash reserves in the mining activities in Spain – see the "Main Events and Business Environment" part of the "Potash" caption in the ICL Section of the Report of the Board of Directors above.

For additional details regarding the planned annual production shutdown at ICL Dead Sea in the fourth quarter of 2019 – see the "Potash" caption in the "Main Events and Business Environment" part in the ICL Section of the Report of the Board of Directors above.

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

For additional details regarding reconfirmation of ICL's credit rating and update of the rating outlook to "positive" – see the "Financial Liabilities" part in the ICL Section of the Report of the Board of Directors 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 "Updates regarding Directors and Members of Senior Management" part of the ICL Section of the Report of the Board of Directors 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.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Update of the Description of the ICL's Business in the Periodic Report for 2018 (hereinafter – "the Periodic Report") (Cont.)

Section 8.21 to the Periodic Report – Legal Proceedings

For additional details regarding an appeal filed in the Court for Water Matters requesting regulation of pumping of water at Dead Sea Works in accordance with a production license – see Note 6B(1) to the Interim Consolidated Financial Statements.

For additional details regarding an initial determination of the U.S. Department of Commerce regarding Customs duties against anti-dumping and countervailing duties on imports of magnesium manufactured in Israel – see Note 6B(2) to the Interim Consolidated Financial Statements.

For additional details regarding arbitration proceedings being carried on between a subsidiary of ICL in Spain and Akzo Nobel in connection with discontinuance of the partnership between them – see Note 6B(4) to the Interim Consolidated Financial Statements.

For additional details regarding a request for certification of a class action claim against 30 companies, including a subsidiary of ICL (Fertilizers and Chemical Materials) in connection with air pollution in the Haifa Bay area – see Note 6B(3) to the Interim Consolidated Financial Statements.

For additional details regarding an appeal by the tax authorities in Belgium of the decision of the local District Court approving ICL's deduction of certain expenses – see Note 6B(5) to the Interim Consolidated Financial Statements.

For additional details regarding legal proceedings underway against IBM – see Note 6B(7) to the Interim Consolidated Financial Statements.

For additional details regarding completion of the arbitration proceedings in connection with the royalties matter in Israel – see Note 6B(8) to the Interim Consolidated Financial Statements.

For additional details regarding a National Site Plan (NSP 14B) that includes the Barir Field – see Note 6B(9) to the Interim Consolidated Financial Statements.

For additional details regarding a compromise agreement relating to a derivative claim in connection with the annual bonus paid to officers of ICL for 2014 and 2015 – see the "Legal Proceedings" part in the ICL section of the Report of the Board of Directors.

For additional details regarding a request of subsidiaries of ICL to join a petition against the decision to approve a plan for establishment of a residential community adjacent to the Ashdod Port – see the "Legal Proceedings" caption in the ICL Section of the Report of the Board of Directors above.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

Bazan LTD.

The Fuels segment

Crude oil price – Brent[1] crude oil prices in 2018–2019 (U.S.$ per barrel)

Source: Roiters
[1] Data Brent

Average price of Brent crude oil (U.S.$ per barrel)

	7–9/2019	7–9/2018	Change	1–9/2019	1–9/2018	Change
Average price of Brent crude oil	**62.0**	75.2	(18%)	**64.6**	72.1	(10%)

– The sharp rise in the Brent price during the period of the report is mainly due to a decline in supply as a result of OPEC's production reduction policy and US sanctions on Iran and Venezuela. As of the second quarter of 2019, the rise ceased due to concerns regarding deterioration of the global economy, among other things, as a result of the US–China trade war.

In the third quarter of 2019 the Brent price was highly volatile, trading between US$55 and US$68 per barrel, and was mainly affected by the continuing negative macroeconomic atmosphere, on the one hand, and increased geopolitical tension in the Persian Gulf region, on the other hand, culminating with the terrorist attack on Saudi Arabia in September. Towards the end of the quarter, Saudi Arabia announced it was returning to full production and the Brent price declined again.

Subsequent to the date of report, the Brent traded between US$58 and US$63 per barrel, and at the publication date of the Report, its price was set at US$60 per barrel.

– In the period of the report, the Ural price was highly volatile compared with Brent, and was traded at between a discount of US$2 and premium of US$1.4 per barrel, and was mainly affected by a temporary shortage of Ural as a result of contamination in Russia's crude oil supply to Europe, which ended in the third quarter of 2019.

– In the period of the report, the crude oil futures market curve was in backwardation at average of US$0.4 per barrel per month compared to US$0.2 per barrel in the corresponding period last year. In the third quarter of 2019, backwardation deepened to an average of US$0.5 per barrel per month compared to a balanced market curve in the corresponding period last year. Subsequent to date of the report, the backwardation remained at average of US$0.5 per barrel per month.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

Bazan LTD. (Cont.)

Refining margins

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

	7–9/2019	7–9/2018	Change	1–9/2019	1–9/2018	Change
Reuters Ural margin	**3.3**	5.2	(1.9)	**2.9**	4.5	(1.6)
Bloomberg Average Ural margin	**4.6**	6.2	(1.6)	**4.1**	5.9	(1.8)

– In the period of the report, and particularly in the third quarter of 2019, the Reuters Ural margin was volatile and declined sharply compared with the corresponding periods last year. The decrease was mainly due to the relative increase in the Ural as described above and a sharp decline in the high sulfur fuel oil (3.5%) margin as compared with Brent, in particular since August 2019.

– In the period of the report, as well as in the third quarter of 2019, the Bloomberg Ural margin was volatile, also declining compared with the corresponding period last year, although less so than the Reuters Ural margin, mainly due to the significantly lower high sulfur fuel oil (3.5%) content and the decline in the natural gas price in Europe.

– Towards the end of the quarter, Reuters and Bloomberg Ural margins increased significantly due to the terror attack in Saudi Arabia.

– Subsequent to the date of the report and through to close to publication of the report, the Reuters and Bloomberg Ural margins rallied, reaching an average price of US$1.9 and US$3.6 per barrel.

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

	7–9/2019	7–9/2018	Change		1–9/2019	1–9/2018	Change
Diesel [(1)]	**16.8**	15.6	1.2	Diesel [(1)]	**15.9**	14.8	1.1
Gasoline	**11.5**	11.1	0.4	Gasoline [(2)]	**8.4**	10.8	(2.4)
3.5% fuel oil [(4)]	**(10.0)**	(7.4)	(2.6)	3.5% fuel oil [(3)]	**(6.7)**	(9.0)	2.3
1% fuel oil [(5)]	**(0.1)**	(5.8)	5.7	1% fuel oil [(5)]	**(0.6)**	(7.1)	6.5

(1) The increase, particularly in the third quarter of 2019, is due to the new international standard that becomes effective in January 2020, which will require ships to meet fuel emissions levels with a maximum sulfur content of 0.5% (compared to 3.5% today) – IMO 2020. At the end of the quarter, the diesel margin compared to Brent was set at US$19 per barrel and subsequent to the date of the report at an average of US$19 per barrel.

(2) The decline is mainly due to a decrease in demand and an increase in supply in the US and the Persian Gulf region.

(3) The steep increase is mainly due to an increase in demand for cracking, industrial and maritime transport, together with a decrease in supply of heavy crude oils.

(4) The sharp decline is due to preparations for IMO 2020 taking effect. At the end of the quarter, the high sulur fuel oil margin compared to Brent was set at minus US$16 per barrel and subsequent to the date of the report at an average of minus US$21 per barrel.

(5) The sharp increase is due to preparations for IMO 2020 taking effect. At the end of the quarter, the low sulfur (1%) fuel oil margin compared to Brent was set at minus US$1 per barrel and subsequent to the date of the report at an average of plus US$3 per barrel.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

Bazan LTD. (Cont.)

Refining margins (Cont.)

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

	7–9/2019	4–6/2019	1–3/2019	10–12/2018	7–9/2018	4–6/2018	1–3/2018
Transportation fuels	**2,112**	1,975	1,878	1,888	1,988	1,932	1,828
Other distillates	**628**	645	708	660	635	690	660
Total	**2,740**	2,620	2,586	2,548	2,623	2,622	2,488

Source: Ministry of National Infrastructures

* Consumption of transportation fuels (gasoline, diesel and kerosene) increased by 4% in the period of the report compared to the corresponding period last year, and increased by 6% in the third quarter of 2019 compared to the corresponding quarter last year.

(1) Domestic consumption of distillates (transportation, industrial and heating fuels) rose by 3% compared to the corresponding period last year and by 4% in the third quarter of 2019 compared with the corresponding quarter last year.

Refining volume

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

	7–9/2019	7–9/2018	1–9/2019	1–9/2018
Utilization of crude oil refining plants	**96%**	(1)75%	**96%**	(1)90%
Refining volume of heavy crude oil	**2,392**	1,866	**7,053**	6,622
Volume of heavy vacuum diesel processed	**269**	111	**776**	392
Total	**2,661**	1,977	**7,829**	7,014

(1) The utilization rate of the refining facilities in the third quarter of 2018, had the periodic maintenance work not been carried out (assuming a utilization rate of 97% with the addition of downstream materials, a volume of approximately 18.7 million barrels per quarter), was estimated in the corresponding period and quarter last year at 97%.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

Bazan LTD. (Cont.)

Refining margins (Cont.)

Breakdown of Bazan's output by the main product groups in the fuels segment (in thousands of tons)

	7–9/2019	**% of total**	**7–9/2018**	**% of total**	**1–9/2019**	**% of total**	**1–9/2018**	**% of total**
Diesel	**1,008**	**39%**	736	38%	**3,021**	**39%**	2,551	38%
Gasoline	**379**	**15%**	331	17%	**1,074**	**14%**	1,050	15%
Kerosine	**270**	**10%**	188	10%	**673**	**9%**	567	8%
Crude oil (1)	**436**	**17%**	268	14%	**1,378**	**18%**	1,320	19%
Petrochemical products (2)	**317**	**12%**	208	11%	**983**	**13%**	793	12%
Other (3)	**180**	**7%**	185	10%	**533**	**7%**	547	8%
Total	**2,590**	**100%**	1,916	100%	**7,662**	**100%**	6,828	100%

(1) In the third quarter of 2019, approximately 30% of Bazan's fuel oil production had 0.5% sulfur content, which complies with the IMO 2020 requirements (low sulfur fuel oil).
(2) Primarily includes: raw materials for production of polymers and aromatics.
(3) Primarily includes: LPG and bitumen.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

Bazan LTD. (Cont.)

Polymers Segment – Carmel Olefins

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

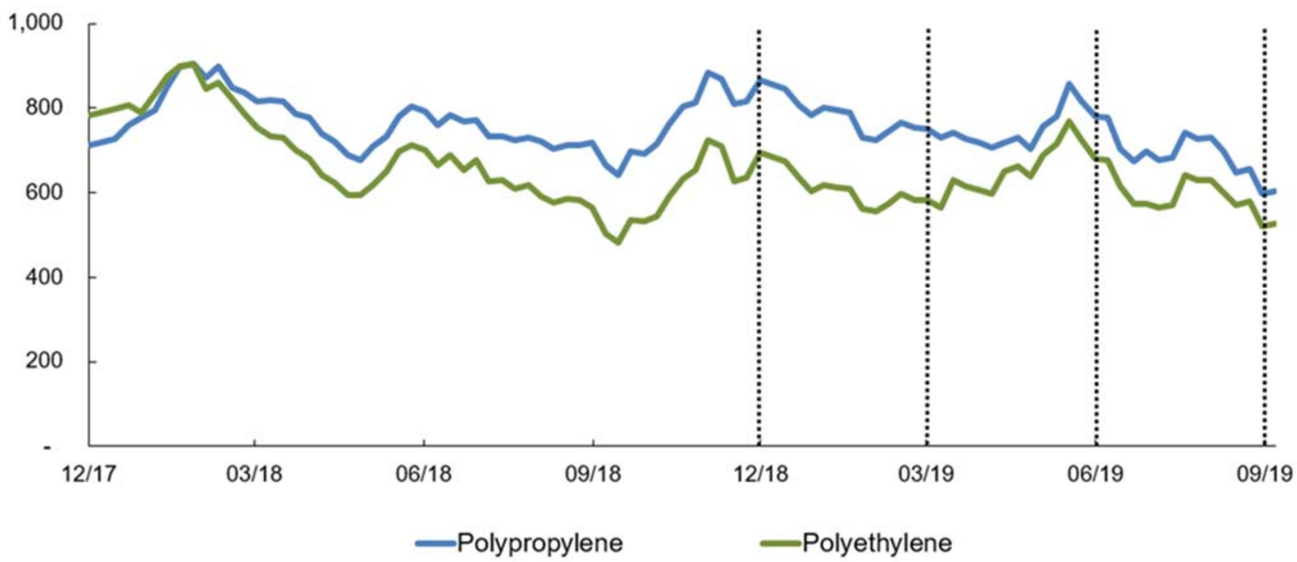
	7–9/2019	7–9/2018	Change	1–9/2019	1–9/2018	Change
Naphtha	**474**	672	(30%)	**512**	634	(19%)
Polypropylene	**1,154**	1,401	(18%)	**1,247**	1,405	(11%)
Polyethylene	**1,058**	1,280	(17%)	**1,127**	1,332	(15%)

– Raw material prices, particularly naphtha, decreased in the period of the report and particularly in the third quarter of 2019 compared with the corresponding periods last year, parallel to the decrease in crude oil prices.

