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Israel Corporation Ltd.

Condensed Consolidated Interim Financial Statements

As at June 30, 2018

(UNAUDITED)

Contents

Report of the Corporation's Board of Directors

For the Six-Month and Three-Month Periods Ended June 30, 2018

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

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

This Directors' Report is submitted as part of the interim financial statements for the period ended June 30, 2018 (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 June 30, 2017, and the Periodic Report for 2017.

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

1. On January 2, 2018, Kenon repaid the full amount of the loan (principal and interest) granted to it by the Corporation, and accordingly the amount of about $240 million was received by the Corporation. For additional details – see Note 11 to the annual financial statements for 2017.

2. On March 19, 2018, the General Meetings of the holders of the debentures (Series 10 and 11) (hereinafter – "the Debentures") approved for each series separately, an amendment to the trust indentures (hereinafter – "the Amendment") with reference to certain conditions for distribution of dividends. As part of the Amendment, the interest rates for each series was updated by 0.2% on the unpaid principal as at the date of entry of the Amendment into effect and up to full repayment of the outstanding balance of the Debentures, and a one-time commission will be paid, at the rate of 0.25% of the par value of the outstanding balance of the Debentures as at the date of entry of the Amendment into effect. For additional details – see Note 5A(3) to the Interim Consolidated Financial Statements.

3. On March 22, 2018, the Corporation's Board of Directors decided to distribute a dividend in the amount of $120 million – about $15.74 per share. The dividend was distributed on April 23, 2018. The Corporation was in compliance with the conditions with reference to the holders of Debentures, which are provided as part of the trust indentures in connection with distribution of dividends, as stated.

4. On March 29, 2018, the Corporation completed, as part of a shelf offer prospectus, issuance of two new series of registered debentures of NIS 1 par value each: Series 12, in unlinked shekels, having an aggregate par value of about NIS 554 million, and Series 13, linked to the U.S. dollar, having an aggregate par value of about NIS 287 million. The proceeds of the issuance, net of the issuance costs, amounted to about NIS 834 million (about US$238 million). The debentures were registered for trading on the Tel-Aviv Stock Exchange. On March 27, 2018, Standards & Poor's Maalot (hereinafter – "S&P") gave notice of provision of a rating of ilA to the above-mentioned debentures. On the date of the issuance, the Corporation was rated ilA/Stable. For additional details – see Note 5A(1) to the Interim Consolidated Financial Statements.

5. Subsequent to the date of the report, on July 9, 2018, S&P Maalot gave notice of confirmation 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.)

6. For details regarding the Corporation's liabilities – see the Immediate Report regarding the total liabilities based on repayment date that was published on August 23, 2018 (Reference No. 2018-01-080511). 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.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

– The total sales for the three-month and six-month periods ended June 30, 2018 amounted to about $1,371 million and about $2,775 million, respectively, compared with about $1,322 million and about $2,617 million, respectively, in the corresponding periods last year.

– The total net income attributable to the owners of the Corporation for the three-month and six-month periods ended June 30, 2018 amounted to about $49 million and about $481 million, respectively, compared with net income attributable to the owners of the Corporation of about $5 million and about $12 million, respectively, in the corresponding periods last year. The income in the period of the report includes the Corporation's share in a net capital gain, in the amount of $394 million, recorded by ICL, due to completion of the transaction for sale of the Fire Safety and Oil Additives businesses during the first quarter.

– The total assets, as at June 30, 2018, amounted to about $10,142 million, compared with about $10,456 million, as at June 30, 2017, and compared with about $10,395 million, as at December 31, 2017.

– The current assets net of current liabilities, as at June 30, 2018 amounted to about $884 million, compared with about $949 million as at June 30, 2017, and compared with about $1,062 million, as at December 31, 2017.

– The balance of the non-current assets, as at June 30, 2018 amounted to about $6,798 million, compared with about $7,054 million as at June 30, 2017, and compared with about $6,851 million, as at December 31, 2017.

– The non-current liabilities, as at June 30, 2018, amounted to about $4,249 million, compared with about $5,649 million, as at June 30, 2017, and compared with about $5,276 million, as at December 31, 2017.

– The total equity as at June 30, 2018 amounted to about $3,433 million and the total equity attributable to the owners of the Corporation amounted to about $1,342 million, compared with total equity of $2,354 million and total equity attributable to the owners of the Corporation of $844 million as at June 30, 2017, and compared with total equity of about $2,637 and total equity attributable to the owners of the Corporation of about $1,013 million as at December 31, 2017.

Set forth below are the results of operations of the Group companies for the period April – June 2018:

– ICL finished the second quarter of 2018 with income of about $101 million, compared with income of about $57 million in the corresponding quarter last year.

– ORL finished the second quarter of 2018 with income of about $97 million, compared with income of about $73 million in the corresponding quarter last year.

FINANCIAL POSITION AND RESULTS OF OPERATIONS (Cont.)

Set forth below are the results of operations of the Group companies for the period January – June 2018:

– ICL finished the period of the report with income of about $1,029 million, compared with income of about $125 million in the corresponding period last year. The income in the period of the report 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 during the period.

– ORL finished the period of the report with income of about $171 million, compared with income of about $92 million in the corresponding period last year.

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

	Three months ended June 30		Six months ended June 30	
	2018	**2017**	**2018**	**2017**
	$ Millions			
ICL	**48**	27	(1)**489**	60
ORL(2)	**32**	28	**57**	36
Amortization of excess cost	**(3)**	(3)	**(6)**	(7)
Administrative, general, financing and other expenses of the Corporation's headquarters	**(21)**	(30)	**(48)**	(53)
loss from re-measurement to fair value of collar options(3)	**(7)**	(14)	**(12)**	(20)
Tax income (expenses) of the Corporation's headquarters	**–**	(3)	**1**	(4)
	49	5	**481**	12

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

(2) ORL has made early adoption of IFRS 16. Israel Corporation has not made early adoption of IFRS 16 and it makes adjustments to ORL's financial statements. Application of IFRS 16 would not have had a significant impact in the period of the report on the Corporation's net income. For additional details – see Note 3 to the consolidated interim financial statements.

(3) Further to that stated in Note 16.E.1(j) 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 ORL – see the sections below.

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

As at June 30, 2018, the total financial liabilities of the Corporation and of the wholly owned and controlled headquarters companies (hereinafter – "the Headquarters Companies") amounted to about $1,664 million. The balance of the fair value of the options in the financial transaction (hereinafter – "the Collar Options") economically reduces the liabilities by about $27 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 $13 million.

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

As at the date of the report, the investments of the Corporation and of the Headquarters Companies in liquid assets amounted to about $523 million, which are invested in short-term deposits in financial institutions, of which about $15 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 $1,101 million, compared with net debt balances of about $1,246 million and about $1,279 million as at December 31, 2017 and as at June 30, 2017, respectively. As at the date of the report, the net financial liabilities of the headquarters companies standing alone amounted to about $140 million.

In September 2014, the Corporation entered into a financial transaction with financial entities, in connection with 36.2 million shares of ICL, which were loaned to the financial entities. As part of the transaction, the financial entities provided the Corporation with an initial amount of about $191 million, which is essentially a loan. Closing of the financial transaction is being executed in increments during a period of three years, commencing from the end of 2016. Accordingly, and subject to the terms of the financial transaction, during the 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)(j) to the annual financial statements. The balances of this loan, including accrued interest, as at June 30, 2018, June 30, 2017 and December 31, 2017, which is included in the Corporation's net debt, amounted to about $95 million, $163 million and about $128 million, respectively.

On January 2, 2018, Kenon repaid the full amount of the loan (the principal and interest) that was granted to it by the Corporation in the amount of about $240 million. For additional details – see Note 11 to the annual consolidated financial statements.

In the period of the report, the Corporation and the Headquarters Companies repaid liabilities in the amount of $553 million, of which payment of principal of the debentures (Series 7) (net of hedging transactions), in the amount of about $160 million, and early repayment of long-terms loans from banks, in the amount of $393 million. For additional details – see Note 5.A.6 to the consolidated interim financial statements.

On March 22, 2018, the Corporation's Board of Directors decided to distribute a dividend in the amount of $120 million. The dividend was distributed on April 23, 2018.

On March 29, 2018, the Corporation completed, as part of a shelf offer prospectus, issuance of two new series of debentures, in the aggregate amount of about NIS 841 million par value. The proceeds from the issuance, net of fund-raising costs, amounted to about US$238 million (value as at the issuance date). For additional details – see Note 5.A.1 to the consolidated interim financial statements. As at the date of the report, the Corporation was in compliance with the financial covenants provided.

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 3 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 $55 million, and the Corporation received dividends from ORL, in the amount of about $21 million (there was no tax liability).

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

On November 23, 2017, S&P gave notice of confirmation of a rating of ilA/stable, with a stable rating outlook.

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

Corporation's credit rating (Cont.)

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.

Subsequent to the date of the report, on July 9, 2018, S&P gave notice of confirmation 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.

	4–6/2018		4–6/2017		1–6/2018		1–6/2017		2017	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
Sales	**1,371**	**–**	1,322	–	**2,775**	**–**	2,617	–	5,418	–
Gross profit	**458**	**33**	415	31	**889**	**32**	773	30	1,672	31
Operating income	**172**	**13**	144	11	**1,157**	**42**	260	10	629	12
Adjusted operating income*	**188**	**14**	153	12	**339**	**12**	269	10	652	12
Net income attributable to ICL's shareholders	**101**	**7**	57	4	**1,029**	**37**	125	5	364	7
Adjusted net income attributable to ICL's shareholders*	**113**	**8**	64	5	**219**	**8**	132	5	389	7
Adjusted EBITDA (1)	**296**	**22**	251	19	**547**	**20**	469	18	1,059	20
Cash flows from operating activities	**164**	**–**	199	–	**200**	**–**	394	–	847	–
Cash flows used for acquisition of property, plant and equipment and other assets	**121**	**–**	113	–	**248**	**–**	219	–	457	–

(1) Calculation of the adjusted EBITDA was made as follows:

	4–6/2018	4–6/2017	1–6/2018	1–6/2017	2017
	$ millions				
Net income attributable to ICL's shareholders	**101**	57	**1,029**	125	364
Depreciation and amortization	**105**	95	**202**	189	390
Financing expenses, net	**54**	49	**69**	63	124
Taxes on income	**20**	41	**65**	83	158
Adjustments*	**16**	9	**(818)**	9	23
Total adjusted EBITDA	**296**	251	**547**	469	1,059

* See adjustments to the operating income and the reported net income below.

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

ISRAEL CHEMICALS LTD. (Cont.)

Adjustments to the operating income and the reported net income

	4–6/2018	4–6/2017	1–6/2018	1–6/2017	2017
			$ millions		
Operating income	**172**	144	**1,157**	260	629
Capital loss (gain) (1)	**–**	(6)	**(841)**	(6)	(54)
Impairment of assets (2)	**16**	–	**16**	–	32
Provision for early retirement and dismissal of employees (3)	**–**	15	**7**	15	20
Provision for legal claims (4)	**–**	–	**–**	–	25
Total adjustments to operating income	**16**	9	**(818)**	9	23
Total adjusted EBITDA	**188**	153	**339**	269	652
Net income attributable to the shareholders of ICL	**101**	57	**1,029**	125	364
Total adjustments to operating income	**16**	9	**(818)**	9	23
Adjustments to financing expenses (5)	**–**	–	**–**	–	–
Total tax impact of the above operating income and financing expenses adjustments	**(4)**	(2)	**8**	(2)	(4)
Tax assessment and deferred tax adjustments (6)	**–**	–	**–**	–	6
Total adjusted net income attributable to the shareholders of ICL	**113**	64	**219**	132	389

(1) In 2018, capital gain from sale of the Fire Safety and Oil Additives (P_2S_5) businesses. In 2017, additional consideration received regarding earn-out of 2015 divestitures, capital gain from IDE divestiture and capital gain from deconsolidation of Allana Afar in Ethiopia.

(2) Impairment in value and write-down of assets. In 2018, write-off of Rovita's assets following its sale (see also "Other Information"). In 2017, relating to impairment of an intangible asset in Spain, write-down of an investment in Namibia and impairment of assets in China and the Netherlands.

(3) Provision for early retirement and dismissal of employees in accordance with ICL's comprehensive global efficiency plan in its production facilities throughout the group. In 2018, provisions relating to ICLs facilities in the United Kingdom (CPL) and Israel (ICL Rotem). In 2017, provisions relating to ICL Rotem's facilities in Israel, and to subsidiaries in North America and Europe.

(4) Provision for legal claims in 2017: judgment relating to a dispute with the National Company for Roads in Israel regarding damage caused to bridges by DSW, a decision of the European Commission concerning past grants received by a subsidiary in Spain, claims for damages related to the contamination of the water in certain wells at the Suria site in Spain, a provision in connection with prior periods in respect of royalties' arbitration in Israel, reversal of the provision for retroactive electricity charges in connection with prior periods and settlement of the dispute with Great Lakes (a subsidiary of Chemtura Corporation).

(5) Interest and linkage expenses in 2017 related to a decision of the European Commission which was fully offset by income in connection with the resolution of the Appeals Court for Tax Matters in Belgium.

(6) An internal transaction in preparation of the low-synergy business divestitures, resulting in tax liabilities (see also capital gain from divestment of the Fire Safety and Oil Additives (P_2S_5) businesses above), and tax income relating to the resolution of the Appeals Court for Tax matters in Belgium.

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

ISRAEL CHEMICALS LTD. (Cont.)

Adjustments to the operating income and the reported net income (Cont.)

ICL discloses in this Quarterly Report non-IFRS financial measures titled adjusted operating income, adjusted net income attributable to ICL's shareholders and adjusted EBITDA. ICL's management uses adjusted operating income, adjusted net income attributable to ICL's shareholders and adjusted EBITDA to facilitate operating performance comparisons from period to period. ICL calculates its adjusted operating income by adjusting the operating income to add certain items, as set forth in the reconciliation table under "Adjustments to reported operating and net income" above. Certain of these items may recur. ICL calculates its adjusted the net income attributable to ICL's shareholders by adjusting our 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" above, 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" above 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 our definitions of adjusted operating income, adjusted net income attributable to ICL's shareholders and adjusted EBITDA may differ from those used by other companies. However, ICL believes adjusted operating income, adjusted net income attributable to ICL's shareholders and adjusted EBITDA provide useful information to both management and investors by excluding certain expenses that management believes are not indicative of the 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 the 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 management's best estimates 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 the operating income and the reported net income (Cont.)

Additional information regarding business lines

	For the Three Months Ended June 30, 2018									
	Essential Minerals Segment					Specialty Solutions Segment				
	Potash and Magnesium	Specialty Fertilizers	Phosphate Commodities	Elimin-ations	Total segment	Advanced Additives	Food Specialties	Industrial Products	Elimin-ations	Total segment
	In $ millions									
Sales	**346**	**212**	**267**	**(37)**	**788**	**154**	**169**	**331**	**(5)**	**649**
Business line's profit**	**76**	**23**	**9**	**3**	**111**	**29**	**18**	**94**	**(2)**	**139**
Depreciation and amortization	**35**	**4**	**38**	**–**	**77**	**6**	**5**	**16**	**–**	**27**
Capital investments	**89**	**4**	**41**	**–**	**134**	**–**	**5**	**11**	**–**	**16**

	For the Three Months Ended June 30, 2017									
	Essential Minerals Segment					Specialty Solutions Segment				
	Potash and Magnesium	Specialty Fertilizers	Phosphate Commodities	Elimin-ations	Total segment	Advanced Additives*	Food Specialties	Industrial Products	Elimin-ations	Total segment
	In $ millions									
Sales	314	190	264	(32)	736	208	147	291	(6)	640
Business line's profit**	61	19	3	(2)	81	47	13	76	(1)	135
Depreciation and amortization	31	5	30	–	66	8	4	15	–	27
Capital investments	52	3	35	–	90	5	2	11	–	18

* The operating results presented herein include the results of ICL's Fire Safety and Oil Additives (P_2S_5) businesses which were sold during Q1 2018. For additional information see "Other Information", below.

** ICL does not attribute general and administrative expenses, finance expenses or tax expenses by segment or to individual business lines.

*** Regarding a change of ICL's organizational structure, which was approved by ICL's Board of Directors subsequent to the date of the report, on July 31, 2018 – see "Other information" in the ICL section, below.

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

ISRAEL CHEMICALS LTD. (Cont.)

Adjustments to the operating income and the reported net income (Cont.)

Additional information regarding business lines (Cont.)

For the Six Months Ended June 30, 2018

	Essential Minerals Segment					Specialty Solutions Segment				
	Potash and Magnesium	Specialty Fertilizers	Phosphate Commodities	Elimin-ations	Total segment	Advanced Additives*	Food Specialties	Industrial Products	Elimin-ations	Total segment
	In $ millions									
Sales	**699**	**433**	**532**	**(62)**	**1,602**	**331**	**336**	**648**	**(7)**	**1,308**
Business line's profit**	**138**	**48**	**15**	**–**	**201**	**63**	**36**	**172**	**(1)**	**270**
Depreciation and amortization	**69**	**9**	**68**	**–**	**146**	**13**	**10**	**31**	**–**	**54**
Capital investments	**151**	**5**	**71**	**–**	**227**	**3**	**8**	**24**	**–**	**35**

For the Six Months Ended June 30, 2017

	Essential Minerals Segment					Specialty Solutions Segment				
	Potash and Magnesium	Specialty Fertilizers	Phosphate Commodities	Elimin-ations	Total segment	Advanced Additives*	Food Specialties	Industrial Products	Elimin-ations	Total segment
	In $ millions									
Sales	597	382	556	(65)	1,470	377	285	601	(10)	1,253
Business line's profit**	98	39	11	(1)	147	72	25	153	–	250
Depreciation and amortization	60	9	62	–	131	16	8	31	–	55
Capital investments	110	5	74	–	189	6	4	20	–	30

For the Year Ended December 31, 2017

	Essential Minerals Segment					Specialty Solutions Segment				
	Potash and Magnesium	Specialty Fertilizers	Phosphate Commodities	Elimin-ations	Total segment	Advanced Additives*	Food Specialties	Industrial Products	Elimin-ations	Total segment
	In $ millions									
Sales	1,383	692	1,052	(119)	3,008	877	596	1,193	(16)	2,650
Business line's profit**	282	56	23	(2)	359	201	51	303	(1)	554
Depreciation and amortization	128	19	127	–	274	32	18	61	–	111
Capital investments	270	12	141	–	423	15	16	49	–	80

* The operating results presented herein include the results of ICL's Fire Safety and Oil Additives (P_2S_5) businesses which were sold during Q1 2018. For additional information see "Other Information", below.

** ICL does not attribute general and administrative expenses, finance expenses or tax expenses by segment or to individual business lines.

*** Regarding a change of ICL's organizational structure, which was approved by ICL's Board of Directors subsequent to the date of the report, on July 31, 2018 – see "Other information" in the ICL section, below.

ISRAEL CHEMICALS LTD. (Cont.)