– Polymer prices (polypropylene and polyethylene) declined during the period of the report, especially in the third quarter of 2019, compared with the corresponding periods last year, parallel with the decline in raw material and energy prices.

Margins

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



Source: ICIS

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

Bazan LTD. (Cont.)

Polymers Segment – Carmel Olefins (Cont.)

Margins (Cont.)

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

	7–9/2019	7–9/2018	Change	1–9/2019	1–9/2018	Change
Polypropylene	**680**	729	(49)	**735**	771	(36)
Polyethylene	**584**	608	(24)	**615**	698	(83)

– In the period of the report, and particularly in the third quarter of 2019, there was a decrease in the difference between the average price of polypropylene and the average price of naphtha compared with the corresponding periods last year, mainly due to an increase in supply with the establishment of new production facilities in the Asia and the import of polypropylene into Europe, as well as in view of a slight decline in the demand for polypropylene due to concerns regarding a global economic slowdown.

– In the period of the report, and to a lesser extent in the third quarter of 2019, there was a decrease in the difference between the average price of polyethylene and the average price of naphtha compared with the corresponding periods last year, mainly due to surplus supply and increase in production of polyethylene from shale oil and natural gas which cost less.

Polymers Production Volume – Carmel Olefins (thousands of tons)

	7–9/2019	7–9/2018	1–9/2019	1–9/2018
Polymers	**131**	132	**403**	378

– 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, for which loss of profits was covered by insurance.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

Bazan 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. 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 Bazan Group.

Selected data for the period of the report from the reported consolidated statements of income of Bazan and the data is after eliminating accounting impacts for the three-month and nine-month periods ended September 30, 2019 (in millions of dollars):

	7-9.2019	7-9.2018	Change	1-9.2019	1-9.2018	Change
Revenues	**1,615**	1,533	5%	**4,875**	4,898	(0%)
Reported EBITDA	**82**	94	(13%)	**336**	441	(24%)
Depreciation	**43**	44	(2%)	**127**	129	(2%)
Other expenses, net (1)	**4**	5	(20%)	**10**	17	(41%)
Operating profit	**35**	45	(22%)	**199**	295	(33%)
Financing expenses, net (2)	**27**	27	0%	**85**	68	25%
Income tax (3)	**1**	2	(50%)	**15**	40	(63%)
Net income	**7**	16	(56%)	**99**	187	(47%)
Fuel segment adjustments *	**32**	29		**11**	(48)	
Adjusted EBITDA	**114**	123	(7%)	**347**	393	(12%)
Adjusted operating profit	**67**	74	(9%)	**210**	247	(15%)
Net adjusted profit	**39**	45	(13%)	**110**	139	(21%)

* See below for details regarding the components of the adjustments in the fuel segment.
(1) Includes amortization of excess cost.
(2) The change derives mainly from the impact of exchange rate differences on the financial items, net.
(3) The decrease is mainly due to a decrease in pre-tax profit in the period.

Refining margin (US$ per barrel)

	7–9/2019	4–6/2019	1–3/2019	10–12/2018	7–9/2018	4–6/2018	1–3/2018
Bazan's adjusted refining margin	**6.3**	**3.8**	**7.7**	6.1	8.1	7.8	5.5
Bazan's adjusted proforma refining margin*	**–**	**–**	**–**	–	8.6	–	–
Bloomberg Average Ural margin	**4.6**	**3.4**	**4.5**	5.5	6.2	6.0	5.4
Reuters Ural margin	**3.3**	**1.7**	**3.6**	4.7	5.2	4.4	4.0

(*) For details regarding the manner of calculation of the proforma refining margin – see below.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

Bazan LTD. (Cont.)

Results of operations for the period July – September 2019

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.

Turnover of sales to external customers, by operating segment:

	Revenues (US$ millions)		Breakdown of sales		Average price of product mix (US$ per ton)	
	7–9/2019	**7–9/2018**	**7–9/2019**	**7–9/2018**	**7–9/2019**	**7–9/2018**
Fuels Segment	**1,293**	1,190	80%	78%	(1) **546**	657
Carmel Olefins (2)	**154**	164	10%	10%	**1,196**	1,396
Ducor	**60**	47	4%	3%	**1,273**	1,548
Aromatics (3)	**101**	119	6%	8%	**762**	889
Adjustments and others	**7**	13	0%	1%		
Total consolidated income	**1,615**	1,533	100%	100%		

(1) Mainly due to a decrease in energy prices together with a decrease in the price of crude oil
(2) Mainly due to a decrease in polymer prices together with a decrease in the price of crude oil
(3) Mainly due to a decrease in aromatic prices, together with a decrease in the price of crude oil.

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

	July–September	
	2019	**2018**
	$ millions	
Reported EBITDA in the Fuel's segment	**37**	42
Impacts of timing differences (1)	**19**	1
Impacts of adjustment of value of inventory to market value, net	**15**	20
Impacts of changes in fair value of derivatives and realizations	**(2)**	8
Total adjustments (2)	**32**	29
Adjusted EBITDA in the Fuel's segment	**69**	71
Bazan's refining margin – adjusted margin (US$ per barrel)	**6.3**	(3) 8.1
Ural margin – Bloomberg Average Ural margin (US$ per barrel)	**3.3**	5.2
Ural margin – Reuters Ural margin (US$ per barrel)	**4.6**	6.2

(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 Corporation's Board of Directors' for 2018, "Bazan" section.

(3) The proforma margin for the corresponding period quarter year was US$8.6 per barrel and was calculated as follows:

(A) The estimated loss of US$45 million in profits was added to Bazan's actual adjusted refining margin for the quarter, so that the standardized margin for the quarter is approximately US$160 million.

(B) The standardized margin was divided by the total number of barrels for the quarter of 18.7 million barrels, the number of barrels representing crude oil and interim materials processed by Bazan during the quarter.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

Bazan LTD. (Cont.)

Results of operations for the period July – September 2019 (Cont.)

Main reasons for the change in the net income (US$ millions)

Net profit for the period 7–9/2018	16
Decrease in adjusted EBITDA	(9)
Change in adjustments	(3)
Decrease in depreciation expenses	1
Decrease in tax expenses	1
Other	1
Net profit for the period 7–9/2019	7

Results of operations for the period January – September 2019

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.

Turnover of sales to external customers, by operating segment:

	Revenues (US$ millions)		Breakdown of sales		Average price of product mix (US$ per ton)	
	1–9/2019	**1–9/2018**	**1–9/2019**	**1–9/2018**	**1–9/2019**	**1–9/2018**
Fuels Segment (1)	**3,835**	3,804	79%	78%	**(1)550**	603
Carmel Olefins (2)	**508**	514	10%	11%	**1,236**	1,397
Ducor	**174**	164	3%	3%	**1,337**	1,523
Aromatics (3)	**329**	367	7%	7%	**769**	849
Others	**29**	49	1%	1%		
Total	**4,875**	4,898	100%	100%		

(1) Mainly due to a decrease in energy prices together with a decrease in the price of crude oil.
(2) Mainly due to a decrease in the price of polymers together the decrease in the price of crude oil offset by an increase in sales volume as a result of the planned maintenance work in the ethylene facility in the first quarter of 2018.
(3) Mainly due to a decrease in aromatic prices together with a decrease in the price of crude oil.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

Bazan LTD. (Cont.)

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

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

	January–September	
	2019	**2018**
	$ millions	
Reported EBITDA in the Fuel's segment	**171**	255
Impacts of timing differences (1)	**5**	(45)
Impacts of adjustment of value of inventory to market value, net	**6**	–
Impacts of changes in fair value of derivatives and realizations	**–**	(3)
Total adjustments (2)	**11**	(48)
Adjusted EBITDA in the Fuel's segment	**182**	207
Bazan's refining margin – adjusted margin (US$ per barrel)	**6.0**	(3)7.0
Ural margin – Bloomberg Average Ural margin (US$ per barrel)	**2.9**	4.5
Ural margin – Reuters Ural margin (US$ per barrel)	**4.1**	5.9

(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 Corporation's Board of Directors' for 2018, "Bazan" section.

(3) The proforma margin for the corresponding period last year was US$7.1 per barrel and was calculated as follows:

(A) The estimated loss of US$45 million in profits was added to Bazan's actual adjusted refining margin for the relevant period, so that the standardized margin for the period is approximately US$399 million.

(B) The standardized margin was divided by the total number of barrels for the period of the report of 56 million barrels (the median number of barrels of crude oil and interim materials of 18.7 million barrels processed by Bazan per quarter plus the actual number of barrels processed in the first half of 2018).

Main reasons for the change in the net income (US$ millions)

Net profit for the period 1–9/2018	187
Decrease in adjusted EBITDA	(46)
Change in adjustments	(59)
Decrease in depreciation expenses	2
Increase in financing expenses, net	(17)
Decrease in tax expenses	25
Other	7
Net profit for the period 1–9/2019	**99**

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

Bazan LTD. (Cont.)

During the period of the report, there were no significant changes or new events in Bazan's business, except for that stated 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, in the period of the report, Bazan began marketing marine fuel that meets the requirements of the new Standard.

2. Further to that stated in Section 1.6.14 of the Annual Periodic Report – in accordance with the notice received by Bazan in the period of the report from Dor Chemicals Ltd. ("Dor"), which supplies Bazan with an additive required for the production of benzene (MTBE), the municipality of Haifa informed Dor that its temporary permit for transporting dangerous substances in an underground pipeline had expired. In accordance with the court ruling in the petition filed by Dor, the temporary permit that was granted to Dor will remain valid until the end of its validity, namely, December 26, 2019. In addition, in accordance with notices received by Bazan from Dor, the Ministry of Environmental Protection instructed it to discontinue the transmission of MTBE in the pipeline segment leading to Bazan's facilities until completion of certain activities ordered by the Ministry of Environmental Protection. As from the delivery of the notices, in May 2019, Dor no longer manufactures MTBE at its facilities and Bazan imports MTBE (at higher costs than the cost of production by Dor), which is unloaded using a subsurface pipe to Dor's facility, and transferred to Bazan in road tankers. In the third quarter of 2019, Dor resumed the flow of MTBE from its storage tank to Bazan through the subsurface pipeline.

3. Further to section 1.12.8, regarding an appeal on the District Court's judgment regarding petitions filed against the decision of the National Planning and Building Council to approve the outline plan for the area of the Bazan complex, in the period of the report a judgment on the appeals was handed down, which accepts them in part. For further information, see Note 6C(8) to the consolidated interim financial statements.

4. 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 Bazan Group in the Haifa Bay, in the period of the report several slides were presented to the Haifa Local Planning and Building Committee, though Bazan'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 Bazan 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 Bay... 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. In addition, on June 13, 2019, Bazan received a report prepared by the consulting firm McKinsey for the National Economic Council on the future of the petrochemical industry in the Haifa Bay ("the Report"), according to a petition under the Freedom of Information Law, 1998, which it submitted to the Jerusalem District Court. For further information – see Note 5C(1) to the consolidated interim financial statements.

   As at date of the report, Bazan 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.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE CORPORATION AND THE PRINCIPAL INVESTEES: (Cont.)

Bazan LTD. (Cont.)

During the period of the report, there were no significant changes or new events in Bazan's business, except for that stated below: (Cont.)

5. 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 Bazan and Gadiv (hereinafter – "the Companies") 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, means to reduce emissions, and to replace equipment components through which benzene flows for components that comply with the best technique available, according to the time schedules set in the order, and where part of which do not coincide with Bazan's planned shutdown dates. Bazan is preparing to implement the requirements of the administrative order and is in contact with the Ministry of Environmental Protection on this matter. For further information about the hearing on this matter that was held for Bazan and Gadiv in the period of the report – see Note 6C(4) to the consolidated interim financial statements.

   Bazan'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 Bazan'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.

6. 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 February 29, 2020.

UPDATE REGARDING DESCRIPTION OF THE CORPORATION'S BUSINESS

Set forth below are significant updates and/or changes in the Corporation's business that occurred from the publication date of the of the Corporation's Annual Report for 2018 on March 22, 2019 and up to the publication date of this report[10]:

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).

C. Regarding ICL's notification of a compromise agreement with respect to a derivative claim in connection with bonuses paid to officers relating to 2014–2015 and approval by the Court of the said compromise arrangement – see the Corporation's Immediate Reports dated May 28, 2019 and July 21, 2019 (Ref. Nos. 2019-01-051733 and 2019-01-074488, respectively).

D. Regarding ICL's notification of the decision of the Supreme Court in Belgium relating to annulment of the prior court decision with reference to the matter of allowance as a deduction of certain expenses for tax purposes of a subsidiary in Belgium – see the Corporation's Immediate Report dated May 28, 2019 (Ref. No. 2019-01-051736).

E. Regarding ICL's notification of reconfirmation of ICL's international credit rating at BBB– with a stable rating outlook by the rating company "S&P Global Rating Maalot Ltd." – see the Corporation's Immediate Report dated July 4, 2019 (Ref. No. 2019-01-068452).

F. Regarding the notifications of ICL and Bazan that they were informed of filing of a claim and a request for its certification as a class action involving contentions with reference to air pollution in the Haifa Bay area and the alledged illness caused thereby to the population of Haifa – see the Corporation's Immediate Report dated July 17, 2019 (Ref. No. 2019-01-073420).

G. Regarding ICL's notification of raising of ICL's rating outlook from stable to positive and reconfirmation of ICL's international credit rating at BBB– by the rating company "Fitch Rating Ltd." – see the Corporation's Immediate Report dated July 18, 2019 (Ref. No. 2019-01-074023).

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

H. Regarding ICL's financial statements as at June 30, 2019 and an investors' presentation published by ICL further thereto – see the Corporation's Immediate Reports dated July 31, 2019 (Ref. Nos. 2019-01-079231 and 2019-01-079234, respectively). In addition, on August 1, 2019, the Corporation published the financial statements and Report of the Board of Directors of ICL as at June 30, 2019 in Hebrew – see the Corporation's Immediate Reports dated August 1, 2019 (Ref. Nos. 2019-01-079828 and 2019-01-079834, respectively).

I. Regarding ICL's notification with respect to a request of subsidiaries of ICL to join an administrative petition against the "Lachish" plan adjacent to the Ashdod port – see the Corporation's Immediate Report dated August 20, 2019 (Ref. No. 2019-01-086545) and the Corporation's Immediate Report dated October 11, 2019 with reference to rejection of the said request to join and additional requests to join this administrative petition (Ref. No. 2019-01-088269), and the Corporation's Immediate Report dated November 11, 2019 with reference to acceptance of the administrative petition and cancellation of the decision regarding approval of the plan by the Court (Ref. No. 2019-01-096651).

J. Regarding ICL's notification with respect to signing of an agreement updating the contract covering sale of potash in India – see the Corporation's Immediate Report dated October 31, 2019 (Ref. No. 2019-01-092649).

K. Regarding ICL's financial statements as at September 30, 2019 and an investors' presentation published by ICL further thereto – see the Corporation's Immediate Reports dated November 7, 2019 (Ref. Nos. 2019-01-095445 and 2019-01-095448, respectively). In addition, on November 11, 2019, the Corporation published the financial statements and Report of the Board of Directors of ICL as at September 30, 2019 in Hebrew – see the Corporation's Immediate Reports dated November 11, 2019 (Ref. Nos. 2019-01-096585 and 2019-01-096588, respectively).

For additional details regarding ICL's business developments – see the Report of the Board of Directors of the Corporation as at September 30, 2019.

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

A. On March 12, 2019, the Chairman of the Board of Directors of Bazan, Mr. Ovadia Eli, gave notice of conclusion of his service as the Chairman of the Board of Directors of Bazan. The Board of Directors of Bazan decided to appoint Mr. Johanan Locker as a director and to elect him as Chairman of the Board of Directors of Bazan commencing from the conclusion of the service of Mr. Ovadia Eli, which was expected to take place in the second quarter. On June 26, 2019, Bazan gave notice that with joint agreement with Mr. Johanan Locker, Mr. Locker will not start his position as a director and as Chairman of the Board of Bazan. Bazan' Board of Directors requested from Mr. Ovadia Eli to retract his resignation notice, in light of the recent exit of Bazan's CEO, Mr. Moshe Ben-Mordochai, and Bazan's need for management continuity. Mr. Ovadia Eli consented to return to serving as a director and as Chairman of the Board of Bazan, with no time limitation.

B. On May 6, 2019, the CEO of Bazan, Mr. Yashar Ben Mordochai, gave notice of conclusion of his position with Bazan on May 31, 2019. Bazan'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.

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

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

C. Regarding the notification of Dor Chemicals Ltd. (hereinafter – "Dor") to Bazan of the notification of the City of Haifa of discontinuance of the validity of the temporary permit granted to Dor, pursuant to which, among other things, the supply of MTBE (an essential additive for export of gasoline) to Bazan through Dor's pipeline, and of Dor's intention of petitioning the Court against the said decision of the City of Haifa – see the Corporation's Immediate Report dated May 22, 2019 (Ref. No. 2019-01-049405). Regarding Bazan's notification of the decision of the Court in the matter of Dor with respect to the temporary order relating to supply of MTBE that the order shall remain valid up to another decision of the Court – see the Corporation's Immediate Report dated May 30, 2019 (Ref. No. 2019-01-053515). Regarding Bazan's notification with respect to receipt of the Court's decision on Dor's petition whereby Dor's temporary permit will remain valid up to the end of its period – see the Corporation's Immediate Report dated July 4, 2019 (Ref. No. 2019-01-068182).

D. Regarding the report prepared by the Mackenzie consulting company for the National Council for Economics regarding the future of the petrochemical industry in the Haifa Bay area and that was received by Bazan, as part of a petition under the Freedom of Information Law, 1998, which was submitted by Bazan to the District Court in Jerusalem – see Note 5C(1) to the consolidated interim financial statements.

E. In connection with the notification of Bazan regarding negotiations being carried on with the company it has contracted with in an "inventory availability" agreement in contemplation of renewal of the agreement upon conclusion of its present period in February 2020 – see Bazan's Immediate Report dated August 6, 2019 (Ref. No. 2019-01-067527).

For additional details regarding Bazan's business developments – see the Report of the Board of Directors of the Corporation as at September 30, 2019.

To Section 10 of Paragraph A of the Periodic Report – Human Resources

A. Regarding receipt of the notification of Mr. Johanan Locker that he will not commence serving as a director of the Corporation – see the Corporation's Immediate Report dated June 27, 2019 (Ref. No. 2019-01-064927).

B. On June 27, 2019, the General Meeting of the Corporation's shareholders approved the employment conditions of Mr. Doppelt as the Corporation's CEO. In addition, the Corporation gave notice of retraction of the decision in the matter of granting a letter of indemnification to Mr. Locker further to his notification that he will not commence serving as a director of the Corporation. For details see the Corporation's Immediate Report dated June 27, 2019 (Ref. No. 2019-01-064945). For additional details – see below.

C. For a report regarding conclusion of the service of Mr. Avisar Paz as the Corporation's CEO – see the Corporation's Immediate Report dated June 27, 2019 (Ref. No. 2019-01-065023). For a report regarding commencement of the service of Mr. Yoav Doppelt as the Corporation's CEO – see the Corporation's Immediate Report dated June 30, 2019 (Ref. No. 2019-01-065236). For a report regarding the Corporation's senior officers – see the Corporation's Immediate Report dated July 1, 2019 (Ref. No. 2019-01-066367).

D. For a report regarding appointment of Ms. Tali Balish-Mishod as an independent director of the Corporation – see the Corporation's Immediate Report dated September 12, 2019 (Ref. No. 2019-01-095470).

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

To Section 10 of Paragraph A of the Periodic Report – Human Resources (Cont.)

E. On October 29, 2019, the General Meeting of the Corporation's shareholders approved the updated remuneration policy for the Corporation's officers, as well as granting of a certificate of undertaking for indemnification for Corporation officers to Ms. Tali Balish-Mishod and appointment of Mr. Yaakov Amidror as an external director of the Corporation for an additional period of service of three years, commencing from the date of the General Meeting, who will be entitled to service conditions as stated in the Report Summoning the General Meeting. For details – see the Report Summoning the General Meeting, dated September 12, 2019 (Ref. No. 2019-01-095503) and the Corporation's Immediate Report dated October 30, 2019 regarding the results of the General Meeting (Ref. No. 2019-01-092034).

F. For a report regarding appointment of Mr. Yaakov Amidror for an additional period of service as an external director of the Corporation – see the Corporation's Immediate Report dated October 30, 2019 (Ref. No. 2019-01-095470).

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 transaction in shares of ICL as stated in Sections 12.2 and 15.2 of the Periodic Report –see Note 5A(2) to the consolidated interim financial statements as at September 30, 2019.

To Section 12.3 of Paragraph A of the Periodic Report – Non-Bank Credit

A. For details regarding reports of the trustees for the debentures (Series 7, 10, 11, 12 and 13) – see the Corporation's reports dated September 19, 2019 and September 26, 2019 (Ref. Nos. 2019-01-061012, 2019-01-061021, 2019-01-061030, 2019-01-061036 and 2019-01-064078, as applicable).

B. Regarding the notification of the Corporation with respect to reconfirmation of the Corporation's credit rating, along with stable rating outlooks, by S&P Global Rating Maalot Ltd. and approval of a rating for the debentures (Series 7, 10, 11, 12 and 13) of the Corporation – see the Corporation's Immediate Report dated July 8, 2019 (Ref. No. 2019-01-069697).

C. Regarding the contact by the Corporation with the holders of the Corporation's debentures (Series 7, 10, 11, 12 and 13) with a request to convene meetings of the holders of the debentures for purposes of approval of amendments to the terms of the trust certificates – see the Corporation's Immediate Reports dated October 11, 2019 and November 6, 2019 (Ref. Nos. 2019-01-088266 and 2019-01-095019, respectively), and the Immediate Reports of the trustees of the Corporation's debentures (Series 7, 10, 11, 12 and 13) dated October 10, 2019 (Ref. Nos. 2019-10-088122, 2019-10-103246, 2019-10-103249, 2019-10-103252 and 2019-10-103255, as applicable). For details regarding postponement of the date for holding the meetings of the above-mentioned holders, at the Corporation's request – see the Immediate Reports of the trustees of the Corporation's debentures (Series 7, 10, 11, 12 and 13) dated October 29, 2019 (Ref. Nos. 2019-10-091944, 2019-10-106123, 2019-10-106126, 2019-10-106129 and 2019-10-106132, as applicable). For details regarding changes in the language of the proposed amendments to the terms of the trust certificates – see the Immediate Reports of the trustees of the Corporation's debentures (Series 7, 10, 11, 12 and 13) dated November 5, 2019 (Ref. Nos. 2019-10-108406, 2019-10-108454, 2019-10-108457, 2019-10-108460 and 2019-10-108463, as applicable).