Results of operations for the second quarter of 2018

Sales:

	$ millions		
	Sales	**Expenses**	**Operating income**
Q2 2017 figures	1,322	(1,178)	144
Total adjustments Q1 2017 *	–	9	9
Adjusted Q2 2017 figures	1,322	(1,169)	153
Divested businesses	(68)	43	(25)
Adjusted Q2 2017 figures (less divested businesses)	1,254	(1,126)	128
Quantity	–	2	2
Price	78	–	78
Exchange rate	39	(40)	(1)
Raw materials	–	(16)	(16)
Energy	–	(1)	(1)
Transportation	–	(3)	(3)
Operating and other expenses	–	1	1
Adjusted Q2 2018 figures	**1,371**	**(1,183)**	**188**
Total adjustments Q2 2018 *	**–**	**16**	**16**
Q2 2018 figures	**1,371**	**(1,199)**	**172**

* See “Adjustments to reported operating and net income” above.

Divested businesses – sale of the Fire Safety and Oil Additives (P_2S_5) businesses at the end of the first quarter of 2018.

Quantity – the positive impact on the operating income derives mainly from a positive mix effect due to an increase in the quantities sold of bromine-based industrial products and flame retardants in ICL Industrial Products, acids in ICL Advanced Additives and specialty agriculture products in ICL Specialty Fertilizers, offset by a minor decline in potash and phosphoric acid quantities sold in ICL Essential Minerals.

Price – the positive impact on the sales and operating income derives mainly from an increase in the selling prices of potash (an increase of $31 in the average FOB price per ton compared to the corresponding quarter last year), as well as value-oriented sales initiatives, an increase in the selling prices of bromine-based industrial products in ICL Industrial Products and phosphate fertilizers in ICL Phosphate Commodities.

Exchange rate – the minor decrease derives mainly from the revaluation of the euro against the dollar.

Raw materials – the negative impact on the operating income derives mainly from an increase in sulphur prices (used for production in ICL Phosphate Commodities and ICL Advanced Additives) and an increase of the prices of various raw materials used for products of ICL Specialty Fertilizers.

Transportation – the negative impact derives mainly from an increase in marine transportation prices.

ISRAEL CHEMICALS LTD. (Cont.)

Results of operations for the second quarter of 2018 (Cont.)

Sales: (Cont.)

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

	4–6/2018		**4–6/2017**	
	$ millions	**%**	**$ millions**	**%**
Europe	**523**	**38**	457	34
Asia	**333**	**24**	325	25
North America	**215**	**16**	276	21
South America	**191**	**14**	194	15
Rest of the world	**109**	**8**	70	5
Total	**1,371**	**100**	1,322	100

Europe – the increase derives mainly from an increase in the quantities and selling prices of potash, quantities of specialty agriculture products sold, higher selling prices of phosphate fertilizers and the positive impact of the revaluation of the euro against the dollar.

Asia – the increase derives mainly from an increase in the quantities and selling prices of bromine-based flame retardants, selling prices of bromine-based industrial products and quantities of dairy proteins sold. The increase was partly offset by a decline in the quantities of phosphoric acid and potash sold.

North America – the decrease derives mainly from the divestiture of the Fire Safety and Oil Additives (P_2S_5) businesses and a decline in the quantities of phosphate fertilizers sold. The decrease was partly offset by an increase in the quantities sold of clear brine fluids.

Rest of the world – the increase derives mainly from an increase in the quantities of dairy protein products sold, together with an increase in the quantities of potash sold in Israel.

Financing expenses, net

The net financing expenses in the second quarter of 2018 amounted to $54 million, compared with net financing expenses of $49 million in the corresponding quarter last year – an increase of $5 million, which is mainly the result of exchange rate differences and hedging transactions, in the amount of $12 million. This increase was partially offset by a $7 million decrease in the interest expenses, due to a decrease in the net financial liabilities and in the employee benefits provisions. In the second quarter of 2018 and 2017 ICL recognized additional finance expenses as a result of early redemption of its debentures and loans, in the amount of $12 million and $13 million, respectively.

Tax expenses

The tax expenses for the second quarter of 2018 amounted to $20 million, reflecting an effective tax rate of about 17%, which is lower than the usual Companies Tax rate, mainly due to devaluation of the Israeli shekel against the dollar during the quarter, which positively impacted the shekel tax liabilities in the Israeli subsidiaries.

ISRAEL CHEMICALS LTD. (Cont.)

Results of operations for the period January – June 2018

Sales:

	$ millions		
	Sales	**Expenses**	**Operating income**
January – June 2017 figures	2,617	(2,357)	260
Total adjustments January – June 2017 *	–	9	9
Adjusted January – June 2017 figures	2,617	(2,348)	269
Divested businesses	(68)	43	(25)
Adjusted January – June 2017 figures (less divested businesses)	2,549	(2,305)	244
Quantity	(55)	70	15
Price	153	–	153
Exchange rate	128	(140)	(12)
Raw materials	–	(33)	(33)
Energy	–	(7)	(7)
Transportation	–	(15)	(15)
Operating and other expenses	–	(6)	(6)
Adjusted January – June 2018 figures	**2,775**	**(2,436)**	**339**
Total adjustments January – June 2018 *	**–**	**(818)**	**(818)**
January – June 2018 figures	**2,775**	**(1,618)**	**1,157**

* See "Adjustments to reported operating and net income" above.

Divested businesses – sale of the Fire Safety and Oil Additives (P_2S_5) businesses at the end of the first quarter of 2018.

Quantity – the positive impact on the operating profit derives mainly from an improved mix in ICL Potash, mainly due to an increased share of sales from higher-margin sites, higher quantities sold of ICL Specialty Fertilizers' products and dairy protein in ICL Food Specialties, together with an improved mix in ICL Advanced Additives. The above impact was partly offset by a decline in the quantities sold of phosphate fertilizers and phosphoric acid in ICL Phosphate Commodities.

Price – the positive impact on the sales and operating profit derives mainly from an increase in the selling prices of potash (an increase of $28 in the average FOB price per ton compared to the corresponding period last year) and phosphate fertilizers in ICL Essential Minerals, as well as value-oriented sales initiatives, and an increase in the selling prices of bromine-based industrial products and specialty phosphates (acids and food phosphates) in ICL Specialty Solutions.

Exchange rate – the negative impact on the operating income derives mainly from the revaluation of the shekel and the euro against the dollar increasing production costs, partly offset by the revaluation of the euro against the dollar which increased the revenues.

Raw materials – the negative impact on the operating income derives mainly from an increase in sulphur prices (used for production in ICL Phosphate Commodities and ICL Advanced Additives) and an increase in the prices of various raw materials used for products of ICL Specialty Fertilizers.

Energy – the negative impact derives mainly from an increase in electricity prices, together with higher gas and water costs.

Transportation – the negative impact derives mainly from an increase in marine transportation prices.

Operating and other expenses – the negative impact derives mainly from an insurance income and a capital gain due to sale of an office building in Israel, recorded in the corresponding period last year, partly offset by an income from sale of CPL's EUA (European Union Emissions Allowance) surplus, together with an environment-related provision recorded in the corresponding period last year.

ISRAEL CHEMICALS LTD. (Cont.)

Results of operations for the period January – June 2018 (Cont.)

Sales: (Cont.)

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

	1–6/2018		1–6/2017	
	$ millions	%	$ millions	%
Europe	**1,106**	**40**	991	38
Asia	**667**	**24**	607	23
North America	**482**	**17**	570	22
South America	**310**	**11**	292	11
Rest of the world	**210**	**8**	157	6
Total	**2,775**	**100**	2,617	100

Europe – the increase derives mainly from an increase in the quantities sold and selling prices of potash, quantities sold of salts (in ICL Advanced Additives) and specialty agriculture products, selling prices of phosphate fertilizers and the positive impact of the revaluation of the euro against the dollar. The increase was partly offset by a decline in the quantities of phosphoric acid sold.

Asia – the increase derives mainly from an increase in the quantities sold of potash and specialty agriculture products, selling prices and quantities sold of bromine-based flame retardants, selling prices of phosphate fertilizers and bromine-based industrial products and quantities sold of dairy proteins. The increase was partly offset by a decline in the quantities of phosphoric acid and phosphate fertilizers sold.

North America – the decrease derives mainly from divestiture of the Fire Safety and Oil Additives (P_2S_5) businesses and a decrease in the quantities sold of potash, phosphate fertilizers and bromine-based flame retardants.

South America – the increase derives mainly from an increase in potash selling prices.

Rest of the world – the increase derives mainly from an increase in the quantities of dairy protein products sold.

Financing expenses, net

The net financing expenses in the six months ended June 30, 2018 amounted to $69 million, compared with $63 million in the corresponding period last year– an increase of $6 million, which is mainly the result of exchange rate differences and hedging transactions, in the amount of $16 million. This increase was partially offset by a $10 million decrease in the interest expenses, due to a decrease in the net financial liabilities and in the provisions for employee benefits. In the second quarter of 2018 and 2017 ICL recognized additional finance expenses as a result of early redemption of its debentures and loans, in the amount of $12 million and $13 million, respectively.

Tax expenses

The tax expenses in the six months ended June 30, 2018 amounted to $65 million, reflecting an effective tax rate of about 6%, which is significantly lower than the usual Company's tax rate, mainly due to exempt income as a result of the sale of the businesses at the end of the first quarter of 2018 and the devaluation of the Israeli shekel against the dollar during the period, which positively impacted the shekel tax obligation in the Israeli subsidiaries.

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

ISRAEL CHEMICALS LTD. (Cont.)

On July 31, 2018, ICL's Board of Directors approved adjustments to its organizational structure according to which ICL’s operations will be divided into four business divisions: Industrial Products (Bromine); Potash; Phosphate Solutions; and Innovative Ag Solutions. The organizational structure adjustments will enter into effect by the end of August 2018. For further information, see “Other Information” in the ICL section below.

Main developments and the business environment in ICL:

Specialty Solutions

Industrial Products

– ICL Industrial Products’ results in the second quarter of 2018 were supported by higher prices, mainly due to the environmental-related regulation pressure in China, higher volumes of clear brine fluids and favorable exchange rates.

– During the second quarter of 2018 elemental bromine prices in China slightly increased compared to the end of the previous quarter as the local bromine production was affected by strict environmental-related regulation pressure, which is expected to continue.[1]

– Despite stable market demand, ICL Industrial Products’ sales of bromine-based flame retardants increased compared to the corresponding quarter last year mainly due to higher prices and higher volumes of FR-245 as a result of a shortage in the market.

– Sales of phosphorous-based flame retardants in ICL Industrial Products’ markets (mainly US and Europe) increased compared to the corresponding quarter last year as a result of strict environmental-related regulation pressure in China which impacted competitors’ supply, thereby supporting volume and prices. Revenue was also positively impacted by favorable foreign exchange rates.

– Clear brine fluids sales were higher compared to the corresponding quarter last year mainly due to higher activity in the Gulf of Mexico and drilling activity in Israel. This is expected to continue in the third quarter of 2018, although at a slower pace.[2]

– Higher profitability for magnesia products as a result of higher selling prices and focusing on applications with higher margins.

– Higher sales of solid $MgCl_2$ for de-dusting compared to the corresponding quarter last year.

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[1] The estimates regarding the continued regulatory pressure in the area of environmental protection in China in this paragraph constitute “forward-looking” information, and they are based on, among other things, estimates of ICL’s management and there is no certainty that they will be realized. These estimates may change due to, among other things, changes in the local regulation in China and the degree of the enforcement thereof along with other actions taken by the Chinese government.

[2] The estimates regarding sales of clear brine fluids in the third quarter of 2018 in this paragraph constitute “forward-looking” information, and they are based on, among other things, estimates of ICL’s management. The actual level of sales may change due to, among other things, changes in the level of supply and demand, product prices, particularly the prices of oil and gas, the business situation of the customers, and the continued development of drillings in the Gulf of Mexico and Israel, and they may be impacted by changes in regulation and actions taken by governments, manufacturers and consumers. There is also a possible impact from the situation in the capital markets, including changes in the currency exchange rates.

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

<u>Specialty Solutions</u> (Cont.)

Advanced Additives

ICL completed the sale of the Fire Safety and Oil Additives (P_2S_5) businesses at the end of the first quarter of 2018. Excluding the sales of the divested businesses, the total sales of ICL Advanced Additives exceeded the corresponding quarter last year.

– Global sales of salts and acids increased by approximately 15% compared to the corresponding quarter last year. This growth occurred despite stable global market demand for acids and salts. The overall global demand trend is expected to remain stable throughout the remainder of 2018.[3]

  * In Europe the business line's performance was favorably impacted by the increase of prices and additional demand from new acid and salt customers, together with higher volumes to the personal care and chemical processing industries.

  * Continued growth of the P_2O_5 business in China was driven by YPH Joint Venture's increased local market share for acids and salts. Growth is being driven by increased sales and marketing efforts, improved product quality to selected end markets, and utilization of global ICL synergies.

  * In North America, revenue from acids and salts were above the level of the corresponding quarter last year due to higher volumes and an improved pricing environment. The South American market continued its good performance as a result of an increase in acid exports from Brazil to other South American countries and higher market prices. This effect was important in that it was able to largely offset the negative effect of the Brazilian truck strike and backlogs which lowered the quarterly sales.

  * The Paints and Coatings sub-business line experienced ongoing strong performance globally during the second quarter of 2018 and sales increased by approximately 22% compared to the corresponding quarter last year. This was driven both by increased volumes and higher selling prices.

  * Average prices in the business line increased for the fourth consecutive quarter as a result of new value-oriented sales initiatives.

– The Fire Safety and Oil Additives (P_2S_5) businesses were divested at the end of the first quarter of 2018. In the corresponding quarter of 2017 these businesses reported sales and business profit of approximately $68 million and $25 million, respectively.

[3] The estimates regarding the demand for salts and acids in this paragraph constitute "forward-looking" information, and they are based on, among other things, estimates of ICL's management based on its familiarity with the situation in the markets 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, changes in the levels of supply and demand, new products and new suppliers, and they may be impacted by changes in regulation and actions taken by governments, manufacturers and consumers.

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

Specialty Solutions (Cont.)

Food Specialties

– ICL Food Specialties' revenue in the second quarter of 2018 was significantly higher versus the second quarter of 2017. Growing volumes of dairy protein for the infant food market were again the main driver for this increase.

– The strong recovery in the dairy protein business during the quarter resulted from improved demand of a key account in the Chinese market as well as the ongoing diversification of the dairy protein customer base, and its continuing focus on developing organic dairy solutions for the infant food industry.

– ICL Food Specialties' food phosphates and multi-ingredient blends were slightly down in comparison to the corresponding quarter of last year and experienced some cost pressure regarding certain raw materials. The business line adjusted its selling prices accordingly and put into place new global value-oriented sales initiatives. Sales of phosphate-based additives to the bakery and dairy markets were similar to the corresponding quarter last year. Sales to the meat market were lower as Europe was negatively impacted by the transition to a new distributor in Russia. The situation in Russia is expected to improve over the upcoming quarters.[4] The quarterly sales were negatively affected by the Brazilian truck strike and backlogs.

– Subsequent to the date of the report, on July 2, 2018, ICL Food Specialties divested the assets and business of Rovita which produces a commodity milk protein (see also "Other Information"). The transaction does not include other ICL Food Specialties activities. The divestiture is expected to moderately improve ICL Food Specialties' profit starting from the third quarter of 2018.[5]

[4] The estimates regarding the expected improvement in distribution of ICL's products in Russia in this paragraph constitute "forward-looking" information, and they are based on, among other things, the past experience of ICL's management in cases of replacement of distributors and on estimates of ICL's management in connection with the Russian market and there is no certainty that they will be realized, at what time and at what rate. These estimates may change due to, among other things, difficulties or delays in opening of ICL's distribution networks in Russia, competition from existing distributors in the region, changes in the levels of supply and demand in the Russian market, changes in product prices, the financial position of the customers, new products that will compete with ICL's products in the local market, and they may be impacted by changes in regulation and actions taken by the Russian government, and changes in the currency exchange rates.

[5] The estimates regarding the expected improvement in the level of profitability of ICL Food Specialties in this paragraph constitute "forward-looking" information, and they are based on, among other things, discontinuance of consolidation of the results of the businesses sold in ICL's statements and estimates of ICL's management based on its familiarity with the situation in the markets and the current quoted prices. The actual level of profitability may change due to, among other things, changes in the business environment in which ICL operates with respect to the remaining businesses, the levels of supply and demand and the product prices of ICL Food Specialties, and they may be impacted by changes in regulation along with a possible impact deriving from the capital markets, including changes in the currency exchange rates.

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

Specialty Solutions (Cont.)

Results of operations for the period April – June 2018 (millions of dollars)

	Industrial Products	Advanced Additives	Food Specialties	Eliminations	Total	
Total sales in Q2 2017	**291**	**208**	**147**	**(6)**	**640**	
Divested businesses	–	(68)	–	–	(68)	
Total sales in Q2 2017 (less divested businesses)	**291**	**140**	**147**	**(6)**	**572**	
Quantity	20	3	12	–	35	⬆
Price	16	6	4	–	26	⬆
Exchange rate	4	5	6	1	16	⬆
Total sales in Q2 2018	**331**	**154**	**169**	**(5)**	**649**	

Divested businesses – sale of the Fire Safety and Oil Additives (P_2S_5) businesses at the end of the first quarter of 2018.

Quantity – the increase derives mainly from an increase in dairy protein quantities sold in ICL Food Specialties, mainly due to higher demand in the Chinese market, an increase in the quantities sold throughout all the sub-business lines in ICL Industrial Products and an increase in acid quantities sold in ICL Advanced Additives. This increase was partly offset by a decrease in the quantities sold of food phosphates and multi-ingredient blends in ICL Food Specialties.

Price – the increase derives mainly from an increase in the selling prices of bromine-based industrial products and flame retardants in ICL Industrial Products, acids in ICL Advanced Additives and food phosphates and multi-ingredient blends in ICL Food Specialties.

Exchange rate – the increase derives mainly from the revaluation of the euro against the dollar compared to the corresponding quarter last year.

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

Specialty Solutions (Cont.)

Results of operations for the period April – June 2018 (millions of dollars) (Cont.)

Analysis of operating income

	$ millions
Total operating income – 2nd quarter 2017	**135**
Divested businesses	(25)
Total operating income – 2nd quarter 2017 (less divested businesses)	**110**
Quantity	13
Price	26
Exchange rate	4
Raw materials	(9)
Energy	(1)
Transportation	1
Operating and other (expenses) income	(5)
Total operating income – 2nd quarter 2018	**139**

Divested businesses – sale of the Fire Safety and Oil Additives (P_2S_5) businesses at the end of the first quarter of 2018.

Quantity – the increase derives mainly from an increase in the quantities sold of bromine-based industrial products and flame retardants in ICL Industrial Products, acid quantities sold in ICL Advanced Additives and dairy proteins in ICL Food Specialties.

Price – the increase derives mainly from an increase in the selling prices of bromine-based industrial products and flame retardants in ICL Industrial Products, acids in ICL Advanced Additives and food phosphates and multi-ingredient blends in ICL Food Specialties.

Exchange rate – the increase derives mainly from the revaluation of the euro against the dollar compared to the corresponding quarter last year.

Raw materials – the negative impact derives mainly from an increase in “pure green phosphoric acid” (D4) prices which is used for white phosphoric acid production in ICL Advanced Additives, mainly as a result of higher sulphur prices.

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

Specialty Solutions (Cont.)

Results of operations for the period January – June 2018 (millions of dollars)

	Industrial Products	Advanced Additives	Food Specialties	Eliminations	Total
Total sales – January–June 2017	**601**	**377**	**285**	**(10)**	**1,253**
Divested businesses	–	(68)	–	–	(68)
Total sales – January–June 2017 (less divested businesses)	**601**	**309**	**285**	**(10)**	**1,185**
Quantity	3	(5)	24	3	25
Price	31	13	7	(1)	50
Exchange rate	13	14	20	1	48
Total sales – January–June 2018	**648**	**331**	**336**	**(7)**	**1,308**

Divested businesses – sale of the Fire Safety and Oil Additives (P_2S_5) businesses at the end of the first quarter of 2018.

Quantity – the increase derives mainly from an increase in dairy protein quantities sold, mainly due to higher demand in the Chinese market, an increase in quantities sold of phosphorous-based and bromine-based flame retardants together with specialty minerals products in ICL Industrial Products, partly offset by a decrease in the quantities sold of food phosphates and multi-ingredient blends in ICL Food Specialties and clear brine fluids in ICL Industrial Products.

Price – the increase derives mainly from an increase in the selling prices of bromine-based industrial products and flame retardants in ICL Industrial Products, acids in ICL Advanced Additives and food phosphates and multi-ingredient blends in ICL Food Specialties.

Exchange rate – the increase derives mainly from the revaluation of the euro against the dollar compared to the corresponding period last year.

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

Specialty Solutions (Cont.)

Results of operations for the period January – June 2018 (millions of dollars) (Cont.)

Analysis of operating income

	$ millions	
Total operating income – January–June 2017	**250**	
Divested businesses	(25)	
Total operating income – January–June 2017 (less divested businesses)	**225**	
Quantity	5	⇧
Price	50	⇧
Exchange rate	6	⇧
Raw materials	(14)	⇩
Energy	(2)	⇩
Transportation	–	⇔
Operating and other (expenses) income	–	⇔
Total operating income – January–June 2018	**270**	

Divested businesses – sale of the Fire Safety and Oil Additives (P_2S_5) businesses at the end of the first quarter of 2018.

Quantity – the increase derives mainly from an increase in dairy protein quantities sold in ICL Food Specialties, mainly due to higher demand in the Chinese market and an improved product mix in ICL Advanced Additives.

Price – the increase derives mainly from an increase in the selling prices of bromine-based industrial products and flame retardants in ICL Industrial Products, acids in ICL Advanced Additives and food phosphates and multi-ingredient blends in ICL Food Specialties.

Exchange rate – the increase derives mainly from the revaluation of the euro against the dollar increasing revenues. This increase was partly offset by the revaluation of the shekel and the euro against the dollar increasing production costs.

Raw materials – the negative impact derives mainly from an increase in "pure green phosphoric acid" (D4) prices which is used for white phosphoric acid production in ICL Advanced Additives, mainly as a result of higher sulphur prices.

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

Essential Minerals

Review of the business environment

– The positive trend in the grain price index during the second quarter of 2018 was reversed mainly due to the threat of trade restrictions by China on US soybean imports, as a response to President Trump's threats to impose taxes on imports from China.

– The US/China trade dispute is a significant threat to the soybean farming in the US. China imports 90% of its soy consumption and the US is the second largest supplier to the country (after Brazil). Restrictions on soybean imports from the US may potentially result in a short-term reduction in soybean cultivation and fertilizers application. However, in the medium term, other suppliers, such as Brazil, Argentina and others, may close the gap and balance in the global soybean market is expected to return.[6]

– Although many market observers state that the decline in grain prices is a short-term reaction and is completely devoid of market supply demand factors, prices are down to a ten-year low level. Despite the above, fertilizers affordability is still favorable, mainly in Brazil, where the farmers' position improved due to expectations that China will increase soybean imports from the country and due to the devaluation of the Brazilian real, which could be reflected in good demand for all nutrients.[7]

– Based on the WASDE report published by the USDA in July 2018, the grain stock to use ratio for 2018/2019 agricultural year is expected to decrease slightly to 22.3%, compared with 24.7% at the end of the 2017/2018 agricultural year, and compared with 25.5% in the 2016/2017 agricultural year.

– According to the Food and Agriculture Organization of the UN (FAO), the forecast for cereal production in 2018 is 2.6 billion tons, 3 million tons higher than the preliminary projection made in May 2018. However, at this level, global production would still decrease by 40.6 million tons (1.5%) compared to last year. Consequently, world cereal stocks are set to decline – a decrease mostly driven by maize, as wheat and rice stocks are likely to further increase.

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[6] 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, fluctuations in the world agricultural markets, particularly in the target markets for ICL's products, including, among other things, changes in the levels of supply and demand, changes in the weather, prices of products, commodities and grains, prices of inputs, transportation and energy costs, and may be impacted by inter-country relationships, regulatory restrictions and actions taken by governments, manufacturers and consumers.

[7] 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, fluctuations in the world agricultural markets, particularly in the target markets for ICL's products, including, among other things, changes in the levels of supply and demand, changes in the weather, prices of products, commodities and grains, prices of inputs, transportation and energy costs, changes in the currency exchange rates, and they may be impacted by actions taken by governments, manufacturers and consumers.

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

Essential Minerals (Cont.)

Review of the business environment (Cont.)

– An important pillar in ICLs strategy is to grow the semi-specialty fertilizers business, mainly utilizing Polysulphate as a base for a product portfolio including Potash Plus, PKpluS and others. During the first half of 2018, Potash Plus was produced for samples and trials towards a commercial launch in the second half of 2018. In addition, NPS fertilizer was launched in the YPH JV in China and is marketed mainly in China with small volumes to export markets. The favorable quality of ICL's NPS compared to other NPS products contributes to solid demand. In the first half of 2018, total sales of the semi-specialty fertilizers were $52 million.

Potash and Magnesium

– Potash prices continued to firm during the second quarter of 2018, supported by healthy demand and delayed entry of new capacity. According to CRU (Fertilizer Week Historical Prices of June 21, 2018), the average CFR Brazil price (all supply sources) for the second quarter of 2018 was $308 per ton, 5% higher than in the first quarter of 2018, and 18% higher than in the second quarter of last year. Prices are continuing to firm in the beginning of the third quarter and current prices in Brazil are around $320 per ton, according to CRU (Fertilizer Week Historical Prices of July 12, 2018).

– Contract negotiations for export of potash to China continued with no conclusion reached yet. The gap between buyers and sellers continues to be wide.

– According to preliminary data by CRU, potash imports into China during the first half of 2018 reached 4.45 million tons, a 14% increase compared to the corresponding period last year.

– According to the FAI (Fertilizer Association of India), potash imports during the first half of 2018 amounted to 2.53 million tons, a 20% increase over the imports in the corresponding period last year. The Government of India has announced that the subsidy allocation for potash will decrease by around 10% in 2018/2019, reflecting a $12 decrease. This, combined with the projected increase in the 2018/2019 contract price, is expected to lead to an increase in the maximum retail price, which may impact demand.[8]

[8] The estimates regarding the expected increase in the price of potash in the contract constitute "forward-looking" information, and they are based on estimates of ICL's management regarding the prices that will exist in the market and that will be determined in the relevant contracts 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, the timing of closing the contract, if at all, and the price to be determined in the framework thereof, fluctuations in the world agricultural markets, including, among other things, changes in the levels of supply and demand, product prices and prices of inputs, and they may be impacted by actions taken by governments, and manufacturers and consumers, as well as the levels of inventory held by customers. There is also a possible impact from the situation in the capital markets, including changes in the currency exchange rates, the credit situation and the interest costs.

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

Essential Minerals (Cont.)

Potash and Magnesium (Cont.)

– Demand for potash imports to Brazil was at par with last year. According to ANDA (Brazilian National Fertilizer Association), potash imports into Brazil in the first half of 2018 amounted to 4.3 million tons, a 0.6% increase over the imports in the corresponding period last year.

– Ramp-up of new capacity seems to be slower than initially projected with technical challenges accounting for the majority of the delays. In Russia, EuroChem commissioned its 2.3 million ton per year Usolskiy mine in March this year. Ramp-up is reported to be slow. EuroChem’s second mine, VolgaKaliy is said to be experiencing water inflow in its skip shaft forcing the company to convert one of its two cage shafts to enable ore extraction from the mine. Start of the production in VolgaKaliy is now delayed to the end of 2018. Production during 2018 in both mines is projected to be about 600 thousand tons. The K+S Bethune mine in Canada is also ramping-up slower than planned, but no figures have been published. In Turkmenistan, the 1.4 million ton per year Garlyk mine, is reportedly struggling with water inflow and financial challenges. At present, it is said to be producing at a rate of about 100 thousand tons per year (7% utilization rate).

– ICL Potash and Magnesium is continuing the optimization of its European mineral assets: ICL Iberia met its production targets in the second quarter of 2018 and is continuing to implement an efficiency plan that is resulting in a lower cost per ton, while progressing with construction of the new access tunnel to the mine in the Suria site that is scheduled to be completed in mid-2019.[9] Further to that stated in Section 1.10.8 to the Periodic Report for 2017 in connection with the agreement with AkzoNobel for production and marketing of vacuum salt, the agreement provides a specific deadline (July 1, 2018) by which certain condition precedent had to be fulfilled. Since such condition precedent was not met by the agreed deadline, ICL formally informed AkzoNobel that, the agreement was automatically terminated once that deadline passed. ICL will continue to supply salt to AkzoNobel during the next two years pursuant to the supply agreements, which remain in force. ICL is exploring better options for the salt treatment in its potash facilities in Spain. Following correspondence between AkzoNobel and ICL, in which AkzoNobel challenged the automatic termination of the agreement, on July 27, 2018, AkzoNobel notified ICL of their intention to commence arbitration proceedings according to the agreement. ICL UK ceased producing MOP at the end of the second quarter of 2018 and reduced about 150 positions during the first half of 2018 as part of the transition to Polysulphate. Further to the losses recorded in 2017, ICL UK recorded notable losses during the second quarter of 2018 and is expected to continue to record losses through 2018, as the Polysulphate production is still ramping up.

[9] The estimates regarding a conclusion of construction of the new access tunnel to the mine in this paragraph, including the date stated, constitute “forward-looking” information, and there is no certainty that they will be realized, at what time and at what scope. These estimates may change due to, among other things, the slower rate of the excavation than that planned, equipment breakdowns, changes in geological estimates and/or unstable geological structures, and operational and commercial difficulties and delays, among other things, with the subcontractors.

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

<u>Essential Minerals</u> (Cont.)

Potash and Magnesium (Cont.)

– On May 20, 2018, a collective labor agreement was signed between DSW and the DSW Workers' Council, the General Organization of Workers in Israel and the Histadrut's Negev District branch, for a period of five years, commencing on October 1, 2017, the termination date of the previous labor agreement. The main terms of the agreement are: wage increases, payment of a signing bonus in the amount of $5 million, cancelation of the declared labor disputes, and completion of execution of DSW's efficiency plan by September 30, 2021, with no implementation of collective dismissals during the efficiency period. For further information, see Note 6B(2) to the condensed consolidated interim financial statements as at June 30, 2018.

– Subsequent to the date of the report, on August 6, 2018, after receipt of all the required approvals, the new power station in Sodom (hereinafter – "the Station") was placed in full service. The Station has a capacity of 230 MWH and over 300 tons of steam per hour. Most of the electricity to be produced by the Station is intended to provide for the electricity needs of all of ICL's production facilities in Israel, as well as the steam requirements of the ICL companies in Sodom, and to reduce their energy costs.[10] ICL intends to operate the station concurrent with the continued operation of the existing power station, which will be partially operated on a "hot back-up" basis for production of electricity and steam. The total present electricity production is 245 MWH. Operation of the Station is part of the continuing process of assimilating clean energy processes at all of ICL's sites through use of natural gas as the main energy source, and it integrates with the other energy efficiency measures being implemented at all of ICL's sites in and outside of Israel. The Station complies with all of the strictest emission standards and its operation is expected to contribute to a further reduction of emissions at ICL's plants.

– Metal magnesium – global demand for magnesium remains constrained in China, Brazil and Europe while prices are under pressure due to increased Chinese exports as well as imports to the US from Russian, Kazakh and Turkish producers.

  At the same time, trade actions by the US have pushed up prices for steel and aluminum, which in turn are causing a resumption of domestic production, and a consequent demand for raw materials. In addition, several producers have announced investments in their US magnesium operations geared toward supporting domestic automotive original equipment manufacturers (OEMs). As a result of the above, there is a trend of improvement in the US magnesium market.

[10] The estimates regarding savings on energy costs 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, operational, engineering and logistical difficulties in connection with operation of the power station, as well as due to changes in regulation and changes in input prices, particularly gas.

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

<u>Essential Minerals</u> (Cont.)

Phosphate

– The phosphate market continued to firm moderately during the second quarter of 2018. Improved demand, slower than expected ramp-up of new production in Morocco and Saudi Arabia and the idling of capacity in the US, resulted in price increases. Higher sulphur prices and environmental-related regulation pressure increased Chinese production costs.

– Sulphur prices increased towards the end of the second quarter of 2018 and reached $150 per ton (CFR China price basis). Prices are driven by strong demand in China and logistic challenges in Russia, where priority is given to grain shipments, resulting in an expectation of an increase in sulphur prices in the second half of 2018.

– Major capacity increases are still expected, although the Moroccan producer, OCP, has delayed the commissioning of its one million ton per year finished products plant in Jorf Lasfar. The Saudi Arabian producer, Ma'aden, is in the process of ramping-up its Wa'ad Al Shamal facility, but reportedly some technical problems are causing delays.

– According to preliminary data by CRU, export of DAP fertilizers from China increased by 10% in the first half of 2018 compared to the corresponding period last year, and amounted to 2.5 million tons.

– Brazil phosphate fertilizers (SSP, TSP, MAP and DAP) imports in the first half of 2018 amounted to 2.57 million tons, a decrease of 2.6% compared with the corresponding period last year. The main decline was in the imports of DAP and MAP, 19% and 3.5%, respectively, while imports of SSP and TSP increased slightly.

– Phosphate demand in the US was firm. According to TFI (The Fertilizer Institute) data, DAP and MAP imports in the first five months of 2018 increased by 27% and 57%, respectively, reaching 508 thousand tons and 776 thousand tons, respectively.

– The Moroccan producer, OCP, closed its third-quarter phosphoric acid contracts with Indian buyers at $758 per ton P_2O_5 CFR, an increase of $28 per ton compared to the second quarter of 2018.

– Increasing price of phosphoric acid in India tilted the scale in favor of importing DAP rather than producing it from imported acid. According to the FAI (Fertilizer Association of India), DAP imports during the second quarter of 2018 almost doubled to 1.42 million tons compared to the corresponding quarter last year. On the other hand, domestic DAP production decreased by 28% compared to corresponding quarter last year, amounting to 1.45 million tons.

– The average price of DAP in the second quarter of 2018 was $419 per ton FOB Morocco, a $4 per ton increase compared to the first quarter of 2018 and $45 per ton (12%) increase compared to the second quarter last year (according to CRU – Fertilizer Week Historical Prices, June 28, 2018).

– The average price of MAP in the second quarter of 2018 was $433 per ton FOB Morocco, a $14 per ton increase compared to the first quarter of 2018 and $62 per ton (17%) increase compared to the second quarter last year (according to CRU – Fertilizer Week Historical Prices, July 5, 2018).

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

Essential Minerals (Cont.)

Phosphate (Cont.)

– The average price of TSP in the second quarter of 2018 was $349 per ton FOB Morocco, a $26 per ton increase compared to the first quarter of 2018 and $73 per ton (27%) increase compared to the second quarter last year (according to CRU – Fertilizer Week Historical Prices, July 5, 2018).

– The average price of phosphate rock (68–72% BPL) in the second quarter of 2018 was $89 per ton FOB Morocco, a $5 per ton (5%) decrease compared to the first quarter of 2018 and to the second quarter of 2017 (according to CRU – Fertilizer Week Historical Prices, June 28, 2018). No significant change in the phosphate rock market is expected.[11]

– Market observers are forecasting stability in global phosphate fertilizers prices until the middle of the third quarter of 2018, when higher supply is expected to come from the ramping-up of Saudi Arabia Wa'ad Al Shamal facility and increased Chinese exports. Excess product availability is thus projected to put pressure on prices, which is expected to continue through the fourth quarter of 2018.

– The business line's results were positively impacted by higher prices, partly offset by higher sulphur prices and logistics costs, and by the annual maintenance performed at the sulphuric and phosphoric acid plants at ICL Rotem and YPH JV.

– YPH JV's results in the second quarter of 2018 were negatively impacted by maintenance activities.

– ICL Rotem reported better results in the second quarter of 2018 compared to the corresponding quarter last year, supported by higher prices and record fertilizers production, partly offset by lower phosphoric and sulphuric acid production.

– Based on the received permits for the gypsum ponds, commencing May 31, 2018, ICL Rotem shifted its operation to the Northern area of Pond 5. Regarding to the administrative petition filed by ATD (Adam Teva V'Din – Israeli Association for Environmental Protection) against the Appeals Committee relating to the permits for the gypsum ponds – see Note 6B(5) to the condensed consolidated interim financial statements as at June 30, 2018.

Specialty Fertilizers

– ICL Specialty Fertilizers' performance in the second quarter of 2018 improved as both sales and operating income increased compared to the corresponding quarter last year due to higher volumes and prices, along with the positive impact of the main transaction currencies against the dollar.

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[11] The estimates regarding future trends in this paragraph, constitute "forward-looking" information, and there is no certainty that they will be realized. These estimates may change due to, among other things, fluctuations in the world agricultural markets, particularly the target markets for ICL's products, including, among other things, changes in the levels of supply and demand, changes in the prices of the green acid and the phosphate-rock based phosphate fertilizers, changes in the commodity and grain prices, input prices, production capacity of competitors, and transportation and energy costs, and they may be impacted by actions taken by governments, manufacturers and consumers.

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

Essential Minerals (Cont.)

Specialty Fertilizers (Cont.)

– The specialty agriculture sub-business line recorded an increase in sales of most product lines, including Coated Fertilizers, Liquid NPK, Straight fertilizers (i.e. MKP) and traded materials, including traded chemical products.

  From a geographical perspective, sales increased mainly in Europe and China, due to ICL's reputation as a stable and reliable supplier, while in the US, the market continues to be competitive.

– The Turf and Ornamental sub-business line recorded an increase in sales mainly in coated fertilizers, plant protection products and controlled-release fertilizers. In Europe, strong sales during the months of May and June compensated for lost sales caused by the harsh winter conditions earlier this year. In the US, the business recovered from challenging conditions in the corresponding quarter in 2017.