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

To Section 12.3 of Paragraph A of the Periodic Report – Non-Bank Credit (Cont.)

D. On November 11, 2019, the General Meetings of the holders of the Corporation's debentures (Series 7, 10, 11, 12 and 13) approved the amendments to the terms of the trust certificates, as stated. For details regarding the results of the said meetings of the holders of the debentures – see the Immediate Reports of the trustees of the Corporation's debentures (Series 7, 10, 11, 12 and 13) dated November 13, 2019 (Ref. Nos. 2019-10-097401, 2019-10-110788, 2019-10-110797, 2019-10-110806 and 2019-10-110818, as applicable). For details regarding update of the interest that will be yielded by the Corporation's debentures (Series 7, 10, 11, 12 and 13) subject to approval of the amendments to the terms of the trust certificates, as stated – see the Corporation's Immediate Reports dated November 10, 2019 and November 14, 2019 (Ref. Nos. 2019-01-096390 and 2019-01-098061, respectively).

To Regulation 20 of Paragraph D of the Periodic Report – Additional Details regarding the Corporation – Trading of the Stock Exchange – Securities that were Listed/Delisted from Trading in the Year of Account

On May 21, 2019, the Corporation published a shelf prospectus. For additional details – see the Corporation's Immediate Report dated May 21, 2019 (Ref. No. 2019-01-048964).

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

A. For a report regarding Meitav Dash Investments Ltd. becoming an interested party in the Corporation – see the Corporation's Immediate Report dated July 3, 2019 (Ref. No. 2019-01-067843).

B. Regarding reports with respect to changes in the holders of interested parties in the Corporation and in the Corporation's investee reports see the Corporation's Immediate Report dated September 24, 2019, October 2, 2019, October 3, 2019, October 7, 2019, October 10, 2019, October 15, 2019 and October 22, 2019 (Ref. Nos. 2019-01-098836, 2019-01-084825, 2019-01-085092, 2019-01-085521, 2019-01-086700, 2019-01-087309, 2019-01-087819, 2019-01-088716 and 2019-01-089340, as applicable).

C. For a report with respect to the holdings of interested parties and officer of the Corporation – see the Corporation's Immediate Report dated October 10, 2019 (Ref. Nos. 2019-01-067756 and 2019-01-087396).

To Regulations 24(A) and 24(B) of Paragraph D of the Periodic Report – Authorized Capital, Issued Capital and Convertible Securities as at the date of the report and a list of the Corporation's shareholders

For details regarding changes that took place in the Corporation's capital, including partial repayment of the debentures (Series 10 and 11) of the Corporation and changes in list of the Corporation's shareholders after publication of the Periodic Report – see the Corporation's Immediate Reports dated June 2, 2019 and June 16, 2019 (Ref. Nos. 2019-01-054493 and 2019-01-059338, respectively).

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

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

A. For details regarding Ms. Tali Balish-Mishod, who started here service as an independent director of the Corporation as of September 11, 2019 – see the Corporation's Immediate Report dated September 12, 2019 (Ref. No. 2019-01-095470), and the Corporation's Immediate Report dated September 12, 2019 regarding the Corporation's staff of senior officers (Ref. No. 2019-01-095473).

B. For details regarding Mr. Yaakov Amidror, who was appointed for an additional period of service as an external director of the Corporation as of October 29, 2019 – see the Corporation's Immediate Report dated October 30, 2019 (Ref. No. 2019-01-092130), and the Corporation's Immediate Report dated October 30, 2019 regarding the Corporation's staff of senior officers (Ref. No. 2019-01-092220).

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 Reports dated September 12, 2019 and October 30, 2019 (Ref. Nos. 2019-01-095473 and 2019-01-092220).

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

A. 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). On May 20, 2019, the Corporation gave notice of cancellation of the summons of the said General Meeting, due to discussions held with the shareholders, and gave concurrent notice of summoning of a General Meeting on a new date. On May 22, 2019, a summons of a new General Meeting was published, as stated, and on June 16, 2019 a supplemental report summoning a General Meeting was published that included updates of discussions held with the Corporation's shareholders and with Antropi. For additional details – see the Corporation's Immediate Reports dated May 20, 2019, May 22, 2019 and June 16, 2019 (Ref. Nos. 2019-01-048274, 2019-01-049441 and 2019-01-059392, as applicable). On June 27, 2019, the General Meeting of the Corporation's shareholders approved the service and employment conditions of Mr. Doppelt as the Corporation's CEO. In addition, the Corporation gave notice of retracting the decision regarding granting of a letter of indemnification to Mr. Locker further to his notification that he will not commence serving as a director of the Corporation. For additional details – see the Corporation's Immediate Report dated September 27, 2019 (Ref. No. 2019-01-064945).

B. Regarding the decision of the General Meeting of the Corporation's shareholders dated October 29, 2019 with respect to approval of the updated remuneration policy for the Corporation's officers, granting of a certificate of undertaking for indemnity of officers to Ms. Tali Balish-Mishod and appointment of Mr. Yaakov Amidror as an external director of the Corporation for an additional period of service of three years – see the update above of Section 10 of Paragraph A of the Periodic Report – Human Resources.

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.2–6 regarding certain legal proceedings and other contingencies against Bazan 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	**Yoav Doppelt**
Chairman of the Board of Directors	**CEO**

November 14, 2019

Israel Corporation Ltd.

Condensed Consolidated Interim Financial Statements

As at September 30, 2019

(Unaudited)

In Millions of U.S. Dollars

Israel Corporation Ltd.
Condensed Consolidated Interim Financial Statements
At September 30, 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 September 30, 2019 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine-month and three-month periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of financial information for these interim periods in accordance with IAS 34 “*Interim Financial Reporting”*, and are also responsible for preparation of financial information for these interim periods in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on financial information for these interim periods 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 draw attention to that stated in Note 6.C.2-6 regarding certain legal proceedings and other contingencies against Bazan 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 provisions in respect thereof has been included in the financial statements.

Somekh Chaikin
Certified Public Accountants (Isr.)

November 14, 2019

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Financial Position

	At September 30		At December 31
	2019	**2018**	**2018**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Assets			
Cash and cash equivalents	**131**	139	199
Short-term investments and deposits	**357**	569	478
Trade receivables	**979**	1,000	990
Inventories	**1,205**	1,225	1,290
Other receivables and debit balances, including derivative instruments	**336**	285	312
Total current assets	**3,008**	3,218	3,269
Non-Current Assets			
Investments in associated companies accounted for using the equity method of accounting	**624**	611	598
Investments measured at fair value through other comprehensive income	**144**	149	145
Derivative instruments	**25**	73	31
Deferred tax assets	**97**	112	122
Other non-current assets	**444**	379	356
Property, plant and equipment	**5,114**	4,628	4,710
Intangible assets	**838**	870	869
Total non-current assets	**7,286**	6,822	6,831
Total assets	**10,294**	10,040	10,100

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Financial Position

	At September 30		At December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Liabilities			
Credit from banks and others	**862**	1,004	916
Trade payables	**691**	686	715
Provisions	**34**	50	37
Other current liabilities, including derivative instruments	**601**	651	689
Total current liabilities	**2,188**	2,391	2,357
Non-Current Liabilities			
Debentures and long-term loans	**3,046**	3,044	3,066
Derivative instruments and other non-current liabilities	**46**	10	26
Provisions	**221**	199	229
Liabilities for deferred taxes	**370**	287	309
Long-term provisions for employee benefits	**578**	544	503
Total non-current liabilities	**4,261**	4,084	4,133
Total liabilities	**6,449**	6,475	6,490
Equity			
Share capital and premium	**326**	326	326
Capital reserves	**(216)**	(175)	(202)
Capital reserve in respect of transactions with controlling shareholder	**190**	190	190
Retained earnings	**1,231**	1,022	1,079
Total equity attributable to the owners of the Corporation	**1,531**	1,363	1,393
Holders of non-controlling interests	**2,314**	2,202	2,217
Total equity	**3,845**	3,565	3,610
Total liabilities and equity	**10,294**	10,040	10,100

Aviad Kaufman	**Yoav Doppelt**	**Sagi Kabla**
Chairman of the Board of Directors	**CEO**	**CFO**

Approval date of the financial statements: November 14, 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 Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Sales	**4,165**	4,146	**1,325**	1,371	5,556
Cost of sales	**2,688**	2,802	**854**	913	3,707
Gross profit	**1,477**	1,344	**471**	458	1,849
Research and development expenses	**38**	42	**13**	13	55
Selling, transportation and marketing expenses	**590**	588	**199**	191	798
Administrative and general expenses	**195**	199	**64**	65	263
Other expenses	**23**	67	**2**	31	110
Other income	**(30)**	(878)	**(6)**	(19)	(868)
Operating income	**661**	1,326	**199**	177	1,491
Financing expenses	**280**	224	**91**	66	350
Financing income	**(123)**	(54)	**(43)**	(20)	(94)
Financing expenses, net	**157**	170	**48**	46	256
Share in income of associated companies accounted for using the equity method of accounting	**28**	55	**–**	1	56
Income before taxes on income	**532**	1,211	**151**	132	1,291
Taxes on income	**132**	108	**35**	45	95
Income for the period	**400**	1,103	**116**	87	1,196
Attributable to:					
Owners of the Corporation	**165**	501	**42**	20	549
Holders of non-controlling interests	**235**	602	**74**	67	647
Income for the period	**400**	1,103	**116**	87	1,196
Income per share attributable to the owners of the Corporation: (in dollars)					
Basic and diluted income per share	**21.41**	65.60	**5.36**	2.67	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				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Income for the period	**400**	1,103	**116**	87	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	**(63)**	(83)	**(62)**	(24)	(95)
Net change in fair value of cash flow hedges transferred to the statement of income	**(63)**	17	**(22)**	(3)	27
Effective portion of the change in fair value of cash flow hedges	**68**	(15)	**33**	3	(33)
Group's share in other comprehensive income (loss) of companies accounted for using the equity method of accounting	**1**	13	**(3)**	3	(2)
Taxes on income in respect of other components of other comprehensive (loss) income	**–**	–	**(1)**	–	–
Total	**(57)**	(68)	**(55)**	(21)	(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	**(62)**	51	**(31)**	(5)	56
Net change in investments measured at fair value through other comprehensive income	**6**	(52)	**(23)**	7	(58)
Share of the Group in other comprehensive income (loss) of investee companies accounted for using the equity method of accounting	**(1)**	1	**(1)**	(1)	3
Taxes on income in respect of other components of other comprehensive (loss) income	**5**	(2)	**7**	7	(3)
Total	**(52)**	(2)	**(48)**	8	(2)
Other comprehensive loss for the period, net of tax	**(109)**	(70)	**(103)**	(13)	(105)
Total comprehensive income for the period	**291**	1,033	**13**	74	1,091
Attributable to:					
Owners of the Corporation	**119**	478	**(2)**	16	499
Holders of rights non-controlling interests	**172**	555	**15**	58	592
Total comprehensive income for the period	**291**	1,033	**13**	74	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 nine months ended September 30, 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	–	–	–	–	–	–	**9**	**9**
Expiration of options granted t o employees of subsidiary	–	–	–	–	**1**	**1**	**(1)**	–
Dividends to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	**(115)**	**(115)**
Sale of shares of subsidiary while retaining control	–	**3**	–	–	**15**	**18**	**32**	**50**
Income for the period	–	–	–	–	**165**	**165**	**235**	**400**
Other comprehensive income (loss) for the period, net of tax	–	**(27)**	**10**	–	**(29)**	**(46)**	**(63)**	**(109)**
Balance at September 30, 2019	**326**	**(220)**	**4**	**190**	**1,231**	**1,531**	**2,314**	**3,845**
For the nine months ended September 30, 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	–	–	–	–	–	–	17	17
Expiration of options granted to employees in a subsidiary	–	–	–	–	1	1	(1)	–
Dividend to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	(93)	(93)
Dividends to equity holders	–	–	–	–	(120)	(120)	–	(120)
Sale of shares of subsidiary while retaining control	–	2	–	–	11	13	24	37
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 period	–	–	–	–	501	501	602	1,103
Other comprehensive income (loss) for the period, net of tax	–	(37)	(9)	–	23	(23)	(47)	(70)
Balance at September 30, 2018	326	(192)	17	190	1,022	1,363	2,202	3,565