Results of operations for the second quarter 2018 (millions of dollars)

	Potash and Magnesium	Phosphate Commodities	Specialty Fertilizers	Eliminations	Total
Total sales in Q2 2017	314	264	190	(32)	736
Quantity	(11)	(26)	12	1	(24)
Price	35	20	4	(5)	54
Exchange rate	8	9	6	(1)	22
Total sales in Q2 2018	**346**	**267**	**212**	**(37)**	**788**

Quantity – the decrease derives mainly from a decrease in the quantities of phosphoric acid and potash sold (mainly to South America and Asia). This decrease was partly offset by an increase in the quantities of specialty agriculture products sold (mainly to Europe).

Price – the increase derives mainly from an increase in the selling prices of potash, phosphate fertilizers and phosphoric acid.

Exchange rate – the increase derives mainly from the revaluation of the euro against the dollar.

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

Essential Minerals (Cont.)

Results of operations for the second quarter 2018 (millions of dollars) (Cont.)

Analysis of operating income

	$ millions	
Total operating income – 2nd quarter 2017	81	
Quantity	(16)	↓
Price	54	↑
Exchange rate	(3)	↓
Raw materials	(11)	↓
Energy	–	⇔
Transportation	(4)	↓
Operating and other (expenses) income	10	↑
Total operating income – 2nd quarter 2018	**111**	

Quantity – the decrease derives mainly from a decrease in phosphoric acid and potash quantities sold, partly offset by an increase in the quantities of specialty agriculture products sold.

Price – the increase derives mainly from an increase in the selling prices of potash, phosphate fertilizers and phosphoric acid.

Exchange rate – the negative impact derives mainly from an increase in sulphur prices (used in green phosphoric acid production in ICL Phosphate Commodities) and an increase in the prices of various raw materials used for products of ICL Specialty Fertilizers.

Transportation – the negative impact derives mainly from an increase in marine transportation prices.

Operating and other (expenses) income – the increase derives mainly from income from sale of CPL's EUA (European Union Emissions Allowance) surpluses, together with an environment-related provision recorded in the corresponding quarter last year.

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

Essential Minerals (Cont.)

Results of operations for the period January – June 2018 (millions of dollars)

	Potash and Magnesium	Phosphate Commodities	Specialty Fertilizers	Eliminations	Total	
Total sales January–June 2017	597	556	382	(65)	1,470	
Quantity	10	(96)	22	7	(57)	⇩
Price	67	43	6	(6)	110	⇧
Exchange rate	25	29	23	2	79	⇧
Total sales January–June 2018	**699**	**532**	**433**	**(62)**	**1,602**	

Quantity – the decrease derives mainly from a decline in phosphate fertilizers and phosphoric acid quantities sold. This decrease was partly offset by an increase in specialty agriculture products quantities sold (mainly to Europe and Asia) and quantities sold in ICL Potash and Magnesium.

Price – the increase derives mainly from an increase in the selling prices of potash, phosphate fertilizers and phosphoric acid.

Exchange rate – the increase derives mainly from revaluation of the euro against the dollar.

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

Essential Minerals (Cont.)

Results of operations for the period January – June 2018 (millions of dollars) (Cont.)

Analysis of operating income

	$ millions
Total operating income – January–June 2017	147
Quantity	6
Price	110
Exchange rate	(12)
Raw materials	(26)
Energy	(5)
Transportation	(15)
Operating and other (expenses) income	(4)
Total operating income – January–June 2018	**201**

Quantity – the increase derives mainly from an improved mix in ICL Potash, mainly due to an increased share of sales from higher margin sites, together with an increase in the quantities sold in ICL Specialty Fertilizers, partly offset by a decline in quantities sold of phosphate fertilizers and phosphoric acid in ICL Phosphate Commodities.

Price – the increase derives mainly from an increase in the selling prices of potash, phosphate fertilizers and phosphoric acid.

Exchange rate – the decrease derives mainly from revaluation of the euro and the shekel against the dollar increasing production costs. This decrease was partly offset by revaluation of the euro against the dollar increasing revenues.

Raw materials – the negative impact derives mainly from an increase in sulphur prices (used in green phosphoric acid production in ICL Phosphate Commodities) and an increase in the prices of various raw materials used for products of ICL Specialty Fertilizers.

Energy – the decrease derives mainly from an increase in electricity prices, together with higher gas and water costs.

Transportation – the negative impact derives mainly from an increase in marine transportation prices.

Operating and other (expenses) income – the decrease derives mainly from an insurance income and a capital gain due to sale of an office building in Israel, recorded in the corresponding period last year, partly offset by income from sale of CPL's EUA (European Union Emissions Allowance) surpluses, together with an environment-related provision recorded in the corresponding period last year.

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

Essential Minerals (Cont.)

Additional Information – Essential Minerals

Phosphate Commodities – Production and Sales

	4–6/2018	4–6/2017	1–6/2018	1–6/2017	2017
	Thousands of Tons				
Phosphate rock					
Production of rock	**1,175**	1,284	**2,448**	2,683	4,877
Sales*	**77**	83	**196**	242	498
Phosphate rock used for internal purposes	**944**	1,088	**2,005**	2,184	4,300
Fertilizers					
Production of rock	**552**	479	**1,071**	1,049	2,094
Sales*	**594**	577	**1,112**	1,226	2,291

* To external customers.

April – June 2018

Sales of phosphate rock – in the second quarter of 2018, production of phosphate rock was lower by 109 thousand tons than in the corresponding quarter last year, mainly due to maintenance activities in YPH joint venture and ICL Rotem facilities, together with adjusting production volumes to the business environment.

Production of phosphate rock – the quantity of phosphate rock sold in the second quarter of 2018 was 6 thousand tons lower than in the corresponding quarter last year, mainly due to challenging business environment and unattractive rock prices.

Sales of phosphate fertilizers – in the second quarter of 2018, production of phosphate fertilizers was higher by 73 thousand tons than in the corresponding quarter last year, mainly due to increased production of TSP fertilizer in YPH joint venture and record production at ICL Rotem.

Production of phosphate fertilizers – the quantity of phosphate fertilizers sold in the second quarter of 2018 was 17 thousand tons higher than in the corresponding quarter last year, mainly due to an increase in sales to Europe and South America, partly offset by a decrease in sales to North America.

January – June 2018

Sales of phosphate rock – in the first half of 2018, production of phosphate rock was lower by 235 thousand tons than in the corresponding period last year, mainly due to maintenance activities in YPH joint venture and ICL Rotem facilities, together with adjusting production volumes to the business environment.

Production of phosphate rock – the quantity of phosphate rock sold in the first half of 2018 was 46 thousand tons lower than in the corresponding period last year, mainly due to challenging business environment and unattractive rock prices.

Sales of phosphate fertilizers – in the first half of 2018, production of phosphate fertilizers was higher by 22 thousand tons than in the corresponding period last year, mainly due to increased production of TSP fertilizer in YPH joint venture in the second quarter of 2018, partly offset by lower production at ICL phosphate fertilizers plants in Europe.

Production of phosphate fertilizers – the quantity of phosphate fertilizers sold in the first half of 2018 was 114 thousand tons lower than in the corresponding period last year, mainly due to a decrease in sales in China by the YPH joint venture as a result of the shift to specialty products and a decrease in sales to North America.

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

Essential Minerals (Cont.)

Potash – Significant Data

	4–6/2018	4–6/2017	1–6/2018	1–6/2017	2017
	Millions of Dollars				
Sales to external customers	**293**	261	**598**	492	1,181
Sales to internal customers*	**37**	41	**71**	77	149
Total sales	**330**	302	**669**	569	1,330
Gross profit	**148**	125	**290**	209	555
Operating income attributable to the potash business	**82**	65	**153**	106	303
Depreciation and amortization	**33**	30	**64**	57	121
Capital expenses	**85**	47	**142**	104	256
Average potash selling per tonne - FOB (in $)	**247**	216	**244**	216	219

* Sales to other business lines of ICL including the Magnesium business.

The potash stand-alone activities include, among other things, Polysulphate ™ produced in a mine in the UK and salt produced in underground mines in UK and Spain.

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

ISRAEL CHEMICALS LTD. (Cont.)

Main developments and the business environment in ICL: (Cont.)

Essential Minerals (Cont.)

Potash – Production and Sales

	4–6/2018	4–6/2017	1–6/2018	1–6/2017	2017
	Thousands of Tons				
Production	**1,346**	1,232	**2,506**	2,289	4,773
Sales to external customers	**1,002**	1,051	**2,023**	1,993	4,687
Sales to internal customers	**94**	80	**179**	152	352
Total sales (including internal sales)	**1,096**	1,131	**2,202**	2,145	5,039
Closing inventory	**704**	810	**704**	810	400

April – June 2018

Production – in the second quarter of 2018, production of potash was 114 thousand tons higher than in the corresponding quarter last year due to increased production in ICL Dead Sea and ICL Iberia. The increased production in ICL Iberia derived mainly from an efficiency plan implemented at the beginning of the year. ICL UK ceased to produce MOP at the end of the second quarter of 2018 as part of the transition to the Polysulphate production.

Sales to external customers – the quantity of potash sold to external customers in the second quarter of 2018, was 49 thousand tons lower than in the corresponding quarter last year, mainly due to a decrease in potash sales to South America and Asia.

January – June 2018

Production – in the first half of 2018, production of potash was 217 thousand tons higher than in the corresponding period last year due to increased production in ICL Dead Sea, ICL Iberia and ICL UK. The increased production in ICL Iberia derived mainly from an efficiency plan implemented at the beginning of 2018 and from higher ore grade in the mining area in the first quarter of 2018. At the end of the second quarter of 2018 ICL UK ceased producing MOP, as part of the transition to the Polysulphate production.

Sales to external customers – the quantity of potash sold to external customers in the first half of 2018, was 30 thousand tons higher than in the corresponding period last year, mainly due to an increase in potash sales to Asia and Europe.

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 second quarter of 2018, compared with the corresponding quarter last year:

Net cash provided by operating activities:

In the second quarter of 2018, the cash flows provided by operating activities decreased by $35 million compared with the corresponding quarter last year. This decrease derives from an increase in the net working capital, mainly from trade receivables as a result of higher sales at the end of the quarter, along with an increase of cash payments for employee benefits.

Net cash used in investing activities:

The cash flow used in investing activities in the second quarter of 2018 was $143 million compared with $135 million in the corresponding quarter last year. This was impacted mainly by an increase in cash flows used for investments in property, plant and equipment, along with transaction expenses regarding to the sale of businesses in the first quarter of 2018.

Net cash used in financing activities:

In the second quarter of 2018, there was an increase of $588 million in the cash flows used in financing activities compared with the corresponding quarter last year. This increase derives mainly from repayment of loans, in the amount of $599 million as a result of the cash proceeds received from the sale of businesses in the first quarter of 2018.

Debt movement:

As at June 30, 2018, ICL's net financial liabilities amounted to $2,267 million, a decrease of $770 million compared to December 31, 2017. The decrease of the net financial liabilities derives mainly from the proceeds received from sale of the Fire Safety and Oil Additives (P_2S_5) businesses.

The total amount of the securitization framework and credit facility deriving therefrom is $350 million. As at June 30, 2018, ICL had utilized approximately $300 million of the securitization facility's framework.

In addition, ICL has long-term credit facilities of $2,026 million and €60 million, of which $1,846 million was unutilized as at June 30, 2018.

On May 29, 2018, ICL completed a cash tender offer for any and all of its debentures Series D, senior notes due in 2024 with a coupon of 4.5%. Following the tender offer, ICL repurchased an amount of $616 million out of the original principal of $800 million.

On May 31, 2018, ICL completed a private offering of senior unsecured notes (hereinafter – the "Series F Debentures") to institutional investors pursuant to Rule 144A and Regulation S under the U.S. Securities Act of 1933, as amended, in a total amount of $600 million, due in 2038. The Series F Debentures carry an annual coupon of 6.375%, to be paid in semiannual installments on May 31 and November 30 of each year, commencing November 30, 2018 and until the repayment date. The Series F Debentures have been rated BBB- by S&P Global Inc. and Fitch Rating Inc. with a stable rating outlook. For further information, see Note 5B(4) to the consolidated financial statements as at June 30, 2018.

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

ISRAEL CHEMICALS LTD. (Cont.)

Debt movement: (Cont.)

On May 10, 2018 and on June 21, 2018, respectively, the credit rating agency S&P ratified ICLs international credit rating, BBB- with a stable rating outlook, and the credit rating agency S&P Ma'alot ratified ICLs credit rating, 'ilAA' with a stable rating outlook.

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

Critical accounting estimates

There were no material changes in ICL's critical accounting estimates during the six-month period ended June 30, 2018.

Board of Directors and members of senior management

At the General Meeting of ICL's shareholders held on April 24, 2018, all of the items on the Day's Agenda were approved: 1) the service and employment conditions of the Company's incoming CEO, Mr. Raviv Zoller, and the grant to him of equity compensation in respect of 2018, which will be issued to Mr. Zoller upon his entry into his position, as stated above; 2) a special bonus to the Executive Chairman of the Company's Board of Directors, Mr. Johanan Locker, in respect of 2017; and 3) renewal of the management services agreement with the Company's controlling shareholder, Israel Corporation Ltd. For additional details regarding the items detailed above – see also Note 21 to the annual financial statements.

On May 9, 2018, ICLs Board of Directors decided, after receiving the recommendation and approval of ICLs Audit Committee from May 8, 2018, to appoint Mr. Amir Meshulam as ICL's new Internal Auditor. The appointment of the new Internal Auditor will take effect on August 1, 2018 or shortly thereafter. The new Internal Auditor will replace ICL's presently serving Internal Auditor, Mr. Shmulik Daniel, who has served in his position since August 2014 and will be leaving on retirement.

Further to that stated in Note 21 to the annual financial statements, on May 14, 2018, Mr. Raviv Zoller entered into office as CEO of ICL replacing ICLs Acting CEO, Mr. Asher Grinbaum. Pursuant to the approval of the General Meeting of ICL's shareholders held on April 24, 2018, upon entering into office as CEO, Mr. Zoller was granted with an annual equity compensation for 2018 at a total value of NIS 4,000 thousand, consisting of 120,919 restricted shares and 384,615 options exercisable into ICL shares. For further information regarding the compensation paid to Mr. Zoller, including the capital compensation granted to Mr. Zoller for 2018, see Note 5B(1) and (2) to the consolidated interim financial statements.

On May 15, 2018, the formal ruling of the Israel Securities Authority was received in response to ICL's application regarding the manner of implementation of the relative compensation mechanism respecting external directors wherein the Authority determined that ICL acted lawfully in the manner of implementing the relative compensation to ICL's external directors, since the commencement of implementation of this mechanism in ICL.

On June 6, 2018, Mr. Lior Reitblatt, a director of ICL, gave notice whereby he has independently purchased 58,850 shares of ICL on the Tel Aviv Stock Exchange, at a total amount of NIS 1 million. The total quantity of shares held by Mr. Reitblatt as of July 31, 2018 is 80,930.

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

ISRAEL CHEMICALS LTD. (Cont.)

Board of Directors and members of senior management (Cont.)

Subsequent to the date of the report, on July 16, 2018, ICL published a notice to the shareholders and a proxy statement, summoning an Annual General Meeting of ICL’s shareholders, to be held on August 20, 2018. The record date thereof for purposes of shareholders’ entitlement to vote therein is July 19, 2018, with its agenda including the following items:

1. Appointment for an additional year and until the convening of the next Annual General Meeting of ICL’s incumbent directors: Messrs. Johanan Locker, Avisar Paz, Aviad Kaufman, Sagi Kabla, Ovadia Eli, Reem Aminoach and Lior Reitblatt;

2. Appointment of Dr. Nadav Kaplan as a new external director of ICL. Dr. Kaplan will replace Dr. Miriam Haran, whose third term as external director of ICL is scheduled to conclude on August 29, 2018. If appointed, Dr. Kaplan will be entitled to receive a compensation identical to that granted to ICL’s other incumbent external director, Ms. Ruth Ralbag, until conclusion of her first term in office, i.e. until January 9, 2021. Pursuant to the resolution of ICL’s Compensation Committee and Board of Directors dated July 15, 2018, as of January 10, 2021, Dr. Kaplan shall be compensated according to the schedules provided in the Compensation Regulations respecting a Rank E company. Furthermore, ICL’s Compensation Committee and Board of Directors resolved, on the same occasion, that beginning on January 10, 2021, the method of relative compensation practiced by ICL until such date shall cease, and as of such date all directors entitled to compensation for their service shall be compensated in accordance with the schedules provided in the Compensation Regulations respecting a Rank E company;

3. Reappointment for an additional year and until the convening of the next annual general meeting of ICL’s auditing CPAs, Somekh Chaikin, a member of KPMG International, as ICL’s independent auditors;

4. Review of ICL’s audited annual financial statements for the year ended December 31, 2017;

5. Subject to their reappointment as provided in Section 1., above, approval of capital compensation for 2019 for each of ICL’s directors, that will serve from time to time, excluding the Chairman of ICL’s Board of Directors, Mr. Johanan Locker, and the directors who are officeholders in ICL’s controlling shareholder, Israel Corporation Ltd., Messrs. Aviad Kaufman, Avisar Paz and Sagi Kabla. For further information – see Note 5B(1) and (2) to the consolidated interim financial statements as at June 30, 2018;

6. Subject to his reappointment as provided in Section 1., above, approval of equity compensation for 2018 for the Chairman of ICL’s Board of Directors, Mr. Johanan Locker. For further information – see Note 5B(1) and (2) to the consolidated interim financial statements as at June 30, 2018;

7. Approval of annual bonus for 2017, as well as a special bonus, to ICL’s retiring Acting CEO, Mr. Asher Grinbaum.

Subsequent to the date of the report, on August 20, 2018, the Annual General Meeting of ICL’s shareholders was held and all the matters on the Day’s Agenda (as detailed above) were approved.

Further to the structural adjustments of ICL’s business divisions, as described under "Other Information", as of August 2018, Mr. Noam Goldstein will serve as President of the Potash Division, Ms. Anat Tal as President of the Industrial Products Division, Mr. Ofer Lifshitz as President of the Phosphate Solutions Division, and Mr. Eli Glazer as President of the Innovative Ag Solutions Division. In addition, as of August 2018 Mr. Noam Goldstein, Ms. Anat Tal and Ms. Miri Mishor, SVP Global IT will be considered executive officeholders of ICL.

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

ISRAEL CHEMICALS LTD. (Cont.)

Risk factors

In the six months ended June 30, 2018, there were no significant changes in ICL's risk factors as they were described in Section 8.23 of the Annual Report for 2017.

Legal proceedings

Derivative claims

Further to that stated in Section 8.23 of the Annual Report in connection with an application for certification of a derivative action filed against ICL, the five highest-paid senior ICL officers and the members of ICL's Board of Directors, regarding the payment of annual bonuses for the years 2014 and 2015, on April 17, 2018, the applicant filed his reply to ICL's response to the said application for certification of a derivative action. In addition, on May 2, 2018, the Supreme Court accepted ICL's appeal in connection with the District Court's decision to reject ICL's request to submit the report of the Special External Committee established by ICL's Board of Directors for purposes of examining all the aspects arising from the application for certification (the "Special Committee's Report"), and determined that the Special Committee's Report will be submitted as evidence to the District Court. The Supreme Court further ruled that the applicant shall bear a portion of ICL's expenses in connection with its request for appeal.

For further information regarding legal proceedings and other contingent liabilities against ICL – see Note 6 to the consolidated interim financial statements as at June 30, 2018.

Other Information

Conformance of the organizational structure to ICL's strategy

Subsequent to the date of the report, on July 31, 2018, ICL's Board of Directors approved making changes to ICL's organizational structure in order to conform it to ICL's strategy, which was announed earlier this year. ICL's strategy is based on enhancing market leadership across its three core-mineral value chains, namely: Bromine, Potash and Phosphate, as well as realizing the growth potential of Innovative Ag Solutions. In accordance with that stated above, ICL's operations will be divided into four business divisions: Industrial Products (Bromine); Potash; Phosphate Solutions; and Innovative Ag Solutions. The revised organizational structure will enter into effect by the end of August 2018.

ICL is presently in the process of reviewing the accounting implications, including the reporting of its operating segments in its financial statements as required in accordance with the applicable accounting standards. In order to provide additional visibility, ICL has prepared an interim presentation of preliminary estimated sales and profit of the business divisions according to the new structure, for Q2 2018 and the comparable period in Q2 2017, reconciled to ICL's consolidated sales and adjusted operating profit. The division's figures breakdown below have not been reviewed by ICL's independent auditors and are provided solely for the convenience of ICL's shareholders.

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

ISRAEL CHEMICALS LTD. (Cont.)

Other Information (Cont.)

Conformance of the organizational structure to ICL's strategy (Cont.)

	Sales		Division Profit	
	4–6/2018	4–6/2017	4–6/2018	4–6/2017
	Millions of Dollars			
Potash	**346**	314	**76**	61
Phosphate Solutions	**540**	507	**55**	37
Industrial Products (Bromine)	**331**	291	**94**	76
Innovative Ag Solutions	**212**	190	**23**	19
Setoffs (including G&A and other)	**(58)**	(48)	**(60)**	(65)
Subtotal	**1,371**	1,254	**188**	128
Divested business	**–**	68	**–**	25
Total	**1,371**	1,322	***188**	*153

* Adjusted operating income.

Sale of the entire holdings of PotashCorp in ICL

To the best of ICL's knowledge and in accordance with that stated in the financial statements of Nutrien Ltd., the controlling shareholder of Potash Corporation of Saskatchewan Inc. ("PotashCorp"), which were published on February 5, 2018, on January 24, 2018, sale of all of the holdings of PotashCorp in ICL, in the amount of 176,088,630 shares, mainly to institutional entities in Israel and in the United States, was completed.

Sale of the entire holdings of XT Investments Ltd. in ICL

According to the information provided to ICL, on June 25, 2018, XT Investments Ltd. (which, up to the sale date, held 20% of the issued share capital of Millennium Investments Elad Ltd. (holding, on its part, 46.94% of the share capital of Israel Corporation Ltd.)), sold 377,662 ordinary shares of ICL that constituted, as at the sale date, approximately 0.03% of ICL's issued share capital, in an off-market transaction according to a rate of NIS 17.10 per share. According to the information provided to ICL, following the sale, XT Investments Ltd. does not directly hold any shares of ICL.

Sale of Rovita

On June 5, 2018, ICL entered into an agreement for the sale of the assets and business of its subsidiary, Rovita, for no consideration (hereinafter – "the Agreement"). Rovita produces commodity milk protein products, using by-products from the whey protein business of Prolactal, which is part of ICL's Specialty Solutions segment. As part of the sale, ICL signed a long-term supply agreement with the buyer whereby the buyer will continue to purchase by-products from the whey protein business of Prolactal. On July 2, 2018, ICL completed the sale transaction. Rovita's operations generated a loss of $2 million in the second quarter of 2018. For further information – see Note 5B(3) to ICL's consolidated interim financial statements as at June 30, 2018.

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 2017 (hereinafter – "the Periodic Report")

Pursuant to Regulation 39A of the Securities Regulations ""Periodic and Immediate Reports", 1970, set forth below is detail of the significant developments that occurred in ICL's business during the six months ended June 30, 2018, and up to the publication date of the report, which were not yet disclosed in the Periodic Report. This update relates to the section numbers that appeared in the Corporation's Periodic Report for 2017. It is noted that the terms in this section have the meanings intended for them in the Periodic Report, unless specifically indicated otherwise.

Section 8.10 to the Periodic Report – Activity Segments

ICL Potash – on July 1, 2018, ICL delivered an official notice to AkzoNobel whereby the agreement for production and marketing of vacuum salt expired on this date. For additional details – see the Report of the Board of Directors, ICL Section "Significant Events and Business Environment – A. Potash and Magnesium" above.

In January 2018, the plan of ICL's management was approved in connection with discontinuance of the production of potash at ICL UK and transition to full production of polysulphate. For additional details regarding management's plan, including approval of a plan for reduction of the number of employees of ICL UK – see Note 5B(7) to the consolidated interim financial statements.

ICL Advanced Additives – on March 28, 2018, ICL completed the transaction for sale of the Fire Safety and Oil Additives (P_2S_5) businesses. For additional details – see Note 5B(6) to the consolidated interim financial statements.

ICL Food Specialties – on June 5, 2018, ICL signed an agreement for sale of the assets and business of the subsidiary Rovita. For additional details – see Note 5B(3) to the consolidated interim financial statements and the Report of the Board of Directors, ICL Section "Other Information" above.

Section 8.22 to the Periodic Report – Business Strategy

On July 31, 2018, ICL's Board of Directors approved making revisions to ICL's organizational structure in order to conform it to ICL's strategy that was announced earlier this year. For additional details – see the Report of the Board of Directors, ICL Section "Other Information" above.

Section 8.13 to the Periodic Report – Property, Plant and Equipment

Subsequent to the date of the report, in August 2018, the new power station in Sodom was placed into service. For additional details – see the Report of the Board of Directors, ICL Section "Other Information" above.

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 2017 (hereinafter – "the Periodic Report") (Cont.)

<u>Section 8.15 to the Periodic Report – Liquidity and Sources of Capital</u>

On May 29, 2018, ICL completed a cash tender offer for any and all of its debentures Series D, and on May 31, 2018, ICL completed a private offering of senior unsecured notes (Debentures (Series F)) to institutional investors. For additional details – see Note 5B(4) to the consolidated interim financial statements and the Report of the Board of Directors, ICL Section "Other Information" above.

On May 10, 2018 and on June 21, 2018, respectively, the credit rating agency S&P Global confirmed ICL's international credit rating, BBB– with a stable rating outlook, and the credit rating agency S&P Ma'alot confirmed ICLs credit rating, 'ilAA' with a stable rating outlook. For additional details – see Note 5B(5) to the consolidated interim financial statements and the Report of the Board of Directors, ICL Section "Debt Movement" above.

During the first quarter of 2018, ICL repaid its loans, in the amount of $175 million, which were received from its controlling shareholder (Israel Corporation).

<u>Section 8.14 to the Periodic Report – Directors, Senior Management and Employees</u>

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

For additional details regarding the results of the vote of the General Meeting held on April 24, 2018 – see the Report of the Board of Directors, ICL Section "Board of Directors and Members of Senior Management" above.

For additional details regarding the results of the vote of the General Meeting held subsequent to the date of the report, on August 20, 2018 – see the Report of the Board of Directors, ICL Section "Board of Directors and Members of Senior Management" above.

<u>Section 8.14 to the Periodic Report – Compensation</u>

For additional details regarding granting of equity compensation – see Note 5B(1) and (2) the consolidated interim financial statements.

For additional details regarding grants to ICL's retiring Acting CEO, Mr. Asher Greenbaum – see the Report of the Board of Directors, ICL Section "Board of Directors and Members of Senior Management" above.

On May 15, 2018, the official position of the Securities Authority was received in response to ICL's inquiry with respect to the manner of implementation of the relative compensation mechanism for external directors. For additional details – see the Report of the Board of Directors, ICL Section "Board of Directors and Members of Senior Management" above.

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 2017 (hereinafter – "the Periodic Report") (Cont.)

Section 8.14 to the Periodic Report – Human Resources

On May 20, 2018, a collective labor agreement was signed between Dead Sea Works Ltd. and DSW's Workers Council, the General Organization of Workers in Israel and the Histadrut Negev District branch, for a period of five years, commencing on October 1, 2017, the termination date of the previous labor agreement. For additional details – see Note 6B(2) to the consolidated interim financial statements and the Report of the Board of Directors, ICL Section "Significant Events and Business Environment – A. Potash and Magnesium" above.

Section 8.21 to the Periodic Report – Legal Proceedings

For an update regarding arbitration proceedings in connection with royalties in Israel – see Note 6B(9) the consolidated interim financial statements.

For an update regarding a request for certification of a derivative claim in connection with the annual bonus paid to ICL's officers for 2014 and 2015 – see the Report of the Board of Directors, ICL Section "Legal Proceedings" above.

For an update regarding requests for certification of claims as class actions due to the collapse of the dike in the evaporation pond of Rotem Amfert – see Note 6B(4) the consolidated interim financial statements.

For an update regarding permits for Pond 4 and Pond 5 in Rotem Amfert – see Note 6B(5) the consolidated interim financial statements.

For an update regarding the National Site Plan (NSP 14B), which includes Barir Field – see Note 6B(7) the consolidated interim financial statements.

For an update regarding receipt of a municipal license and a permit for piling up salt on the Sallent site – see Note 6B(6) the consolidated interim financial statements.

For an update regarding the interim report with respect to the matter of the Dead Sea concession – see Note 6B(3) the consolidated interim financial statements.

Subsequent to the date of the report, on July 2, 2018 a request was filed for certification of a claim as a class action against ICL, Rotem Amfert Negev and Fertilizers and Chemical Materials with respect to the level of prices for products of the "solid phosphate fertilizer" type by consumers in Israel for the years 2011 through 2018. For additional details – see Note 6B(1) the consolidated interim financial statements.

In March, 2018, a request was filed for certification of a claim as a class action against Rotem Amfert Negev and Periclase Dead Sea with respect to environmental hazards at Ein Bokek. For additional details – see Note 6B(8) the consolidated interim financial statements.

OIL REFINERIES LTD.

In the period of the report and mainly in the second quarter of 2018, the price of Brent crude oil ("Brent"), continued to increase, and was affected mainly by the decision of the OPEC member states to limit oil production, with other countries, such as Russia, joining this decision, and the effects of the sanctions on Iranian crude oil exports. At the same time, the increase in oil production by non-OPEC countries, especially the US, continued and had a moderating effect on the rise in crude oil prices. In the period of the report, Brent traded between US$60 and US$80 per barrel.

At the end of the second quarter of 2018, the Brent price was set at $78 per barrel. Subsequent to the date of the report and up to the publication date of ORL's report, the Brent price fell to about US$70 per barrel with the possibility that the US would release crude oil inventories from its strategic reserves. Close to the publication date, the Brent price was fixed at US$72 per barrel.

In the period of the report, the price of Ural crude oil, which is heavy crude oil, compared to the Brent prices (which is light crude oil), traded at an average discount of US$1.7 per barrel, compared with US$1.3 per barrel in the corresponding period last year. The disparity between the prices of heavy and light oil was extremely volatile, ranging between US$0 and US$3 per barrel, mainly due to the increase in supply of heavy crude oil substitutes for Ural on the one hand, which lowered the Ural price in the first quarter of 2018, and on the other hand, the reduced supply of Iranian heavy oil due to sanctions, which increased the Ural price in the second quarter of 2018.

In the period of the report, the crude oil futures market continued to be backwardated at an average of US$0.3 per barrel, continuing the trend that began in the second quarter of 2017. Subsequent to the date of the report, the market became contango at an average of US$0.1 per barrel per month, mainly due to the decline in the price of crude oil in July 2018.

<u>Refining Margins</u>:

<u>Reuters Ural margin</u>

The Reuters Ural margin is a reference margin published by Reuters for a typical Mediterranean refinery that only cracks Ural crude, has no hydrocracking capacity, does not make full use of natural gas, and purchases crude oil and sells its refined products on the same day. Therefore, there may be significant differences between the Reuters Ural margin and ORL's refining margins. Comparison to this margin could provide insight into the developing trends of ORL's refining margin, and does not constitute an accurate parameter for estimating ORL's refining margin in the short term.

The Reuters Ural margin weakened in the period of the report compared with the corresponding period last year. The main cause is the sharp rise in the price of oil, which led to a temporary decline in margins. Subsequent to the date of the report and up to shortly before the publication date of the report, the average Reuters Ural margin was US$5.9 per barrel.

<u>Bloomberg weighted-average Ural margin</u>

In September 2017 the Bloomberg Media Group began publishing regional refining margins, including Mediterranean region margins. These margins are calculated for a variety of crude oil types and refining configurations. Since publication began, ORL has considered whether the margins published by Bloomberg are appropriate for the nature of its operations, and based on its review ORL believes that the margin that probably provides a better understanding of the development of ORL's refining margin is a <u>weighted-average</u> (50/50) of two Mediterranean Ural refining margins: (1) Med Urals HY Margin – Hydrocracking; and (2) Med Urals FCC Margin – Fluid catalytic cracking ("Weighted Bloomberg Ural margin").

OIL REFINERIES LTD. (Cont.)

Refining Margins: (Cont.)

Bloomberg weighted-average Ural margin (Cont.)

Unlike the Reuters Ural margin, the Weighted Bloomberg Ural margin (based on the data published by Bloomberg) includes partial hydrocracking capacity and full use of natural gas as source of energy. Nonetheless, there may be significant disparity between the Bloomberg Ural margin and ORL's refining margins, among other things, because Bazan's refining facility is different, it refines a variety of types of crude oil and interim materials by optimization of its facilities, as well as the prices of natural gas, crude oil and distillates, which are different from those used for calculating the Bloomberg Ural margin. Therefore, the comparison with this margin does not constitute an accurate benchmark for estimating ORL's refining margin, particularly for short periods. Subsequent to the date of the report and up to shortly before the publication date of the report, the average Weighted Bloomberg Ural margin was US$6.8 per barrel.

Refining Volume

The increase in the refining volume in the period of the report is mainly due to a high utilization rate compared to the corresponding period last year, during which some of ORL's facilities, including the continuous catalytic discharge facility ("CCR") and the Gadiv facilities, which were shut down thus affecting the refining facilities and ORL's downstream facilities. Towards the end of the second quarter of 2018, some of ORL's plants were shut down, particularly Refining Plant 3 and the hydrocracker, for periodic maintenance work that continued into the third quarter of 2018. This shutdown caused a decrease in the utilization rate of the refining facilities in the second quarter of 2018.

Polymers

Raw material prices, particularly naphtha prices, increased in the period of the report compared with the corresponding period last year, parallel to the increase in crude oil prices. Polypropylene prices increased in the period of the report compared with the corresponding period last year, while the polyethylene price remained unchanged, parallel to the increase in raw material and energy prices. The increase in the price of polypropylene compared with polyethylene is, among other things, due to the excess demand for polypropylene in Europe. In the period of the report, the difference between the price of polypropylene and the price of naphtha was higher compared with the corresponding period last year and the difference between the price of polyethylene and the price of naphtha was lower compared to the corresponding period last year. This is against the background of the increase in the price of naphtha and at the same time the increase in demand for polypropylene. The decrease in the period of the report in volume of polymer production at Carmel Olefins is mainly due to planned maintenance work on the ethylene facility, which was performed in the first quarter of 2018.

Results of operations

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

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

OIL REFINERIES LTD. (Cont.)

Results of operations (Cont.)

	4-6.2018	4-6.2017	Change	1-6.2018	1-6.2017	Change
Revenue	**1,719**	1,378	25%	**3,365**	2,583	30%
EBITDA	**192**	170	13%	**347**	286	21%
Depreciation	**43**	39		**85**	72	
Other expenses, net	**14**	3		**12**	6	
Operating profit	**135**	128	5%	**250**	208	20%
Financing expenses, net	**16**	36		**42**	83	
Income tax	**22**	19		**37**	33	
Net income	**97**	73	33%	**171**	92	86%
Fuel segment adjustments	**(41)**	(13)		**(77)**	(55)	
Adjusted EBITDA	**151**	157	(4%)	**270**	231	17%
Adjusted operating profit	**94**	115	(18%)	**173**	153	13%
Net adjusted profit	**56**	60		**94**	37	

* See below for details regarding the components of the adjustments in the fuel segment.

Results of operations for the period April – June 2018

It is noted that in the refining and petrochemicals industry, the main factor impacting the operating results is not the total sales but, rather, the refining and petrochemical margins, which are the difference between the revenues from sales of the basket of products and the cost of the raw materials acquired for their manufacture. In addition, the results are impacted by the availability of the production facilities.

Revenues from sales by areas of activity:

	Revenues (USD millions)			Average price of product mix (USD per ton)		
	4–6/2018	4–6/2017	Change	4–6/2018	4–6/2017	Change
Fuels Segment	**1,545**	1,190	355	**615**	452	(1)163
Polymers Segment – Carmel Olefins	**181**	180	(2)1	**1,390**	1,268	122
Polymers Segment – Ducor	**62**	57	5	**1,507**	1,294	213
Total Polymers Segment	**243**	237	6			
Aromatics Segment – Gadiv	**134**	103	(3)31	**838**	736	102
Adjustments and others	**(203)**	(152)	(51)			
Total consolidated income	**1,719**	1,378	341			

(1) Mainly due to an increase in the price of energy, parallel to an increase in the price of crude oil.
(2) Mainly due to an increase in the level of prices which was offset by a decline in the quantities sold.
(3) Mainly due to an increase in the level of prices.

OIL REFINERIES LTD. (Cont.)

Results of operations (Cont.)

Results of operations for the period April – June 2018 (Cont.)

Set forth below are the adjusted components in the fuels' sector and their effect on EBITDA:

	April–June	
	2018	**2017**
	$ millions	
Increase (decrease) in the accounting income		
Income from timing differences (1)	**(33)**	17
Income from adjustment of value of inventory to market value, net (2)	**(3)**	(1)
Impacts of changes in fair value of derivatives and realizations (3)	**(5)**	(29)
Total adjustments in the fuels' segment	**(41)**	(13)

(1) Expenses (income) arising from changes in the value of unhedged inventory. In accordance with its policy, ORL does not engage in hedging contracts for inventory of up to 730 thousand tons, other than inventories under the available inventory transaction. As at June 30, 2018 the volume of inventory not secured with contracts is 480 thousand tons.
(2) Income arising from changes in the adjustment of the balance of the hedged inventory to market value and expenses (income) from changes in accounting provision for impairment of unhedged inventory, at the end of the period of the report.
(3) Income arising from reevaluation of the fair value of open positions that do not relate to the hedged inventory (such as hedging of refining margins). The cumulative profit or loss with regard to these positions will be attributed to the adjusted EBITDA when disposed.