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 September 30, 2019								
Balance at July 1, 2019 (unaudited)	**326**	**(195)**	**9**	**190**	**1,197**	**1,527**	**2,326**	**3,853**
Share-based payments in a subsidiary	–	–	–	–	–	–	**3**	**3**
Expiration of options granted t o employees of subsidiary	–	–	–	–	**1**	**1**	**(1)**	–
Dividends to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	**(42)**	**(42)**
Sale of shares of subsidiary while retaining control	–	**1**	–	–	**4**	**5**	**13**	**18**
Income for the period	–	–	–	–	**42**	**42**	**74**	**116**
Other comprehensive loss for the period, net of tax	–	**(26)**	**(5)**	–	**(13)**	**(44)**	**(59)**	**(103)**
Balance at September 30, 2019	**326**	**(220)**	**4**	**190**	**1,231**	**1,531**	**2,314**	**3,845**
For the three months ended September 30, 2018								
Balance at July 1, 2018 (unaudited)	326	(181)	10	190	997	1,342	2,091	3,433
Share-based payments in a subsidiary	–	–	–	–	–	–	4	4
Expiration of options granted to employees in a subsidiary	–	–	–	–	1	1	(1)	–
Dividend to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	(30)	(30)
Sale of shares of subsidiary while retaining control	–	–	–	–	4	4	7	11
Conversion of debt of a subsidiary	–	–	–	–	–	–	73	73
Income for the period	–	–	–	–	20	20	67	87
Other comprehensive income (loss) for the period, net of tax	–	(11)	7	–	–	(4)	(9)	(13)
Balance at September 30, 2018	326	(192)	17	190	1,022	1,363	2,202	3,565

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
Issuance of shares of a subsidiary to holders of non-controlling interests	–	–	–	–	(3)	(3)	3	–
Conversion of debt of a subsidiary	–	–	–	–	–	–	73	73
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 Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from operating activities					
Income for the period	**400**	1,103	**116**	87	1,196
Adjustments:					
Depreciation and amortization	**334**	299	**111**	94	408
Loss (reversal of loss) from impairment in value of property, plant and equipment	**(10)**	17	**–**	3	17
Financing expenses, net*	**199**	151	**84**	58	179
Share in income of associated companies accounted for using the equity method of accounting	**(28)**	(55)	**–**	(1)	(56)
Capital gains, net	**(12)**	–	**–**	–	–
Gain on sale of businesses	**–**	(841)	**–**	–	(841)
Share-based payment transactions	**9**	17	**3**	4	19
Loss (gain) from re-measurement to fair value of collar options	**(2)**	29	**(1)**	17	26
Taxes on income	**132**	108	**35**	45	95
	1,022	828	**348**	307	1,043
Change in inventories	**–**	(59)	**(26)**	(17)	(115)
Change in trade receivables	**(11)**	(105)	**70**	67	(101)
Change in trade payables	**(9)**	(47)	**27**	(66)	(34)
Change in other receivables*	**(3)**	(19)	**(14)**	(30)	(9)
Change in other payables*	**(105)**	(8)	**(8)**	(18)	100
Change in provisions and employee benefits	**3**	(72)	**2**	(21)	(66)
	897	518	**399**	222	818
Income taxes, net	**(90)**	(37)	**(21)**	(18)	(59)
Dividends received	**1**	21	**–**	–	23
Net cash provided by operating activities	**808**	502	**378**	204	782
Cash flows from investing activities					
Withdrawals from (investments in) long-term deposits	**3**	–	**2**	–	(13)
Proceeds from sale of property, plant and equipment	**36**	2	**1**	–	2
Short-term deposits and investments, net	**146**	(25)	**(47)**	(51)	55
Proceeds from sale of businesses, net of transactions costs	**–**	906	**–**	(1)	902
Acquisition of property, plant and equipment and intangible assets	**(419)**	(393)	**(147)**	(145)	(572)
Collection of long-term loans from related company	**–**	200	**–**	–	200
Interest received	**4**	45	**–**	3	47
Receipts from (payments for) derivative transactions not used for hedging, net	**31**	(21)	**5**	4	(46)
Net cash provided by (used in) investing activities	**(199)**	714	**(186)**	(190)	575

* Immaterial adjustment of comparative data.

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 Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from financing activities					
Dividends paid to holders of non-controlling interests	**(115)**	(93)	**(42)**	(30)	(129)
Receipt of long-term loans and issuance of debentures	**487**	1,714	**80**	140	1,984
Repayment of long-term loans and debentures	**(797)**	(2,553)	**(138)**	(240)	(2,729)
Dividends paid to the owners of the Corporation	**–**	(120)	**–**	–	(120)
Short-term credit from banks and others, net	**(120)**	(18)	**(90)**	64	(108)
Receipts from (payments for) derivative transactions used for hedging, net	**(2)**	1	**(2)**	(2)	1
Interest paid	**(128)**	(149)	**(31)**	(43)	(195)
Net cash used in financing activities	**(675)**	(1,218)	**(223)**	(111)	(1,296)
Increase (decrease) in cash and cash equivalents	**(66)**	(2)	**(31)**	(97)	61
Cash and cash equivalents at beginning of the period	**199**	164	**164**	242	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	**(2)**	(23)	**(2)**	(6)	(26)
Cash and cash equivalents at the end of the period	**131**	139	**131**	139	199

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 Bazan Ltd. (hereinafter – "Bazan 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 Bazan, also to make new investments – this being in accordance with certain guiding principles. For details regarding update of the terms of the trust certificates covering the debentures (Series 7, 10, 11, 12 and 13) – see Note 5A(5), below.

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 November 14, 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 accounting 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 $240 million in the "long-term debt" category and in the amount of about $60 million in the "short-term debt" category, 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% to 6%. Depreciation is calculated on a straight-line basis over the remaining contractual lease period.

In the nine months of 2019, ICL recognized depreciation expenses in the amount of $38 million in respect of amortization of the right-of-use asset and finance expenses of $18 million in respect of the lease liability, in place of lease expenses in the amount of $45 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 Corporation 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 into reportable operating segments in accordance with IFRS 8 derives from Management's reports, which are based on the activity areas of the companies ICL and Bazan, 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 (including food additives). ICL focuses on strengthening leadership status in all of its core value chains.

   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) **Bazan Ltd.** (associated company) – Bazan 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 Bazan's subsidiaries are integrated in Bazan's facilities. In addition, Bazan provides power and water (mainly steam) services to a number of industries located near the refinery in Haifa.

   Bazan 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 Bazan presented in this Note includes Bazan'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 Bazan'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 Bazan – 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	Bazan	Adjustments (1)	Total
	Unaudited			
	$ millions			
For the nine months ended September 30, 2019				
Sales to external customers	**4,165**	**4,875**	**(4,875)**	**4,165**
EBITDA income (2)	**997**	**347**	**(352)**	**992**
Depreciation and amortization	**320**	**136**	**(132)**	**324**
Financing income	**(91)**	**(8)**	**(24)**	**(123)**
Financing expenses	**195**	**93**	**(8)**	**280**
Share in income of equity-accounted investees	**(1)**	**–**	**(27)**	**(28)**
Unusual or one-time expenses and adjustments	**9**	**12**	**(14)**	**7**
	432	**233**	**(205)**	**460**
Income before taxes	**565**	**114**	**(147)**	**532**
Taxes on income	**132**	**15**	**(15)**	**132**
Income for the period	**433**	**99**	**(132)**	**400**
For the nine months ended September 30, 2018				
Sales to external customers	4,146	4,898	(4,898)	4,146
EBITDA income (2)	842	393	(397)	838
Depreciation and amortization	313	138	(135)	316
Financing income	(33)	(28)	7	(54)
Financing expenses	125	96	3	224
Share in income of equity-accounted investees	(1)	–	(55)	(55)
Unusual or one-time income and adjustments	(824)	(40)	60	(804)
	(419)	166	(120)	(373)
Income before taxes	1,261	227	(277)	1,211
Taxes on income	110	40	(42)	108
Income for the period	1,151	187	(235)	1,103

(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	Bazan	Adjustments (1)	Total
	Unaudited			
	$ millions			
For the three months ended September 30, 2019				
Sales to external customers	**1,325**	**1,615**	**(1,615)**	**1,325**
EBITDA income (2)	**307**	**114**	**(116)**	**305**
Depreciation and amortization	**110**	**46**	**(45)**	**111**
Financing income	**(35)**	**(3)**	**(5)**	**(43)**
Financing expenses	**67**	**30**	**(6)**	**91**
Share in income of equity-accounted investees	**–**	**–**	**–**	**–**
Unusual or one-time expenses (income) and adjustments	**(4)**	**33**	**(34)**	**(5)**
	138	**106**	**(90)**	**154**
Income before taxes	**169**	**8**	**(26)**	**151**
Taxes on income	**35**	**1**	**(1)**	**35**
Income for the period	**134**	**7**	**(25)**	**116**
For the three months ended September 30, 2018				
Sales to external customers	1,371	1,533	(1,533)	1,371
EBITDA income (2)	295	123	(124)	294
Depreciation and amortization	97	47	(47)	97
Financing income	(19)	(6)	5	(20)
Financing expenses	42	33	(9)	66
Share in income of equity-accounted investees	1	–	(2)	(1)
Unusual or one-time expenses and adjustments	2	31	(13)	20
	123	105	(66)	162
Income before taxes	172	18	(58)	132
Taxes on income	45	2	(2)	45
Income for the period	127	16	(56)	87

(1) Most of the adjustments stem from the ORL segment, which is an associated company.
(2) See Section B., above.

Note 4 – Information on Activity Segments (Cont.)

C. Information relating to Business Segments (Cont.)

	ICL	Bazan	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.

Note 4 – Information on Activity Segments (Cont.)

D. Sales based on Geographic Areas

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

	1–9/2019		1–9/2018		7–9/2019		7–9/2018		1–12/2018	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
United States	**650**	**16**	688	17	**228**	**17**	245	18	903	16
China	**663**	**16**	556	13	**207**	**16**	226	16	848	15
Brazil	**475**	**11**	472	11	**161**	**12**	189	14	656	12
United Kingdom	**285**	**7**	303	7	**80**	**6**	86	6	382	7
Germany	**264**	**6**	289	7	**78**	**6**	80	6	365	7
France	**200**	**5**	211	5	**77**	**6**	71	5	267	5
Spain	**192**	**5**	203	5	**58**	**4**	60	4	262	5
Israel	**187**	**4**	160	4	**55**	**4**	56	4	223	4
Italy	**91**	**2**	101	2	**27**	**2**	31	2	125	2
Australia	**68**	**2**	111	3	**27**	**2**	40	3	126	2
Other	**1,090**	**26**	1,052	26	**327**	**25**	287	22	1,399	25
Total	**4,165**	**100**	4,146	100	**1,325**	**100**	1,371	100	5,556	100

	Industrial products	Potash	Phosphate solutions	Innovative agricultural solutions	Other activities	Adjustments to the consolidated	Total consolidated
	$ millions						
For the nine months ended September 30, 2019							
Europe	**369**	**331**	**569**	**279**	**24**	**(66)**	**1,506**
Asia	**313**	**377**	**349**	**92**	**1**	**(10)**	**1,122**
North America	**267**	**79**	**286**	**70**	**–**	**(1)**	**701**
South America	**45**	**269**	**215**	**17**	**–**	**(1)**	**545**
Rest of the world	**31**	**136**	**144**	**109**	**3**	**(132)**	**291**
Total	**1,025**	**1,192**	**1,563**	**567**	**28**	**(210)**	**4,165**
For the nine months ended September 30, 2018							
Europe	363	357	560	300	40	(68)	1,552
Asia	298	303	342	87	1	(12)	1,019
North America	257	83	308	79	24	(7)	744
South America	16	278	207	15	1	(3)	514
Rest of the world	42	87	187	113	3	(115)	317
Total	976	1,108	1,604	594	69	(205)	4,146

Note 4 – Information on Activity Segments (Cont.)