Set forth below is table summarizing the comparison of ORL's refining margins, including the proforma refining margins for the period of the report after eliminating the periodic maintenance, to the Ural margin:

	April–June	
	2018	**2017**
	$ millions	
Accounting margin – dollar per ton	**73.7**	58.4
Adjustments in the fuels' segment – dollar per ton	**(17.0)**	(4.9)
Adjusted margin – dollar per ton	**56.7**	53.5
Adjusted margin – dollar per barrel	**7.8**	7.3
Bloomberg weighted-average Ural margin – dollar per barrel	**6.0**	5.6
Reuters Ural margin – dollar per barrel	**4.4**	5.8

* For information regarding the differences between ORL's refining margin and the Reuters and Weighted Bloomberg Ural margins – see the "Refining Margins" section above.

OIL REFINERIES LTD. (Cont.)

Results of operations for the period January – June 2018

It is noted that in the refining and petrochemicals industry, the main factor impacting the operating results is not the total sales but, rather, the refining and petrochemical margins, which are the difference between the revenues from sales of the basket of products and the cost of the raw materials acquired for their manufacture. In addition, the results are impacted by the availability of the production facilities.

Revenues from sales by areas of activity:

	Revenues (USD millions)			Average price of product mix (USD per ton)		
	1–6/2018	**1–6/2017**	**Change**	**1–6/2018**	**1–6/2017**	**Change**
Fuels Segment	**2,984**	2,227	757	**581**	462	(1)119
Polymers Segment – Carmel Olefins	**357**	346	(2)11	**1,398**	1,257	141
Polymers Segment – Ducor	**117**	112	5	**1,511**	1,256	255
Total Polymers Segment	**474**	458	16			
Aromatics Segment – Gadiv	**267**	140	(3)127	**832**	721	111
Adjustments and others	**(360)**	(242)	(118)			
Total consolidated income	**3,365**	2,583	782			

(1) Mainly due to an increase in the price of energy, parallel to an increase in the price of crude oil.
(2) Mainly due to an increase in prices and revenues from insurance indemnification for loss of profits which were offset by a decrease in the sales volume, among other things, following planned maintenance work on the ethylene facility in the first quarter of 2018.
(3) Mainly due to an increase in sales volume following periodic maintenance work on all of Gadiv’s facilities in the corresponding period last year.

Towards the end of the second quarter, periodic maintenance work commenced on some of ORL’s production facilities, in particular Refining Plant 3 and the hydrocracker facility. As at the approval date of the report, the periodic maintenance work on the hydrocracker had been completed and it is in operating mode. In ORL’s assessment, the direct cost of the periodic maintenance work on the hydrocracker facility was approximately USD 34 million and the initial estimate of the total loss of income caused as a result is $25 million (mainly expected in the third quarter of 2018).

Set forth below are the adjusted components in the fuels’ sector and their effect on EBITDA:

	January–June	
	2018	**2017**
	$ millions	
Increase (decrease) in the accounting income		
Income from timing differences (1)	**(47)**	10
Income from adjustment of value of inventory to market value, net (2)	**(19)**	(27)
Impacts of changes in fair value of derivatives and realizations (3)	**(11)**	(38)
Total adjustments in the fuels’ segment	**(77)**	(55)

(1) Expenses (income) arising from changes in the value of unhedged inventory. In accordance with its policy, ORL does not engage in hedging contracts for inventory of up to 730 thousand tons, other than inventories under the available inventory transaction. As at June 30, 2018 the volume of inventory not secured with contracts is 480 thousand tons.
(2) Income arising from changes in the adjustment of the balance of the hedged inventory to market value and expenses (income) from changes in accounting provision for impairment of unhedged inventory, at the end of the period of the report.
(3) Income arising from reevaluation of the fair value of open positions that do not relate to the hedged inventory (such as hedging of refining margins). The cumulative profit or loss with regard to these positions will be attributed to the adjusted EBITDA when disposed.

OIL REFINERIES LTD. (Cont.)

Results of operations (Cont.)

Results of operations for the period January – June 2018 (Cont.)

Set forth below is table summarizing the comparison of ORL's refining margins, including the proforma refining margins for the period of the report after eliminating the periodic maintenance, to the Ural margin:

	January–June	
	2018	**2017**
	$ millions	
Accounting margin – dollar per ton	**63.2**	57.0
Adjustments in the fuels' segment – dollar per ton	**(15.1)**	(12.1)
Adjusted margin – dollar per ton	**48.1**	44.9
Adjusted margin – dollar per barrel	**6.6**	6.2
Bloomberg weighted-average Ural margin – dollar per barrel	**5.7**	5.7
Reuters Ural margin – dollar per barrel	**4.2**	5.4

* For information regarding the differences between ORL's refining margin and the Reuters and Weighted Bloomberg Ural margins – see the "Refining Margins" section above.

Other developments in the period of the report and thereafter

1. Further to that stated in Section 9.6.2.3 of the Periodic Report for 2017, regarding the expected changes in marine fuel standards and ORL's review regarding the possible effects of this change on its performance and the alternative measures available to it in order to prepare for this change in the standard, ORL concluded, based also on advice of an international consulting firm, that its preparations for applying the standard are expected to be based on utilization of the complexity and flexibility of its refining facilities, enabling it to adjust the crude oil mix to the expected market changes and for producing various types of fuel products, particularly diesel fuel, which is the primary component in the blend stocks used as a substitute for high sulfur fuel oil; and that ORL will be able to adapt its refining operations to the market conditions and needs by that date, without requiring investment in its facilities; and that it may benefit from improved margins, especially in the first years following the introduction of standard, due to its ability to produce large volumes of diesel fuel.

   The assessment of the effect of the change in the marine fuel standard on the refining margins in general, and of ORL's margins in particular, involves many assumptions regarding the refining market (including the availability of certain raw materials such as VGO and SR), regarding the marine transportation market and the extent of compliance with and enforcement of the new standard, where the extent of their occurring, if at all, is not certain. The refining margins and their improvement due to the introduction of the standard, if at all, may not materialize or may be significantly lower than the current estimates.

2. Further to that stated in Section 9.12.8 of the Periodic Report for 2017, on April 8, 2018, the site plan entered into effect for the area on which the facilities of ORL are located, after it was published in order to give effect. Regarding the decision of the District Court to reject the petitions filed against approval of the plan, an appeal has been filed with the Supreme Court that has not yet been heard.

3. Further to that stated in Section 9.15.8 of the Periodic Report for 2017, the business licenses and temporary permits issued by the City of Haifa were extended for all the Group companies, up to December 31, 2018.

OIL REFINERIES LTD. (Cont.)

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

4. Further to that stated in Section 9.14.2.1 of the Periodic Report for 2017, on May 13, 2018, ORL received a letter from the Office of the Prime Minister, the main points of which are as follows: the National Economic Council has in recent years acted to promote regional economic development in Israel, with emphasis on the development of the large metropolitan areas: Haifa, Be'er Sheva and Jerusalem as a lever for developing the outlying regions. The future of the Haifa Bay was identified as one of the key elements of the Haifa metropolitan area. Due to government actions regarding the reduction of air pollution and for reducing environmental risks in the Haifa Bay area, the National Economic Council was required to review the future of the ORL Group in the Haifa Bay area. For this purpose, an inter-ministerial taskforce made up of senior representatives of the Ministries of Economy, Energy, Finance, Environmental Protection and the Israel Lands Administration and the Planning Authority was set up to review several key alternatives. In the letter, a meeting was requested with ORL's CEO in order to present their proposed project to him, to discuss its objectives and the various alternatives.

   ORL welcomes the government's intention to hold a strategic discussion at the national level, in cooperation with all relevant government bodies, concerning the future of the ORL Group in the Haifa Bay area. ORL is cooperating with the taskforce in order to formulate a strategic, worthy and sustainable alternative under the auspices and responsibility of the State, for the further development of the ORL Group. During the period of the report, ORL submitted information for the purpose of the said examination, including transfer of all or part of the activities of the ORL Group from the Haifa Bay area, and a future decision to discontinue in the future all or part of ORL's activities in the Haifa Bay area. The information was provided at the Council's request further to that stated in the Council's letter dated May 16, 2018 "… in order that unilateral work will not be performed based on imprecise data, and in order that the ORL Group will be able to provide its insights with respect to the process and to achieve optimal results for all parties". In the period of the report and thereafter, ORL was in contact regarding this matter with the National Economic Council and other parties of the inter-ministerial team and others. As at the approval date of the report, ORL is unable to estimate the results of the taskforce's review, if at all, and what effect they will have on ORL, if any.

5. Further to that stated in Section 9.14.2.2 of the Periodic Report for 2017, in the period of the report, ORL continued to adopt intensive measures to reduce benzene emissions from its premises and submitted to the Ministry additional immediate plans for reducing emissions, including plans for modifying/discontinuing activities and it is presently implementing this plan. Subsequent to the period of the report, the Ministry of Environmental Protection notified ORL that if, after implementation of its plans, emission concentrations will continue to be measured that exceed the daily benzene emission concentration as provided in the regulations, the Ministry will consider additional measures, including the use of its powers under Section 46 of the Clean Air Law – in whole or in part. ORL believes that completion of the plans it is implementing will lead to further reduction of benzene emissions from its premises, but at this stage it cannot be certain that immediately, at the boundaries of its premises, no further deviations from the regulations will be measured[12].

[12] ORL's assessment of the impact of the measures adopted to reduce the measured benzene emission concentrations and regarding its compliance with the provisions of the Administrative Order is "forward-looking" information that depends on, among other things, the actual results achieved as a result of the measures adopted by the ORL group companies to reduce the benzene emissions from their facilities, and it may be different, if these results differ from the current assessment.

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 2017 on March 22, 2018 and up to the publication date of this report[13]:

To Section 4 of Paragraph A of the Periodic Report – Acquisition, Sale or Transfer of Assets

Subsequent to the date of the report on July 9, 2018, the Corporation notified with respect to negotiations with an international financing entity regarding signing an agreement/s whereby the Corporation will acquire "call" options from the financing entity over the next few weeks in connection with shares of ORL at the aggregate rate of 3.7% of ORL's issued share capital. As part of the above-mentioned notification, Corporation notified that there is no certainty that the Corporation will sign an agreement/s for acquisition of "call" options, as stated above, and the undertaking is subject to, among other things, the Corporation's discretion. See the Corporation's Immediate Report dated July 9, 2018 (Ref. No. 2018-01-062028). The negotiations with the financing entity did not ripened into an agreement.

To Section 5A of Paragraph A of the Periodic Report – Distribution of Dividends

A. Regarding the Corporation's notification of the effective date for distribution of a dividend – see the Corporation's Immediate Report dated March 25, 2018 (Ref. No. 2018-01-028963).

B. Further to the Immediate Report dated March 23, 2018 regarding distribution of a dividend (Ref. No. 2018-01-028528), regarding the Corporation's update of the amount of the dividend per share – see the Corporation's Immediate Report dated April 8, 2018 (Ref. No. 2018-01-034978).

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

A. Regarding completion of sale of the Fire Safety and Oil Additives businesses to SK Capital – see the Corporation's Immediate Report dated March 29, 2018 (Ref. No. 2018-01-032347).

B. Regarding a request for certification of a claim as a class action in connection with the collapse event of the dike in the evaporation of the subsidiary Rotem Amfer Negev Ltd. – see the Corporation's Immediate Report dated May 2, 2018 (Ref. No. 2018-01-043822).

C. For the financial statements of ICL as at March 31, 2018 and a slide presentation for investors published by ICL further thereto – see the Corporation's Immediate Reports dated May 10, 2018 (Ref. Nos. 2018-01-046915, 2018-01-046918 and 2018-01-046927, respectively).

D. For a report regarding the Report of the Board of Directors of ICL for the first quarter of 2018 – see the Corporation's Immediate Report dated May 10, 2018 (Ref. No. 2018-01-046921).

E. In connection with the notification of ICL regarding reaffirmation of ICL's international credit rating, along with a stable rating outlook by the credit rating company Standard & Poor's Global Rating – see the Corporation's Immediate Report dated May 10, 2018 (Ref. No. 2018-01-047023).

[13] 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 2017 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 2017, which was published on March 22, 2018 (Ref. No. 2018-01-028525) (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 – Israel Chemicals Ltd. (hereinafter – "ICL") (Cont.)

F. On May 14, 2018, ICL gave notice of a cash tender offer ("the Tender Offer") for ICL's senior debentures, bearing interest of 4.5% and scheduled for repayment in 2024 ("the 2024 Debentures"). For additional details – see Note 5B(4) to the consolidated interim financial statements.

On May 22, 2018, ICL gave notice that the Tender Offer was executed pursuant to and subject to the provisions of the offering document dated May 14, 2018, and that in accordance with the information provided to it, a total of $600,148,764 par value debentures (2024) were offered as required for sale up to or on the expiration date. ICL agreed to acquire all the debentures (2024) offered for sale, as stated, up to or on the expiration date, for an aggregate consideration of $605,081,986.84, or $1,008.22 for every $1,000 par value of debentures (2024). For details see Note 5B(6) to the condensed consolidated interim financial statements.

On May 23, 2018, ICL announced the pricing for a private offer to institutional investors – for details see Note 5B(4) to the consolidated interim financial statements.

G. In connection with an administrative petition regarding permits for the phosphate Ponds 4 and 5 at the Rotem Israel plant, and in connection with a request for disclosure of documents relating to collapse of Pond 3 – see the Corporation's Immediate Report dated May 17, 2018 (Ref. No. 2018-01-040080).

H. For details regarding an interim report of an inter-ministerial committee headed by Mr. Yoel Naveh – see the Corporation's Immediate Report dated May 24, 2018 (Ref. No. 2018-01-042552).

I. Regarding ICL's notification with respect to signing of collective bargaining agreement at Dead Sea Works (DSW) – see the Corporation's Immediate Report dated May 31, 2018 (Ref. No. 2018-01-045708).

J. Regarding ICL's notification with respect to an agreement for sale and transfer, for no consideration, of the assets and business of its subsidiary, Rovita GmbH – see the Corporation's Immediate Report dated June 5, 2018 (Ref. No. 2018-01-047772).

K. Regarding ICL's notification with respect to confirmation of ICL's international credit rating, along with a stable rating outlook, by the Standard & Poor's Global Rating Company – see the Corporation's Immediate Report dated June 24, 2018 (Ref. No. 2018-01-054963).

L. Subsequent to the date of the report, on July 2, 2018, ICL notified that it received a request filed in the District Court for the Central Region, for certification of a class action against ICL and the subsidiaries Rotem Amfert Negev Ltd. and Fertilizers and Chemical Substances Ltd. For additional details – see the Corporation's Immediate Report dated July 3, 2018 (Ref. No. 2018-01-059061).

M. Regarding ICL's financial statements as at June 30, 2018 and an investors' presentation published by ICL further thereto – see the Corporation's Immediate Reports dated August 1, 2018 and August 2, 2018 (Ref. Nos. 2018-01-072162, 2018-01-072168 and 2018-01-072660, as applicable). In addition, subsequent to the date of the report, on August 5, 2018, the Corporation published the financial statements of ICL as at June 30, 2018 in Hebrew – see the Corporation's Immediate Report dated August 5, 2018 (Ref. No. 2018-01-073164).

N. Regarding ICL's notification with respect to approval by ICL's Board of Directors for making changes to ICL's organizational structure in order to conform it to ICL's business strategy, which was announced earlier this year – see the Corporation's Immediate Report dated August 1, 2018 (Ref. No. 2018-01-072177).

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

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

O. Regarding the Report of the Board of Directors of ICL for the second quarter of 2018 – see the Corporation's Immediate Report dated August 5, 2018 (Ref. No. 2018-01-073167), and reports amending it dated August 5, 2018 and dated August 6, 2018 (Ref. Nos. 2018-01-073407 and 2018-01-073671).

P. Regarding ICL's notification of completion of receipt of all the approvals for operation of the new power station in Sodom – see the Corporation's Immediate Report dated August 6, 2018 (Ref. No. 2018-01-073722).

For additional details regarding ICL's business developments – see the Report of the Board of Directors of the Corporation as at June 30, 2018.

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

A. Subsequent to the date of the report, on July 9, 2018, the General Meeting of the Corporation's shareholders approved the updated remuneration policy for the Corporation's officers. For additional details – see the Corporation's Immediate Report dated May 24, 2018 regarding summoning of the General Meeting (Ref. No. 2018-01-042681), and the supplemental report thereto, dated June 28, 2018 (Ref. No. 2018-01-057546) and the Corporation's report dated July 9, 2018 regarding the results of the meeting (Ref. No. 2018-01-062016).

B. On June 28, 2018, Ms. Zahavit Cohen concluded her service as an independent director of the Corporation. For additional details – see the Corporation's Immediate Report dated July 1, 2018 regarding conclusion of the service of a director (Ref. No. 2018-01-058107), and the Corporation's Immediate Report dated July 1, 2018 regarding the Corporation's senior officers (Ref. No. 2018-01-058131).

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

A. For details regarding the results of a tender to classified investors in contemplation of issuance of the debentures (Series 12 and 13) of the Corporation – see the Corporation's Immediate Report dated March 27, 2018 (Ref. No. 2018-01-030160).

B. In connection with a rating report of Maalot regarding rate of the debentures (Series 12 and 13) – see the Corporation's Immediate Reports dated March 27, 2018 (Ref. Nos. 2018-01-030415 and 2018-01-030436).

C. On March 28, 2018, the Corporation published a shelf offer report based on a shelf prospectus of the Corporation dated May 5, 2016 for issuance of debentures (Series 12 and 13). For details regarding offer the debentures (Series 12 and 13) and their terms – see the Corporation's Immediate Report dated March 28, 2018 (Ref. No. 2018-01-031036).

D. In connection with the results of the issuance to the public of the debentures (Series 12 and 13) pursuant to a shelf offer report dated March 28, 2018 – see the Corporation's Immediate Report dated March 29, 2018 (Ref. No. 2018-01-032329).

E. For details regarding reports of the trustees for the debentures (Series 7, 10 and 11) – see the Corporation's Immediate Reports dated June 24, 2018 (Ref. Nos. 2018-01-054984, 2018-01-054987 and 2018-01-054990, 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.)

F. Regarding the Corporation's notification with respect to confirmation of the Corporation's, along with a stable rating outlook, by S&P Global Rating Maalot Ltd., and confirmation of the rating for the Corporation's debentures (Series 7, 10, 11, 12 and 13) – see the Corporation's Immediate Report dated July 9, 2018 (Ref. No. 2018-01-062073).

G. In July 2018, summonses were published for meetings of holders of the debentures (Series 10 and 11), where on the Day's Agenda are discussion of the annual statements of the trustee and reconfirmation of the appointment of the presently serving trustee, and in August 2018 the said meetings approved all the matters on the Day's Agenda. For additional details – see the Corporation's Immediate Reports dated July 10, 2018 and July 24, 2018 regarding summoning of the meetings (Ref. Nos. 2018-01-066262, 2018-01-066271 and 2018-01-070042, as applicable), and Corporation's Immediate Reports dated August 13, 2018, with reference to the results of the meetings Ref. Nos. 2018-01-075406 and 2018-01-075409).