D. Sales based on Geographic Areas (Cont.)

The following tables presents the distribution of ICL's operating sales by the 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 September 30, 2019							
Europe	**112**	**95**	**190**	**65**	**8**	**(23)**	**447**
Asia	**104**	**109**	**113**	**29**	**1**	**(2)**	**354**
North America	**105**	**19**	**101**	**20**	**–**	**–**	**245**
South America	**18**	**107**	**55**	**7**	**–**	**4**	**191**
Rest of the world	**–**	**46**	**49**	**39**	**1**	**(47)**	**88**
Total	**339**	**376**	**508**	**160**	**10**	**(68)**	**1,325**
For the three months ended September 30, 2018							
Europe	113	104	174	74	8	(27)	446
Asia	102	117	111	26	–	(4)	352
North America	92	28	122	20	–	–	262
South America	6	129	65	7	–	(3)	204
Rest of the world	15	31	58	34	1	(32)	107
Total	328	409	530	161	9	(66)	1,371
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 and the headquarters companies

1. On February 4, 2019, the Corporation signed a secured credit framework (hereinafter – "the Framework") with a bank, in the amount of $50 million, for a period of three years from the date the Framework was received. In July 2019, the Corporation signed, with respect to an expansion of the Framework in the further amount of $50 million, and extended the period of the total Framework ($100 million) to a period of three years from the date of expansion of the Framework. The agreements include various limitations, including continued control of the Corporation by its present controlling shareholders and continued control by the Corporation of ICL, along with a cross-default mechanism. The credit agreements also include 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 9,528 thousand shares, and as at September 30, 2019, the rate of the Corporation's holdings in ICL's issued share capital was about 45.9%, 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 381 thousand shares. 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 $32 million, and at the same time an increase in the retained earnings, in the amount of about $15 million, and an increase in the translation reserve, in the amount of about $3 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 October 3, 2019, the final settlement of the balance of the shares in the transaction was executed.

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 $1,531 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 ratio as at the date of the report was 59%.

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

4. On July 8, 2019, S&P Maalot reconfirmed the Corporation's rating of ilA/stable, with a stable rating outlook.

Note 5 – Additional Information (Cont.)

A. The Corporation and the headquarters companies (Cont.)

5. Subsequent to the date of the report, on November 11, 2019, the General Meeting of the holders of the Corporations' debentures (Series 7, 10, 11, 12 and 13) approved an amendment to the terms of the outstanding trust certificates (hereinafter – "the Amendment") in such a manner that includes, among other things, provisions regarding:

   a. Update of the restrictions relating to investments in new companies permitting a cumulative investment of up to $500 million on a net basis, as defined in the Amendment, however not more than $250 million in the 12-month period from the date of the Amendment.

   b. A commitment not to place a lien on more than 436 million shares of ICL under certain conditions, where commencing from the date of the Amendment and during five years the amount of the ICL shares covered by this commitment will increase proportionately in every 12 months by 12.8 million share up to 500 million shares after the passage of five years from the date of the Amendment.

   c. In addition, the interest rates for each series were updated by 0.25% on the amount of the unpaid principal on the date of entry of the Amendment into effect, from the date of the Amendment and up to full repayment of the balance of the unpaid principal of the debentures. In light of update of the interest rates, as stated, the Corporation is expected to record in the fourth quarter of 2019, a one-time financing expense, in the amount of about $7 million.

   For details regarding the restrictions prior to the change – see Note 16C(1) to the annual financial statements.

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

On April 15, 2019, ICL's Board of Directors approved amendment of ICL's internal long-term incentive framework (hereinafter – "the New LTI Plan") and, accordingly, approved a new triennial equity grants for the years 2019–2021, in the form of options exercisable for ICL's ordinary shares. In addition, a Cash LTI plan was approved, according to which, other senior managers will be awarded a total cash incentive of $32 million in 2022, subject to compliance with certain financial targets over the next three years.

According to the New LTI Plan: (1) only ICL's top management (including the CEO and the Executive Chairman of the Board) 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 as in previous plans; (3) the entire LTI awards will be granted in options, instead of half options and half restricted shares as in previous plans; (4) the 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 a vesting period of three equal annual tranches (upon the lapse of 12 months, 24 months and 36 months from the grant date).

Note 5 – Additional Information (Cont.)

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

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 amended 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.	5 years from the date of the grant.
June 27, 2019	ICL's CEO	3.5				
May 29, 2019 (issued on July 1, 2019)*	Chairman of ICL's Board of Directors	2.2			2 equal tranches: (1) one half at the end of 24 months after the issuance date; and (2) one half at the end of 36 months after the issuance date.	5 years from the date of the issuance.

* The options were issued upon entrance of Mr. Doppelt into his position, on July 1, 2019.

Additional Details	April 15, 2019	May 29, 2019	June 27, 2019
Share price*	NIS 19.35 ($5.43)	NIS 19.12 ($5.29)	NIS 18.72 ($5.21)
CPI-linked exercise price*	NIS 19.21 ($5.39)	NIS 19.30 ($5.32)	NIS 18.72 ($5.21)
Expected volatility	27.76%	28.00%	28.10%
Expected life of options (in years)	4.375	4.375	4.375
Risk-free interest rate	–0.67%	–0.60%	–0.70%
Total fair value	$15.9 million	$2.5 million	$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.

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.

Note 5 – Additional Information (Cont.)

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

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 ICL exceed 75).

C. Bazan Ltd. (hereinafter – "Bazan")

1. On June 13, 2019, Bazan received a report prepared by the consulting firm McKinsey for the National Economic Council on the future of the petrochemical industry in the Haifa Bay ("the Report"), according to a petition under the Freedom of Information Law, 1998. The purpose of the Report, which was prepared 12 months prior to its receipt by Bazan, is to provide an economic analysis of four alternatives regarding the future of the Bazan Group's operations to the inter-ministerial team that was established by the National Economic Council to examine the future of Bazan Group in Haifa Bay:

   a. Continuation of the activities of the Bazan Group in their current location and configuration.

   b. Transfer of the Bazan Group to a non-urban area.

   c. Partial closure of the activities in the present Bazan complex.

   d. Closure of all the activity in the Bazan complex, with a number of possible dates in the future, the latest date being 2030.

   The highlights of the Report are as follows:

   a. The Report includes an economic analysis only of these alternatives and assessment of the economic results of each of them in terms of the general economy, based on the real-estate value of the land for residential construction.

   b. The Report does not include any recommendation.

   c. The drafters of the Report noted that:

      i. The Report is based on preliminary and incomplete information and that before making a decision, the data should be updated and processed, which may affect the results of the analysis, including the value of the land that was assumed in the Report and the costs of cleaning the land, market forecasts/refining margins, and information that was not disclosed to those preparing the report due to security restrictions.

      ii. Any decision about the future of Bazan should take into account a range of considerations that go beyond the economic aspect, including employment considerations and urban environmental analyzes. These considerations are not analyzed in the Report.

      iii. Implementation of some of the alternatives, especially those addressing the closure of Bazan's operations, are subject to the establishment of alternative infrastructures, including for the import and storage of fuels/LPG and the manufacture of bitumen, which will take at least four years.

Note 5 – Additional Information (Cont.)

C. Bazan Ltd. (hereinafter – "Bazan") (Cont.)

1. (Cont.)

c. (Cont.)

It is noted that the Report does not include a significant analysis of the alternative infrastructures that are required and of the feasibility of their implementation within the relevant periods.

d. According to the results of the partial and restrained economic assessment of the alternatives in the Report:

i. Transfer of the Bazan Group to a non-urban area (the cost of establishing the current activities at another site) does not justify the investment.

ii. The closure of part of the activity at the Bazan complex will not release the value of the land, but will reduce emissions from the complex.

iii. Based on the assumptions in the Report, the alternative of full closure of the activity at the Bazan complex, which was assessed at various times, the latest of which is 2030, will yield the highest economic value if carried out in the latest year that was assessed, which is 2030. This is after taking into account all the relevant income and costs, including compensation to the shareholders of Bazan, based on the net present value of Bazan's profits at the closing date.

It is further noted that in the legal proceedings that Bazan took to receive the Report, the National Economic Council and the Prime Minister's Office clarified that the work on the Report is still being discussed internally, and that the government ministries are studying and commenting on the Report. In addition, it was clarified that the professional team appointed to review the matter had not yet completed its work, that the matter was still in the stage of formulating the policy, and that the government had not yet formulated its conclusions regarding the findings of the Report.

Bazan is studying the details of the report in order to present its position to the competent authorities.

As at the approval date of its financial statements, Bazan is unable to assess the results of the team's work (including in view of the reservations presented by the drafters of the Report and hearing Bazan's position), whether and when such results will be presented to the government, and the date and content of any government decision – if and when made.

Note 5 – Additional Information (Cont.)

C. Bazan Ltd. (hereinafter – "Bazan") (Cont.)

2. Further to Note 9.C.(2) to the Annual Statements regarding agreements for the purchase of natural gas for the plants of Bazan Group companies, to ensure a continuous supply of natural gas after the Tamar agreement expires and up to the date on which Energean commences supplying gas to Bazan under the agreement signed with it. In the period of the report, Bazan signed an agreement for the purchase of natural gas from the Tamar partnership ("the Agreement"), which was approved by the General Meeting of Bazan's shareholders by a special majority on May 28, 2019.

   The highlights of the Agreement are set forth below:

   a. The Agreement will come into effect on the termination date of the existing Tamar Agreement, for six months, and Bazan may extend it for additional six-month periods at a time, until Energean starts to deliver natural gas to Bazan, but in any event no more than a cumulative period of eight years.

   b. If the agreement with Energean for the purchase of natural gas is canceled before the end of 2020, the Agreement will be extended for one period of 12 months. If the agreement with Energean is cancelled after 2020, the Agreement will be extended for one period of 18 months.

   c. Bazan is expected to purchase 0.5 BCM of natural gas in a six-month period (including in each of the option periods).

   d. The price of natural gas will be set in an agreed formula based on linkage to Brent oil price component and the electricity generation rate component.

3. As at September 30, 2019, Bazan and Carmel Olefins were in compliance with the financial covenants provided for them in connection with their liabilities.

4. On April 8, 2019, S&P Maalot raised the rating of Bazan and its debentures to (ilA) with a stable rating outlook.

5. Subsequent to the date of the report, on October 3, 2019, the General Meeting of Bazan approved by a special majority, after approval by the Board of Directors of Bazan approved, distribution of a dividend in the amount of $50 million on the basis of Bazan's financial statements as at June 30, 2019. Subsequent to the date of the report, on October 31, 2019, the dividend was paid. The dividend is out of earnings that are not eligible for a benefit under the Law for Encouragement of Capital Investments, 1959.

Note 5 – Additional Information (Cont.)

C. Bazan Ltd. (hereinafter – "Bazan") (Cont.)

6. Further to that stated in Note 9C(10) to the Annual Financial Statements, regarding an inventory availability agreement, subsequent to the date of the report, Bazan signed an agreement for extension of the inventory availability agreement (hereinafter – "the New Agreement") for a quantity of up to 1.8 million barrels (about 250 thousand tons) of different types of crude oil, with estimated value of about $110 million, as at the date of the report, for a period of 5 years commencing from February 2020, upon conclusion of the present inventory availability agreement, and in consideration of payment of availability fees in an updated amount, to be determined by the effective date of the New Agreement and which will reflect the changes in the market conditions (and considering the amounts that Bazan would have born had it held similar quantities of crude oil inventory itself, the additional cost to Bazan is immaterial). The rest of the terms of the New Agreement are substantially similar to the terms of the present agreement.