To Sections 12.2 and 15.2 of Paragraph A of the Periodic Report – Bank Credit and Significant Events and Agreements

For additional details regarding the financial closing for shares of ICL as stated in Sections 12.2 and 15.2 of the Periodic Report –see Note 5A(5) to the condensed consolidated interim financial statements as at June 30, 2018.

To Section 16 of Paragraph A of the Periodic Report –Legal Proceedings

On June 4, 2018, the Corporation gave notice that further to that stated in Note 20B(1)(a) to the Corporation's financial statements as at December 31, 2017, on June 3, 2018 the District Court in Tel-Aviv entirely rejected the claim of Qoros. For additional details – see the Corporation's Immediate Report dated June 4, 2018 (Ref. No. 2018-01-047052).

To Section 20 of Part D of the Periodic Report – Additional details regarding the Corporation – Trading on the Stock Exchange – Securities Registered for Trading / Discontinuance of Trade in the Year of the Report

A. Commencing from April 1, 2018, the trading of the debentures (Series 12 and 13) started. For additional details – see the Reports of the Stock Exchange dated March 29, 2018

B. In connection with the Corporation's notification regarding extension of the period of the Corporation's shelf prospectus up to May 4, 2019 – see the Corporation's Immediate Report dated May 3, 2018 (Ref. No. 2018-01-044134).

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

For a report of the holdings of interested parties and officers of the Corporation – see the Immediate Report dated July 4, 2018 (Ref. No. 2018-01-059880).

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

To Regulation 24(A) of Paragraph D of the Periodic Report – Registered Capital, Issued Capital and Convertible Securities, as at the Date of the Report

For details with respect to changes that took place in the Corporation's capital subsequent to the date of the Periodic Report – see the Immediate Reports dated March 29, 2018 (Ref. Nos. 2018-01-032440 and 2018-01-032677), April 8, 2018 (Ref. No. 2018-01-035107) and April 10, 2018 (Ref. No. 2018-01-036481).

To Regulation 24(B) of Paragraph D of the Periodic Report – Holdings of Interested Parties and Senior Officers in Shares or other Securities of Investee Companies of the Corporation

On June 25, 2018, X.T. Investments Ltd. sold its entire holdings in ICL, such that after the said sale it no longer holds shares of ICL directly. For additional details – see the Immediate Report dated June 26, 2018 (Ref. No. 2018-01-055866).

To Regulation 26 of Paragraph D of the Periodic Report – Directors of the company

On June 28, 2018 Mrs. Zahvit Cohen commenced serving as the director of the Corporation. For additional details – see the Immediate Report dated July 1, 2018 (Ref. No. 2018-01-058107) and Immediate Report dated July 1, 2018 (Ref. No. 2018-01-058131).

To Regulation 29(B) of Paragraph D of the Periodic Report – Decisions of the General and Extraordinary Meeting of the Corporation

B. Subsequent to the date of the report, on July 9, 2018, the General Meeting of the Corporation's approved the updated remuneration policy for the Corporation's officers. For additional details – see the Corporation's Immediate Report, dated May 24, 2018, regarding summoning of a General Meeting (Ref. No. 2018-01-042681), and a supplementary report thereto, dated June 28, 2018, (Ref. No. 2018-01-057546), along with the Corporation's report dated July 9, 2018 regarding the result of the meeting (Ref. No. 2018-01-062016).

C. Subsequent to the date of the report, on August 23, 2018, a summons was published for an Extraordinary Meeting of the shareholders, where on its Day's Agenda is extension of the validity of the certificate of indemnification for the Corporation's officers, with respect to which the Corporation's controlling shareholders may be considered parties having a personal interest in approval of extension of the validity. For additional details – see the Immediate Report dated August 23, 2018 (Ref. No. 2018-01-080520).

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 above-mentioned conclusion, we direct attention to that stated in Note 6.C.5 regarding certain legal proceedings and other contingencies against ORL and its subsidiaries, which in the estimation of the managements of the defendant companies, based on the opinion of their legal advisors, it is not possible to predict at this point the impact thereof on the financial statements, if any, and accordingly, no provision in respect thereof has been included in the financial statements.

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

August 23, 2018

Israel Corporation Ltd.

Condensed Consolidated Interim Financial Statements

As at June 30, 2018

(Unaudited)

In Millions of U.S. Dollars

Israel Corporation Ltd.
Condensed Consolidated Interim Financial Statements
At June 30, 2018
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 June 30, 2018 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six-months and three-months 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 direct attention to that stated in Note 6.C.5 regarding certain legal proceedings and other contingencies against ORL and its subsidiaries, which in the estimation of the managements of the defendant companies, based on the opinion of their legal advisors, it is not possible to predict at this point the impact thereof on the financial statements, if any, and accordingly, no provision in respect thereof has been included in the financial statements.

Somekh Chaikin
Certified Public Accountants (Isr.)

August 23, 2018

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Financial Position

	At June 30		At December 31
	2018	2017	2017
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Assets			
Cash and cash equivalents	**242**	190	159
Short-term investments and deposits	**515**	626	558
Loan to related company	**–**	–	240
Trade receivables	**1,074**	930	932
Inventories	**1,208**	1,276	1,226
Other receivables and debit balances, including derivative instruments	**298**	258	260
Assets held for sale	**7**	122	169
Total current assets	**3,344**	3,402	3,544
Non-Current Assets			
Investments in associated companies accounted for using the equity method of accounting	**606**	528	578
Investments measured at fair value through other comprehensive income	**150**	208	212
Loan to related company	**–**	231	–
Derivative instruments	**72**	124	128
Deferred tax assets	**114**	148	132
Other non-current assets	**373**	302	309
Property, plant and equipment	**4,597**	4,469	4,571
Intangible assets	**886**	1,044	921
Total non-current assets	**6,798**	7,054	6,851
Total assets	**10,142**	10,456	10,395

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Financial Position

	At June 30		At December 31
	2018	2017	2017
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Liabilities			
Credit from banks and others	**936**	983	901
Trade payables	**777**	717	790
Provisions	**54**	81	78
Other payables and credit balances, including derivative instruments	**693**	672	670
Liabilities held for sale	**–**	–	43
Total current liabilities	**2,460**	2,453	2,482
Non-Current Liabilities			
Debentures and long-term loans	**3,230**	4,500	4,192
Derivative instruments and other non-current liabilities	**12**	10	7
Provisions	**200**	179	193
Liabilities for deferred taxes	**258**	319	242
Provisions for employee benefits	**549**	641	642
Total non-current liabilities	**4,249**	5,649	5,276
Total liabilities	**6,709**	8,102	7,758
Equity			
Share capital and premium	**326**	326	326
Capital reserves	**(171)**	(152)	(117)
Capital reserve in respect of transactions with controlling shareholder	**190**	190	190
Retained earnings	**997**	480	614
Total equity attributable to the owners of the Corporation	**1,342**	844	1,013
Holders of non-controlling interests	**2,091**	1,510	1,624
Total equity	**3,433**	2,354	2,637
Total liabilities and equity	**10,142**	10,456	10,395

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

Approval date of the financial statements: August 23, 2018

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 Six Months Ended June 30		Three Months Ended June 30		Year Ended December 31
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Sales	**2,775**	2,617	**1,371**	1,322	5,418
Cost of sales	**1,889**	1,847	**915**	908	3,753
Gross profit	**886**	770	**456**	414	1,665
Research and development expenses	**29**	28	**15**	13	55
Selling, transportation and marketing expenses	**397**	363	**197**	183	746
Administrative and general expenses	**134**	133	**62**	65	267
Other expenses	**36**	40	**23**	34	100
Other income	**(859)**	(26)	**(4)**	(7)	(109)
Operating income	**1,149**	232	**163**	126	606
Financing expenses	**194**	279	**111**	137	382
Financing income	**(70)**	(169)	**(35)**	(61)	(170)
Financing expenses, net	**124**	110	**76**	76	212
Share in income of associated companies accounted for using the equity method of accounting	**54**	33	**30**	27	74
Income before taxes on income	**1,079**	155	**117**	77	468
Taxes on income	**63**	87	**19**	44	162
Income for the period	**1,016**	68	**98**	33	306
Attributable to:					
Owners of the Corporation	**481**	12	**49**	5	135
Holders of non-controlling interests	**535**	56	**49**	28	171
Income for the period	**1,016**	68	**98**	33	306
Income per share attributable to the owners of the Corporation: (in dollars)					
Basic and diluted income (loss) per share	**63.17**	1.53	**6.52**	0.63	17.81

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 Six Months Ended June 30 2018	For the Six Months Ended June 30 2017	For the Three Months Ended June 30 2018	For the Three Months Ended June 30 2017	Year Ended December 31 2017
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Income for the period	**1,016**	68	**98**	33	306
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	**(59)**	90	**(102)**	60	151
Net change in fair value of cash flow hedges transferred to the statement of income	**20**	(17)	**13**	(8)	(16)
Group's share in other comprehensive income (loss) of companies accounted for using the equity method of accounting	**10**	(4)	**7**	(2)	5
Effective portion of the change in fair value of cash flow hedges	**(18)**	18	**(14)**	9	17
Net change in fair value of financial assets available for sale	**–**	(51)	**–**	(36)	(57)
Taxes on income in respect of other components of other comprehensive income	**–**	5	**–**	1	5
Total	**(47)**	41	**(96)**	24	105
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	**56**	(9)	**8**	(5)	(17)
Net change in investments measured at fair value through other comprehensive income	**(59)**	–	**(57)**	–	–
Share of the Group in other comprehensive income of investee companies accounted for using the equity method of accounting	**2**	–	**1**	–	–
Taxes on income in respect of other components of other comprehensive income	**(9)**	2	**(1)**	1	3
Total	**(10)**	(7)	**(49)**	(4)	(14)
Other comprehensive income (loss) for the period, net of tax	**(57)**	34	**(145)**	20	91
Comprehensive income (loss) for the period	**959**	102	**(47)**	53	397
Attributable to:					
Owners of the Corporation	**462**	27	**(15)**	12	179
Holders of rights non-controlling interests	**497**	75	**(32)**	41	218
Comprehensive income (loss) for the period	**959**	102	**(47)**	53	397

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 six months ended June 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	**–**	**–**	**–**	**–**	**–**	**–**	**13**	**13**
Dividend to holders of non-controlling interests in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(63)**	**(63)**
Dividends to equity holders	**–**	**–**	**–**	**–**	**(120)**	**(120)**	**–**	**(120)**
Sale of shares of subsidiary while retaining control	**–**	**2**	**–**	**–**	**7**	**9**	**17**	**26**
Issuance of shares of a subsidiary to holders of non-controlling interests	**–**	**–**	**–**	**–**	**(3)**	**(3)**	**3**	**–**
Income for the period	**–**	**–**	**–**	**–**	**481**	**481**	**535**	**1,016**
Other comprehensive income (loss) for the period, net of tax	**–**	**(26)**	**(16)**	**–**	**23**	**(19)**	**(38)**	**(57)**
Balance at June 30, 2018	**326**	**(181)**	**10**	**190**	**997**	**1,342**	**2,091**	**3,433**
For the six months ended June 30, 2017								
Balance at January 1, 2017 (audited)	322	(231)	63	190	460	804	1,457	2,261
Share-based payments in a subsidiary	–	–	–	–	–	–	11	11
Expiration of options granted to Corporation employees	4	–	(4)	–	–	–	–	–
Dividend to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	(45)	(45)
Sale of shares of subsidiary while retaining control	–	2	–	–	11	13	12	25
Income for the period	–	–	–	–	12	12	56	68
Other comprehensive income (loss) for the period, net of tax	–	44	(26)	–	(3)	15	19	34
Balance at June 30, 2017	326	(185)	33	190	480	844	1,510	2,354

* For details regarding the impact of the first-time application of IFRS 9 (2014) regarding financial instruments – see Note 3(B), below.

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 June 30, 2018								
Balance at April 1, 2018 (unaudited)	**326**	**(137)**	**32**	**190**	**944**	**1,355**	**2,131**	**3,486**
Share-based payments in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**5**	**5**
Dividend to holders of non-controlling interests in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(27)**	**(27)**
Sale of shares of subsidiary while retaining control	**–**	**1**	**–**	**–**	**4**	**5**	**11**	**16**
Issuance of shares of a subsidiary to holders of non-controlling interests	**–**	**–**	**–**	**–**	**(3)**	**(3)**	**3**	**–**
Income for the period	**–**	**–**	**–**	**–**	**49**	**49**	**49**	**98**
Other comprehensive income (loss) for the period, net of tax	**–**	**(45)**	**(22)**	**–**	**3**	**(64)**	**(81)**	**(145)**
Balance at June 30, 2018	**326**	**(181)**	**10**	**190**	**997**	**1,342**	**2,091**	**3,433**
For the three months ended June 30, 2017								
Balance at April 1, 2017 (unaudited)	323	(214)	55	190	472	826	1,472	2,298
Share-based payments in a subsidiary	–	–	–	–	–	–	9	9
Expiration of options granted to Corporation employees	3	–	(3)	–	–	–	–	–
Dividend to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	(16)	(16)
Sale of shares of subsidiary while retaining control	–	1	–	–	5	6	4	10
Income for the period	–	–	–	–	5	5	28	33
Other comprehensive income (loss) for the period, net of tax	–	28	(19)	–	(2)	7	13	20
Balance at June 30, 2017	326	(185)	33	190	480	844	1,510	2,354

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, 2017	322	(231)	63	190	460	804	1,457	2,261
Share-based payments in a subsidiary	–	–	–	–	–	–	16	16
Expiration of options granted to employees of a subsidiary	–	–	–	–	5	5	(5)	–
Expiration of options granted to employees of the Corporation	4	–	(4)	–	–	–	–	–
Dividend to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	(92)	(92)
Sale of shares of a subsidiary while retaining control	–	4	–	–	21	25	30	55
Income for the year	–	–	–	–	135	135	171	306
Other comprehensive income (loss) for the year, net of tax	–	70	(19)	–	(7)	44	47	91
Balance at December 31, 2017	326	(157)	40	190	614	1,013	1,624	2,637

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				
	Six Months Ended June 30		Three Months Ended June 30		Year Ended December 31
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from operating activities					
Income for the period	**1,016**	68	**98**	33	306
Adjustments:					
Depreciation and amortization	**205**	192	**107**	96	397
Impairment in value of assets	**14**	–	**14**	–	28
Financing expenses, net	**61**	144	**27**	67	224
Share in income of associated companies accounted for using the equity method of accounting	**(54)**	(33)	**(30)**	(27)	(74)
Other capital gains, net	**–**	(9)	**–**	–	–
Gain on sale of businesses	**(841)**	(3)	**–**	(3)	(51)
Share-based payment transactions	**13**	11	**5**	9	16
Gain from re-measurement to fair value of collar options	**12**	20	**7**	14	7
Taxes on income	**63**	87	**19**	44	162
	489	477	**247**	233	1,015
Change in inventories	**(42)**	24	**–**	(4)	57
Change in trade and other receivables	**(186)**	56	**(136)**	79	21
Change in trade and other payables	**86**	(135)	**123**	(81)	(57)
Change in provisions and employee benefits	**(51)**	12	**(25)**	7	(4)
	296	434	**209**	234	1,032
Income taxes received (paid), net	**(19)**	(41)	**10**	(19)	(132)
Dividends received	**21**	35	**–**	–	35
Net cash provided by operating activities	**298**	428	**219**	215	935
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment	**2**	12	**2**	–	12
Short-term deposits and loans, net	**26**	70	**(65)**	114	140
Proceeds from sale of businesses, net of transactions costs	**907**	6	**(24)**	6	6
Net proceeds from sale of shares of company accounted for using the equity method of accounting	**–**	56	**–**	56	224
Acquisition of property, plant and equipment and intangible assets	**(248)**	(219)	**(121)**	(113)	(457)
Collection of long-term loans from related company	**200**	–	**–**	–	–
Interest received	**42**	2	**1**	1	6
Receipts from (payments for) derivative transactions not used for hedging, net	**(25)**	43	**(29)**	11	37
Net cash provided by (used in) investing activities	**904**	(30)	**(236)**	75	(32)

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				
	Six Months Ended June 30		Three Months Ended June 30		Year Ended December 31
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from financing activities					
Dividend paid to holders of non-controlling interests	**(63)**	(77)	**(27)**	(46)	(124)
Receipt of long-term loans and issuance of debentures	**1,574**	853	**918**	225	1,174
Dividend paid to the owners of the Corporation	**(120)**	–	**(120)**	–	–
Repayment of long-term loans and debentures*	**(2,313)**	(1,047)	**(1,692)**	(400)	(1,756)
Short-term credit from banks and others, net	**(82)**	(34)	**(19)**	2	(28)
Receipts from (payments for) derivative transactions used for hedging, net	**3**	1	**(1)**	–	3
Interest paid*	**(106)**	(113)	**(48)**	(52)	(218)
Net cash used in financing activities	**(1,107)**	(417)	**(989)**	(271)	(949)
Increase (decrease) in cash and cash equivalents	**95**	(19)	**(1,006)**	19	(46)
Cash and cash equivalents at beginning of the period	**164**	211	**1,264**	175	211
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	**(17)**	(2)	**(16)**	(4)	(1)
Cash and cash equivalents at the end of the period	**242**	190	**242**	190	159

* In 2017, includes payments of principal and interest in respect of debentures, in the amount of about $60 million, which were postponed in accordance with the trust certificates from December 31, 2016, since the contractual repayment date was not a business day.

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

Note 1 – The Reporting Entity

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

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

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, 2017 (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 August 23, 2018.

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 except as detailed below.

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

A. International Financial Reporting Standard IFRS 15 "Revenues from Contracts with Customers"

Commencing from January 1, 2018 the Group initially applies International Financial Reporting Standard 15 (hereinafter in this section – "the Standard"), which provides guidance with respect to revenue recognition. The Standard establishes two approaches for revenue recognition: at a point in time or over time. The Standard introduces a five-step model for analyzing transactions in order to determine the timing of recognition of the revenue and the amount thereof. In addition, the Standard provides new and broader disclosure requirements than those presently existing. The Group elected to apply the Standard using the cumulative effect approach. Application of the Standard did not have a significant impact on the financial statements and, therefore, the retained earnings as at January 1, 2018 were not adjusted.

Pursuant to the Standard, the Group recognizes revenue when the customer obtains control over the promised goods or services. The revenue is measured according to the amount of the consideration to which the Group expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties.

B. International Financial Reporting Standard IFRS 9 (2014) "Financial Instruments"

Commencing from January 1, 2018 the Group initially applies International Financial Reporting Standard 9 (2014) (hereinafter in this section – "the Standard"), which replaces International Accounting Standard IAS 39 "Financial Instruments: Recognition and Measurement" (hereinafter – "IAS 39"). The Group has chosen to apply the Standard commencing from January 1, 2018, without revision of the comparative data. The impact of application of the Standard on the financial statements was not material and included mainly a decrease of the shareholders' equity in the amount of about $19 million (about $14 million is in respect of the impact of the Standard on the Corporation's investment in ORL).