The data presented below includes the data of Bazan, without adjustment for the rate of the Corporation's holdings in Bazan.

Condensed data regarding the interim statement of position:

	September 30 2019	September 30 2018	December 31 2018
	(Unaudited)	(Unaudited)	(Audited)
		$ millions	
Country of Incorporation		ISRAEL	
Rate of ownership rights*	33.00%	33.02%	33.01%
Current assets	**1,706**	1,730	1,391
Non-current assets	**2,412**	2,461	2,424
Current liabilities	**(1,148)**	(1,182)	(1,014)
Non-current liabilities	**(1,555)**	(1,650)	(1,481)
Total net assets (100%)	**1,415**	1,359	1,320

Condensed data regarding the interim statement of income:

	For the nine months ended September 30 2019	For the nine months ended September 30 2018	For the three months ended September 30 2019	For the three months ended September 30 2018	For the year ended December 31 2018
	(Unaudited)		(Unaudited)		(Audited)
			$ millions		
Revenues	**4,875**	4,898	**1,615**	1,533	6,676
Income for the period , net	**99**	187	**7**	16	187
Other comprehensive income (loss)	**(3)**	41	**(12)**	10	2
Total comprehensive income	**96**	228	**(5)**	26	189

Note 6 – Contingent Liabilities, Commitments and Concessions

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 January 12, 2020.

(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. Dates have been scheduled for submission of summations by the parties.

(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 is scheduled for April 2020.

(6) Further to that stated in Note 20B(1)(g) to the annual financial statements, hearings of he proofs were scheduled for January 2020.

(7) Further to that stated in Note 20B(1)(h) to the annual financial statements, the parties are endeavoring to coordinate dates for hearing of the proofs.

B. ICL

(1) Note 20B(2) to the annual financial statements provides disclosure regarding an appeal filed by Adam Teva V'Din – Israeli Association for Environmental Protection (hereinafter – "ATD") to the Israeli Court for Water Matters, requesting regulation of water pumping at Dead Sea Works within the framework of the production license. In August 2019, the court partially upheld the appeal stating that the water pumping activity must be regulated by means of a production license as defined in the Water Law and not through the Water and Sewage Authority's (hereinafter – "the Water Authority") directives, under which ICL presently operates. However, the Court stated that the conditions of the production license are to be determined by the Water Authority within six months from the date of the ruling. Discussions are being held between ICL and the Water Authority regarding determination of the said conditions. As at the date of the report, ICL believes that the proceedings in this matter will end without a material negative impact on its operations.

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

B. ICL (Cont.)

(2) Note 20B(2) to the annual financial statements provides disclosure regarding the petition filed in the U.S. requesting to impose antidumping and countervailing duties on imports of magnesium from Israel. In May 2019, the U.S. Department of Commerce (hereinafter – "the Commerce Department") issued a preliminary determination to impose duties at the rate of 7.48% on magnesium imports from Israel, starting from May 2019. In July 2019, the Commerce Department issued a preliminary antidumping duty determination, and imposed cash duty deposits on imports of magnesium from Israel, at the rate of 193.24%. The determination of the Commerce Department applies from July 2019. Final decisions are expected to be rendered during November 2019. The preliminary duty rates imposed on magnesium imports would not allow a competitive environment for ICL's continued magnesium activities in the U.S. Although ICL has the ability to shift the sales of its magnesium products from the U.S. to other regions in which it operates, if these preliminary duties are not altered, a significant negative impact on ICL's magnesium activities is expected.

As of the date of the report and in accordance with U.S. law, the International Trade Commission (hereinafter – "ITC") is investigating whether the U.S. magnesium industry is materially injured or threatened with material injury by reason of the dumped and subsidized imports of magnesium from Israel. This procedure is expected to be completed in the upcoming months. ICL believes that it is more likely than not that the results of the said investigation will show that no material injury or threat of material injury has been caused to the U.S. magnesium industry and, accordingly, such duties will not be applicable. If the above preliminary duties are not altered or ITC finds material injury or threat of such injury, a negative impact on ICL's activities is expected.

(3) On July 17, 2019, an application for approval of a claim as a class action was submitted to the Jerusalem District Court by an Israeli environmental association (hereafter – "the Applicant") against 30 defendants, including Fertilizers and Chemicals Ltd., a subsidiary of ICL. The application includes claims relating to air pollution in the Haifa Bay (located in northern Israel) and to alleged illness therefrom to the population of the said area. In the framework of the application, the Applicant requests declarative relief and establishment of a mechanism for compensation awards, without specifying their amount, or alternatively, for splitting of remedies to allow each group member to sue for damages in a separate proceeding. ICL will submit its response within the framework of the legal proceeding. Considering the early stage of the proceedings, there is a difficulty in estimating their outcome.

(4) As part of the arbitration proceeding between a Spanish subsidiary of ICL and Akzo Nobel Industrial Chemicals B.V. (hereinafter – "AkzoNobel"), concerning termination of the partnership agreement between them, in May 2019, AkzoNobel submitted a statement of claim to the Arbitral Tribunal, wherein it seeks to determine that the agreement termination by ICL constitutes an unlawfully breach of contract and therefore it is entitled to enforce the agreement and to receive compensation in an immaterial amount. Alternatively, if it is determined that the agreement is not enforceable, AkzoNobel outlines several different compensation alternatives in the amounts of up to $165 million. ICL believes that the agreement was lawfully terminated and that it is more likely than not that the claims of AkzoNobel will be rejected.

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

B. ICL (Cont.)

(5) Note 29G(4) to the annual financial statements provides disclosure regarding the appeal of the Belgian tax authorities of the District Court's decision to allow ICL to deduct certain tax expenses. In May 2019, the Supreme Court rendered its decision to return the dispute to the District Court for further deliberation. In ICL's estimation, it is more likely than not that its position will be accepted.

(6) As part of its strategy to divest low synergies businesses, in June 2019, ICL entered into an agreement with a third party to sell part of its real estate in Germany (hereinafter – "the Assets"), which are associated with the non-core activities, for a consideration of $13 million. The closing date of the transaction is expected towards the end of 2019. In light of the aforesaid, in the second quarter of 2019, ICL partially reversed part of the impairment loss recorded in connection with the Assets in 2015, and recognized income in the amount of $10 million, in the "other income" category in the statement of income ($7 million after taxes).

(7) Note 20B(2) to the annual financial statements provides disclosure regarding ICL's lawsuit against IBM Israel ("hereinafter – IBM") for compensation for the damages suffered by ICL due to IBM's failure to fulfill its commitments with respect to ICL's IT project. In March 2019, IBM filed its statement of defense, together with a counterclaim against ICL according to which IBM contends 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, it claims the amount of about $51 million (about NIS 186 million), including VAT and interest. In June 2019, ICL filed a statement of defense with respect to the counterclaim wherein it rejected all of IBM's claims. Considering the early stage of the proceedings, there is a difficulty in estimating their outcome.

(8) Note 20B(2) to the annual financial statements provides disclosure regarding the royalty arbitration proceedings and the remaining disputes regarding the method of 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, which 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 in the "other expenses" category in the statements of income ($11 million after tax).

(9) Note 20B(2) to the annual financial statements provides disclosure regarding the petitions filed to the High Court of Justice, requesting to cancel the provisions of the National Outline Plan14B for phosphate mining in the South Zohar field (hereinafter – "the Plan") and the decision of the National Council regarding advancement of the detailed plan. In February 2019, the Supreme Court instructed the National Council, the Government of Israel and Rotem to provide explanations as to why the Plan should not be returned to the National Council for discussion, even though no methodology was determined for examining health effects and no potential health impact document was presented to the National Council. The State is required to submit its response no later than December 31, 2019.

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

B. ICL (Cont.)

(10) 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 thereafter 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 gain of $8 million which was deducted from the right-to-use asset (reduction in future depreciation expenses). As a result, Israel Corporation wrote off excess cost in an immaterial amount.

C. Bazan

(1) Further to Note 20B(3)(k) to the Annual Financial Statements, in the period of the report, the court validated the settlement agreement between the Group companies and Haifa Municipality, whereby, in exchange for a final and complete settlement of the payment demands for the sewage levy amounting to NIS 170 million (as at 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 (as at 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 Bazan Group to raise any possible claim against any such requirements, the Group paid NIS 85 million (US$23 million) in the second quarter of 2019. Since the settlement amount is fully reflected in the Annual Financial Statements, this does not affect the results of the Group's activity in the period of the report.

(2) On May 19, 2019, Bazan and Gadiv were informed that the Ministry of Environmental Protection – Marine Environment Protection Division – is conducting an investigation against Gadiv regarding the hydrocarbon leak at the chemicals port, which had occurred several months earlier. In this context, investigators visited the offices of Gadiv with a search warrant and seized documents and information. The management of Gadiv believes, based on the opinion of its legal counsel, that at this early stage, Gadiv is unable to estimate the results of the investigation and its implications, if any, on its operating results.

(3) Further to Note 20B(3)(d) to the Annual Financial Statements, subsequent to the period of the report the Citizens for the Environment Association filed a claim and motion for certification of the claim as a class action against thirty defendants, including Bazan, Carmel Olefins, Gadiv, and Haifa Basic Oils (hereinafter – "the Companies"), regarding claims referring to air pollution in Haifa Bay and the illnesses it allegedly causes to the population in the Haifa area. In the motion, the applicant is petitioning for declarative relief and the establishment of a mechanism for awarding compensation, but does not specify the amounts of the compensation claimed or, alternatively, the splitting-up of remedies that will allow each member of the class to sue for damages in a separate proceeding. Bazan has not yet filed a response to the motion.

In the estimate of the managements of Bazan and its subsidiaries, based on the opinion of their legal advisors, due to the early stage of the action, it is not possible to estimate the exposure in respect of the said claim and its implications, if any, on the operating results of the Bazan Group companies.

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

C. Bazan (Cont.)

(4) Further to Note 20B(3)(e) to the Annual Financial Statements, in the period of the report the Ministry of Environmental Protection delivered to Bazan and Gadiv an administrative order to prevent or reduce air pollution, according to which Bazan and Gadiv 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 Bazan, 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. Bazan is preparing to implement the requirements of the administrative order and is in contact with the Ministry of Environmental Protection on this matter. In the period of the report, a hearing was held for Bazan and Gadiv relating to the administrative order, which the Ministry of Environmental Protection claimed was breached. Bazan and Gadiv clarified their position and as at the date of the report, it is unable to estimate the results of the hearing. Bazan 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.

(5) In the period of the report, a notification was received by Bazan prior to filing of a claim regarding contamination of land and underground water by fuels, constituting environmental damage as defined in the Law for Prevention of Damaging Environmental Agents (Civil Claims), 1992 and water pollution in accordance with the Water Law, 1959. The notice was received in the name of two citizens who identified themselves as Haifa residents, and they demanded that Bazan take various measures to restore the situation and take action to prevent further contamination. Bazan sent a response letter to the applicants requesting further information about the alleged pollution and about the source of the alleged right on which their claim is based. Bazan believes that at this stage, it is not possible to estimate the exposure in respect of the notice, if at all.

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

C. Bazan (Cont.)

(6) 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 Bazan and four managers, following a fire in an intermediate materials storage tank on Bazan'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 Bazan, Carmel Olefins and Gadiv (including as detailed in Section 2 above), 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, in the estimation of the managements of Bazan and its subsidiaries, based on the opinion of their legal counsel, that, at this stage, it is not possible to assess their impact, if any, on the financial statements as at September 30, 2019. Accordingly, Bazan included provisions in its books in amounts that are not significant, which reflect its proper estimate of the amounts that will be paid with a probability of more than 50%, while with respect to proceedings the impact of which cannot presently be estimated, as stated above, no provisions regarding this matter were included in the financial statements.

(7) Further to Note 20B(3)(e) to the Annual Financial Statements, regarding the claim and motion for certification as a class action for the fire that broke out in the intermediate materials storage tank on Bazan's premises, on September 24, 2019, a motion for certification of the settlement was filed in the Tel-Aviv District Court, according to which Bazan will pay a total amount of US$0.4 million (NIS 1.4 million). The claim is covered by insurance. The settlement does not affect the results of the Group's activities in the period of the report. As at the approval date of the financial statements, a court ruling approving the settlement had not yet been received.

(8) In July 2019, the Supreme Court handed down a judgment on the appeals that were filed on the judgment of the appeal against the judgment of the Haifa Administrative Court regarding the decisions of the National Planning and Building Council, which approved the urban building plan for the Bazan complex ("the Plan"), which came into effect in March 2018. The judgment stated that construction of production facilities (or structures) having a significant impact on the environment, in categories to be determined by the National Council, is subject to the preparation of a detailed plan for the facility (or structure). In addition, within a year, the National Council is required to establish additional provisions in the plan, regarding the types of facilities that will require detailed planning. In the absence of such determination, the Plan will be canceled. The judgment also states that building permits for the facilities, which will be granted in accordance with the Plan in the interim period until the determination of the National Council, will be subject to the decision of the National Council.

Note 7 – Financial Instruments

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 long-term 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					
	September 30, 2019		September 30, 2018		December 31, 2018	
	Book value	Market value	Book value	Market value	Book value	Market value
	Unaudited		Unaudited		Audited	
	Millions of dollars					
Debentures	**2,611**	**2,831**	2,776	2,822	2,729	2,770
Long-term loans from financial institutions	**294**	**304**	588	580	501	504

Note 7 – Financial Instruments (Cont.)

Fair value (Cont.)

(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.

	September 30 2019 (Unaudited)	September 30 2018 (Unaudited)	December 31 2018 (Audited)
		Book Value	
		$ millions	
Assets			
Investments measured at fair value through other comprehensive income* (1)	**144**	–	–
Investments measured at fair value through other comprehensive income* (2)	**–**	149	145
Derivatives used for accounting hedge (2)	**75**	18	11
Derivatives used for economic hedge (2)	**31**	81	34
Call (put) options on ICL shares (collar) (3)	**1**	7	8
	251	255	198
Liabilities			
Derivatives used for accounting hedge (2)	**5**	9	20
Derivatives used for economic hedge (2)	**9**	29	25
	14	38	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.)

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) option on ICL shares at fair value at Level 3 in the fair value hierarchy:

	For the				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2019	2018	2019	2018	2018
	Unaudited		Unaudited		Audited
	Millions of dollars				
Opening balance	**8**	47	**4**	27	47
Closing of financial transaction*	**(9)**	(13)	**(4)**	(3)	(15)
Settlement in respect of dividend adjustment component	**–**	2	**–**	–	2
Total losses recognized in the statement of income:					
Realized	**–**	(2)	**–**	–	(2)
Unrealized	**2**	(27)	**1**	(17)	(24)
Closing balance	**1**	7	**1**	7	8

* See Note 5.A.5

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.

Foreign currency risks

1. During the second quarter of 2019, the Corporation entered into two new transactions in derivatives, in the amount of $25 million each, for purposes of reducing currency and shekel interest exposure of the full series of debentures (Series 10). In respect of these transactions, the Corporation chose to apply cash-flow hedge accounting principles.

2. On January 1, 2019, ICL designated several swap contracts as an accounting hedge. These transactions, which include principal and interest of the debentures (Series E) and a 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 the debentures (Series E) and the loan from Harel Insurance Company Ltd. – see Note 16E 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 impact of ICL's and the counterparty's credit risk on the fair value of the swap contracts. As at the execution date of the hedge transaction, the total balance of the hedged instruments amounted to $486 million.

Israel Corporation Ltd.

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

As at September 30, 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 September 30, 2019
Unaudited

Contents

Somekh Chaikin
KPMG Millennium Tower
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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 Corporation") as at September 30, 2019 and for the nine-month and three-month periods then ended. The separate interim financial information is the responsibility of the Corporation's Board of Directors and of its Management. Our responsibility is to express a conclusion on the 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 draw attention to that stated in Note 6.C.2-6 to the Corporation's consolidated financial statements regarding certain legal proceedings and other contingencies against Bazan 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.)

November 14, 2019

Israel Corporation Ltd.
Separate-Company Financial Information as at September 30, 2019
Condensed Interim Statements of Financial Position Information

	At September 30		At December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Assets			
Cash and cash equivalents	**30**	37	77
Short-term deposits	**266**	476	379
Other receivables and debit balances	**1**	7	6
Derivative instruments	**10**	9	9
Total current assets	**307**	529	471
Non-Current Assets			
Investments in investee companies	**2,185**	2,173	2,155
Loans to wholly-owned subsidiaries	**216**	208	200
Other assets	**5**	5	14
Derivative instruments	**25**	26	16
Total non-current assets	**2,431**	2,412	2,385
Total assets	**2,738**	2,941	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 September 30, 2019
Condensed Interim Statements of Financial Position Information

	At September 30		At December 31
	2019	**2018**	**2018**
	(Unaudited)		**(Audited)**
	In Millions of U.S. Dollars		
Current Liabilities			
Current maturities in respect of non-current liabilities	**237**	330	306
Other payables and credit balances	**18**	59	29
Derivative instruments	**4**	4	8
Total current liabilities	**259**	396	343
Non-Current Liabilities			
Debentures and long-term loans	**945**	1,174	1,102
Derivative instruments	**1**	6	16
Long-term balances	**2**	2	2
Total non-current liabilities	**948**	1,182	1,120
Total liabilities	**1,207**	1,578	1,463
Equity			
Share capital and premium	**326**	326	326
Capital reserves	**(216)**	(175)	(202)
Capital reserve for transactions with controlling shareholder	**190**	190	190
Retained earnings	**1,231**	1,022	1,079
Total equity attributable to the owners of the Corporation	**1,531**	1,363	1,393
Total liabilities and equity	**2,738**	2,941	2,856

Aviad Kaufman	**Yoav Doppelt**	**Sagi Kabla**
Chairman of the Board of Directors	**CEO**	**CFO**

Approval date of the financial statements: November 14, 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 September 30, 2019
Condensed Interim Statements of Income Information

	For the				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Administrative and general expenses	**6**	5	**2**	2	7
Other expenses (income), net	**(3)**	19	**(1)**	17	16
Operating loss	**(3)**	(24)	**(1)**	(19)	(23)
Financing expenses	**80**	94	**22**	23	129
Financing income	**(32)**	(22)	**(8)**	(1)	(39)
Financing expenses, net	**48**	72	**14**	22	90
Share in income of investee companies, net	**216**	595	**57**	60	630
Income before taxes on income	**165**	499	**42**	19	517
Tax benefit	**–**	(2)	**–**	(1)	(32)
Income for the period attributable to the owners of the Corporation	**165**	501	**42**	20	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 September 30, 2019
Condensed Interim Statements of Comprehensive Income Information

	For the Nine Months Ended September 30		For the Three Months Ended September 30		Year Ended December 31
	2019	**2018**	**2019**	**2018**	**2018**
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Income for the period attributable to the owners of the Corporation	**165**	501	**42**	20	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	**28**	(15)	**14**	3	(33)
Net change in fair value of cash flow hedges transferred to the statement of income	**(25)**	17	**(9)**	(3)	27
Other comprehensive income loss in respect of investee companies, net	**(27)**	(25)	**(30)**	(6)	(45)
Total	**(24)**	(23)	**(25)**	(6)	(51)
Components of other comprehensive income (loss) that will not be recognized in future periods in the statement of income					
Other comprehensive loss in respect of investee companies, net	**(22)**	–	**(19)**	2	1
Total	**(22)**	–	**(19)**	2	1
Other comprehensive loss for the period, net of tax	**(46)**	(23)	**(44)**	(4)	(50)
Total comprehensive income (loss) for the period attributable to the owners of the Corporation	**119**	478	**(2)**	16	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 September 30, 2019
Condensed Interim Statements of Cash Flows Information

	For the				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2019	**2018**	**2019**	**2018**	**2018**
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from operating activities					
Income for the period attributable to the owners of the Corporation	**165**	501	**42**	20	549
Adjustments:					
Financing expenses, net	**48**	72	**14**	22	90
Share in income of investee companies, net	**(216)**	(595)	**(57)**	(60)	(630)
Loss (gain) on re-measurement to fair value of Collar options	**(2)**	29	**(1)**	17	26
Tax benefit	**–**	(2)	**–**	(1)	(32)
	(5)	5	**(2)**	(2)	3
Change in receivables and payables	**1**	(8)	**1**	(1)	(7)
	(4)	(3)	**(1)**	(3)	(4)
Income tax paid, net	**(12)**	(2)	**(1)**	(1)	(3)
Dividends received	**91**	98	**32**	23	129
Net cash provided by operating activities	**75**	93	**30**	19	122
Cash flows from investing activities					
Short-term deposits, net	**138**	(25)	**(44)**	(48)	62
Investments in long-term deposits	**–**	–	**–**	–	(10)
Collection of long-term loan from related company	**–**	200	**–**	–	200
Collection of long-term loans from investee companies	**–**	86	**–**	–	86
Interest received	**3**	45	**–**	2	46
Payments in respect of settlement of derivatives for economic hedging, net	**(2)**	(2)	**(3)**	(4)	(2)
Net cash provided by (used in) investing activities	**139**	304	**(47)**	(50)	382

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 September 30, 2019
Condensed Interim Statements of Cash Flows Information

	For the				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from financing activities					
Dividends paid	–	(120)	–	–	(120)
Receipt of long-term loans and issuance of debentures	**30**	238	**30**	–	238
Repayment of long-term loans and debentures	**(247)**	(464)	–	–	(514)
Interest paid	**(43)**	(68)	**(10)**	(18)	(84)
Receipts (payments) for settlement of derivatives used for hedging, net	**(2)**	1	**(1)**	(2)	1
Net cash provided by (used in) financing activities	**(262)**	(413)	**19**	(20)	(479)
Net increase (decrease) in cash and cash equivalents	**(48)**	(16)	**2**	(51)	25
Cash and cash equivalents at the beginning of the period	**77**	54	**27**	87	54
Effect of exchange rate fluctuations on balances of cash and cash equivalents	**1**	(1)	**1**	1	(2)
Cash and cash equivalents at the end of the period	**30**	37	**30**	37	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 September 30, 2019
Additional Information

General

The interim separate-company financial information is presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970, and the Tenth Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970, regarding separate-company financial information of an entity. The interim separate-company financial information should be read together with the separate-company financial information as at December 31, 2018 and together with the consolidated financial statements as at December 31, 2018 and the condensed and consolidated financial statements as at September 30, 2019.

In this separate-company interim financial information:

A.	The Corporation	–	Israel Corporation Ltd.
B.	ICL	–	Israel Chemicals Ltd. and its subsidiaries.
C.	Bazan	–	Bazan 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.

Additional Information

A. 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.

B. 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 was distributed on September 19, 2019. The share of the Corporation's and the headquarters companies – about $34 million.

C. On July 31, 2019, the Board of Directors of ICL decided to distribute a dividend, in the amount of $74 million, about $0.06 per share. The dividend was distributed on September 24, 2019. The share of the Corporation's and the headquarters companies – about $34 million.

D. Subsequent to the date of the report, on November 6, 2019, the Board of Directors of ICL decided to distribute a dividend, in the amount of $65 million, about $0.05 per share. The dividend will be distributed on December 18, 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 September 30, 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:

Yoav Doppelt, CEO;

Sagi Kabla, CFO

Maya Alscheich-Kaplan, In-House Counsel and Corporation 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, Yoav Doppelt, declare that:

(1) I have examined the interim financial statements of Israel Corporation Ltd. (hereinafter – "the Corporation") as at September 30, 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.

November 14, 2019

Yoav Doppelt, 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 September 30, 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.

November 14, 2019

Sagi Kabla, CFO