Set forth below are the main changes in the Group's accounting policies due to application of the Standard along with the anticipated impacts thereof:

Initial recognition and measurement of financial assets and financial liabilities

The Group initially recognizes trade receivables and debt instruments issued on the date they are created. All other financial assets and financial liabilities are initially recognized on the date the Group becomes a party to the instrument's contractual provisions. Generally, a financial asset or financial liability is initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issuance of the financial asset or financial liability. A trade receivable that does not include a significant financing component is initially measured at the transaction price.

Note 3 – Significant Accounting Policies (Cont.)

First-time application of new accounting standards (Cont.)

B. International Financial Reporting Standard IFRS 9 (2014) "Financial Instruments" (Cont.)

Financial assets – classification and subsequent measurement

Financial assets are classified upon their initial recognition in one of the following measurement categories: amortized cost; fair value through other comprehensive income – investments in debt instruments; fair value through other comprehensive income – investments in equity instruments; or fair value through profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held as part of a business model the objective of which is to hold assets in order to collect the contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows representing solely payments of principal and interest on the principal amount outstanding.

In certain cases, on the initial recognition date of an equity investment that is not held for trade, the Group irrevocably elects to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on the basis of each investment separately.

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above, as well as financial assets designated at fair value through profit or loss, are measured at fair value through profit or loss. Upon their initial recognition, the Group designates financial assets as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group has balances of trade and other receivables and deposits that are held as part of a business model the objective of which is collecting the contractual cash flows. The contractual cash flows of these financial assets represent solely payments of principal and interest that reflects consideration for the time value of money and the credit risk. Accordingly, these financial assets are measured at amortized cost.

On the date of the first-time application of the Standard, the Group elected to designate the investment in the shares of YTH at fair value through other comprehensive income (under IAS 39 the investment in the shares of YTH was classified as a "financial asset available for sale").

Note 3 – Significant Accounting Policies (Cont.)

First-time application of new accounting standards (Cont.)

B. International Financial Reporting Standard IFRS 9 (2014) "Financial Instruments" (Cont.)

Financial assets – classification and subsequent measurement (Cont.)

Impairment in value

Credit-impaired financial assets:

At every reporting date, the Group assesses whether financial assets measured at amortized cost and debt instruments at fair value through other comprehensive income are credit-impaired. A financial asset is 'credit-impaired' when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset.

Presentation of impairment losses:

Provisions for expected credit losses of financial assets measured at amortized cost are deducted from the gross carrying amount of the financial assets in the books. Application of the Standard in connection with impairment of financial assets measured at amortized cost did not have a significant impact on the financial statements.

Financial liabilities – classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss. A financial liability is measured at fair value through profit or loss if it is classified as held for trade, is a derivative instrument or is designated for measurement as such at the time of its initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value, with the net gains and losses, including any interest expenses, being recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on elimination is also recognized in profit or loss. ORL elected to designate part of its traded debentures at fair value through profit or loss.

Change in terms of financial liabilities

According to the Standard, in cases wherein a change in terms or exchange of financial liabilities is immaterial and does not lead to elimination, the new cash flows are to be discounted at the original effective interest rate, with the difference between the present value of the financial liability with the new terms and the present value of the original financial liability being recognized in profit or loss. Application of Standard with respect to changes in terms of financial liabilities did not have a significant impact on the financial statements.

Note 3 – Significant Accounting Policies (Cont.)

First-time application of new accounting standards (Cont.)

B. International Financial Reporting Standard IFRS 9 (2014) "Financial Instruments" (Cont.)

Hedge accounting

The Group has elected to apply the new hedge accounting model in IFRS 9. The hedge accounting requirements of IFRS 9 are to be applied on a prospective basis, other than the accounting treatment of the future price element of forward contracts ("forward element") as a hedging cost, which are to be applied retrospectively. As at December 31, 2017, the hedging ratios designated for hedge accounting under IAS 39 qualify for hedge accounting under IFRS 9 and, accordingly, are considered as continuing hedging ratios.

Cash-flow hedge

When a derivative instrument is designated as a cash-flow hedge, the effective portion of the changes in fair value of the derivative is recognized in other comprehensive income, directly to a hedging reserve. The effective portion of changes in the fair value of a derivative that is recognized in other comprehensive income, is limited to the cumulative change in fair value of the hedged item (based on present value), from the creation date of the hedge. The change in fair value in respect of the ineffective portion is recognized immediately in profit or loss.

The Group designates only the change in fair value of the spot element of the forward exchange contract ("spot element") as the hedging instrument in cash-flow hedging relationships. The changes in fair value of the future price element of forward exchange contracts ("forward element") is not included as part of the hedging relationships and are accounted for as a cost of hedging, with the changes being recognized as part of the cost of the hedging reserve.

New standards not yet adopted

International Financial Reporting Standard IFRS 16 "Leases" (hereinafter – "the Standard")

The Standard replaces IAS 17 "Leases" and its related interpretations. The Standard's instructions cancel the existing requirement from lessees to classify leases as operating or financing 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.

Method of application and expected effects

The Standard is applicable for annual periods commencing from January 1, 2019, with the possibility of early adoption. The Group plans to adopt IFRS 16 as from January 1, 2019.

Note 3 – Significant Accounting Policies (Cont.)

New standards not yet adopted (Cont.)

Method of application and expected effects (Cont.)

The Group plans to elect to apply the transitional provision of recognizing a lease liability at the initial application date according to the present value of the future lease payments discounted at the Group's borrowing rate at that date, and concurrently recognizing a right-of-use asset in the same amount as the liability, adjusted for any prepaid or accrued lease payments that were recognized as an asset or liability before the date of initial application. Therefore, application of the Standard is not expected to influence the balance of the retained earnings and equity as at the initial application date.

Main Expedients that the Group intends to elect:

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

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 the current guidance, IAS 17, Leases, and IFRIC 4, and determining whether an arrangement contains a lease, with respect to existing agreements at the date of the initial application.

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.

For leases in which the Group is the lessee and which were classified before the initial application date as operating leases, except for cases wherein the Group has elected to apply the Standard's expedients as aforesaid, the Group is required to recognize a right-of-use asset and a lease liability upon the initial application for all the leases that award it control over the use of identified assets for a specified period of time.

Based on the assessment as at June 30, 2018, the changes in the initial application are expected to result in an increase of $250 million in the balance of right-of-use assets and in the balance of the lease liability. Accordingly, depreciation and amortization expenses will be recognized in respect of the right-of-use asset, and the need for recognizing impairment of the right-of-use asset will be examined in accordance with IAS 36. Furthermore, financing expenses will be recognized in respect of the lease liability. Therefore, as from the date of initial application, the lease expenses relating to assets leased under an operating lease, will be recognized as depreciation and amortization expenses and as interest expenses. The Group's discount rates used for measuring the lease liability are in the range of 3.47% to 6.375%.

ORL (an associated company) has made early adoption of the Standard commencing from January 1, 2018. Since Israel Corporation does not intend to make early adoption of the Standard, Israel Corporation makes adjustments to ORL's financial statements in its financial statements. The impact of the Standard on ORL's net income and equity in the period of the report is not material. For details regarding the impact of the application on ORL's financial statements – see Note 5C(6) below.

Note 4 – Information on Activity Segments

A. General

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

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

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

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

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

   ORL is applying, by means of early adoption, the provisions of IFRS 16 (hereinafter – "the Standard"). Since Israel Corporation is not applying the said Standard by means of early adoption, the Corporation makes adjustments to ORL's statements in its financial statements. The impact of the early adoption of the Standard on ORL's net income in the period of the report is not material. The data included in this note includes the impacts of the early adoption of this Standard.

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

Adjustments in ORL – recording method deriving from the 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 expenses.

Note 4 – Information on Activity Segments (Cont.)

B. (Cont.)

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

C. Information relating to Business Segments

	ICL	ORL	Adjustments (1)	Total
	Unaudited			
	$ millions			
For the six months ended June 30, 2018				
Sales to external customers	2,775	3,365	(3,365)	2,775
EBITDA income (2)	547	270	(273)	544
Depreciation and amortization	216	91	(88)	219
Financing income	(47)	(22)	(1)	(70)
Financing expenses	116	64	14	194
Share in income of equity-accounted investees	(1)	–	(53)	(54)
Unusual or one-time income and adjustments	*(826)	(71)	73	(824)
	(542)	62	(55)	(535)
Income before taxes	1,089	208	(218)	1,079
Taxes on income	65	37	(39)	63
Income for the period	1,024	171	(179)	1,016

* See note 5.B.6
(1) Most of the adjustments stem from the ORL segment.
(2) See Section B., above.

Note 4 – Information on Activity Segments (Cont.)

C. Information relating to Business Segments (Cont.)

	ICL	ORL	Adjustments (1)	Total
	Unaudited			
	$ millions			
For the six months ended June 30, 2017				
Sales to external customers	2,617	2,583	(2,583)	2,617
EBITDA income (2)	469	231	(233)	467
Depreciation and amortization	189	78	(75)	192
Financing income	(111)	(2)	(56)	(169)
Financing expenses	174	85	20	279
Share in income of equity-accounted investees	(2)	–	(31)	(33)
Unusual or one-time expenses (income) and adjustments	20	(55)	78	43
	270	106	(64)	312
Income before taxes	199	125	(169)	155
Taxes on income	83	33	(29)	87
Income for the period	116	92	(140)	68

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

Note 4 – Information on Activity Segments (Cont.)

C. Information relating to Business Segments (Cont.)

	ICL	ORL	Adjustments (1)	Total
	Unaudited			
	$ millions			
For the three months ended June 30, 2018				
Sales to external customers	1,371	1,719	(1,719)	1,371
EBITDA income (2)	296	150	(151)	295
Depreciation and amortization	119	46	(44)	121
Financing income	(22)	(13)	–	(35)
Financing expenses	76	29	6	111
Share in income of equity-accounted investees	–	–	(30)	(30)
Unusual or one-time expenses (income) and adjustments	5	(31)	37	11
	178	31	(31)	178
Income before taxes	118	119	(120)	117
Taxes on income	20	22	(23)	19
Income for the period	98	97	(97)	98

(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	ORL	Adjustments (1)	Total
	Unaudited			
	$ millions			
For the three months ended June 30, 2017				
Sales to external customers	1,322	1,378	(1,378)	1,322
EBITDA income (2)	251	157	(157)	251
Depreciation and amortization	95	42	(41)	96
Financing income	(33)	(2)	(26)	(61)
Financing expenses	82	38	17	137
Share in income of equity-accounted investees	(1)	(1)	(25)	(27)
Unusual or one-time expenses (income) and adjustments	12	(12)	29	9
	155	65	(46)	174
Income before taxes	96	92	(111)	77
Taxes on income	41	19	(16)	44
Income for the period	55	73	(95)	33

(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	ORL	Adjustments (1)	Total
	$ millions			
2017:				
Total sales to external customers	5,418	5,624	(5,624)	5,418
EBITDA (2)	1,059	552	(558)	1,053
Depreciation and amortization	418	156	(149)	425
Financing income	(105)	(21)	(44)	(170)
Financing expenses	229	157	(4)	382
Share in income of associated companies	–	–	(74)	(74)
Unusual or one-time expenses (income) and adjustments	12	(68)	78	22
	554	224	(193)	585
Income before taxes	505	328	(365)	468
Taxes on income	158	66	(62)	162
Income for the year	347	262	(303)	306

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

Note 4 – Information on Activity Segments (Cont.)

D. Sales by Business Units

	1–6/2018		1–6/2017		4–6/2018		4–6/2017		1–12/2017	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
Industrial products	**648**	**23**	601	23	**331**	**24**	291	22	1,193	22
Advanced additives	**331**	**12**	377	14	**154**	**11**	208	16	877	16
Food Specialties	**336**	**12**	285	11	**169**	**12**	147	11	596	11
Phosphate Commodities	**532**	**19**	556	21	**267**	**20**	264	20	1,052	19
Potash & Magnesium	**699**	**25**	597	23	**346**	**25**	314	24	1,383	26
Specialty Fertilizers	**433**	**16**	382	15	**212**	**16**	190	14	692	13
Other and eliminations	**(204)**	**(7)**	(181)	(7)	**(108)**	**(8)**	(92)	(7)	(375)	(7)
Total	**2,775**	**100**	2,617	100	**1,371**	**100**	1,322	100	5,418	100

E. Sales by Geographic Areas

	1–6/2018		1–6/2017		4–6/2018		4–6/2017		1–12/2017	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
Europe	**1,106**	**40**	991	38	**523**	**38**	457	34	1,918	35
Asia	**667**	**24**	607	23	**333**	**24**	325	25	1,342	25
North America	**482**	**17**	570	22	**215**	**16**	276	21	1,175	22
South America	**310**	**11**	292	11	**191**	**14**	194	15	666	12
Rest of the world	**210**	**8**	157	6	**109**	**8**	70	5	317	6
Total	**2,775**	**100**	2,617	100	**1,371**	**100**	1,322	100	5,418	100

F. Sales by Main Countries

	1–6/2018		1–6/2017		4–6/2018		4–6/2017		1–12/2017	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
United States	**443**	**16**	536	20	**198**	**14**	260	20	1,091	20
Brazil	**283**	**10**	253	10	**178**	**13**	176	13	594	11
China	**330**	**12**	303	12	**164**	**12**	158	12	724	13
Germany	**208**	**7**	191	7	**104**	**8**	93	7	378	7
United Kingdom	**217**	**8**	166	6	**100**	**7**	77	6	328	6
Spain	**143**	**5**	140	5	**72**	**5**	61	5	264	5
France	**140**	**5**	124	5	**66**	**5**	53	4	265	5
India	**100**	**4**	92	4	**60**	**4**	55	4	200	4
Israel	**105**	**4**	96	4	**56**	**4**	44	3	171	3
Australia	**70**	**3**	26	1	**38**	**3**	13	1	85	2
Other	**736**	**26**	690	26	**335**	**25**	332	25	1,318	24
Total	**2,775**	**100**	2,617	100	**1,371**	**100**	1,322	100	5,418	100

Note 5 – Additional Information

A. The Corporation

1. On March 29, 2018, the Corporation completed, as part of a shelf offer prospectus, issuance of two new series of registered debentures of NIS 1 par value each: Series 12, in unlinked shekels, having an aggregate par value of about NIS 554 million, and Series 13, linked to the U.S. dollar, having an aggregate par value of about NIS 287 million. The proceeds of the issuance, net of the issuance costs, amounted to about NIS 834 million (about US$238 million). The debentures were registered for trading on the Tel-Aviv Stock Exchange. On March 27, 2018, Standards & Poor's Maalot (hereinafter – "S&P") gave notice of provision of a rating of ilA to the above-mentioned debentures. On the date of the issuance, the Corporation was rated ilA/Stable.

   The debentures (Series 12) and (Series 13) are repayable in 6 unequal annual payments, which are to be paid on September 30 of each of the years 2021 through 2026, where in the first payment 10% of the par value of the principal is to be paid, the second, third, fourth and fifth payments are at the rate of 17.5% of the principal amount, while in the sixth (final) payment, 20% of the principal amount is to be repaid.

   The debentures (Series 12) bear fixed annual interest at the rate of 3.35% and are not linked to the CPI. The debentures (Series 13) bear fixed annual interest at the rate of 5.6% and are linked to the U.S. dollar. The interest on the outstanding balance of the two series of debentures is to be paid in semi-annual payments on March 31 and September 30, where the first interest payment is to be made on September 30, 2018, and the last interest payment is to be made together with the final principal payment on September 30, 2026.

   In March 2018, at the time of selling the debentures, the Corporation entered into SWAP transactions to exchange principal and interest of the debentures (Series 12), in order to reduce the currency and interest exposure. In respect of these transactions, the Corporation elected to apply cash-flow hedge accounting principles.

   The debentures (Series 12) and (Series 13) are not secured and include customary terms and conditions with respect to a case of insolvency, along with a mechanism for adjusting the interest rate in a case of a reduction of the rating of the debentures (the interest rate will increase by 0.25% for every decline in the rating level commencing with a rating of ilA and up to a maximum cumulative rate of 1.75%) (hereinafter – "the Maximum Cumulative Rate"), a one-time adjustment of the interest rate of 0.25% in a case where the shareholders' equity drops below $400 million (as part of the Maximum Cumulative Rate), a commitment not to place a lien on more than 500 million shares of ICL and on more than 897 million shares of ORL under certain circumstances, financial covenants, conditions for distribution of dividends and additional conditions as appearing in the trust indentures.

   Set forth below are the financial covenants

   The Corporation's minimum shareholders' equity may not drop below $360 million.

   The ratio between the Corporation's minimum shareholders' equity and the Corporation's total assets based on its separate-company (solo) financial statements net of the liquid solo assets (cash and short-term deposits) plus the net financial liabilities of the Headquarters Companies may not drop below 20%.

Note 5 – Additional Information (Cont.)

A. The Corporation (Cont.)

2. On March 22, 2018, the Corporation's Board of Directors decided to distribute a dividend in the amount of $120 million – about $15.74 per share. The dividend was distributed on April 23, 2018.

3. On March 19, 2018, the General Meetings of the holders of the debentures (Series 10 and 11) (hereinafter – "the Debentures") approved for each series separately, an amendment to the trust indentures (hereinafter – "the Amendment") with reference to certain conditions for distribution of dividends. As part of the Amendment, the interest rates for each series was updated by 0.2% referring to the unpaid principal as at the date of entry of the Amendment into effect and up to full repayment of the outstanding balance of the Debentures, and a one-time commission was paid, at the rate of 0.25% of the par value of the outstanding balance of the Debentures as at the date of entry of the Amendment into effect. In light of update of the interest, as stated above, in the period of the report the Corporation recorded financing expenses, in the amount of about $4.5 million.

4. On January 2, 2018, Kenon repaid the full amount of the loan (principal and interest) granted to it by the Corporation, and accordingly the amount of about $240 million was received by the Corporation. For additional details – see Note 11 to the annual consolidated financial statements.

5. Further to that stated in Note 10.B to the annual financial statements, 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 5,717 thousand shares, and as at June 30, 2018, the rate of the Corporation's holdings in ICL's issued share capital was about 47.1%, compared with 47.6% 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 15.6 million shares, and the balance of the period of the Financial Transaction is about 1.25 years. As a result of the decline in the rate of holdings, the Corporation recognized an increase in the non-controlling interests, in the amount of about $17 million, and at the same time an increase in the retained earnings, in the amount of about $7 million, and an increase in the translation reserve, in the amount of about $2 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 August 23, 2018, closing out of the Financial Transaction was completed with reference to an additional quantity of about 1,715 thousand shares of ICL by means of a "physical settlement" and the rate of the Corporation's holdings in ICL's issued share capital as at the aforesaid date was about 46.96%.

Note 5 – Additional Information (Cont.)

A. The Corporation (Cont.)

6. As stated in Note 16E(1) to the annual financial statements, during the period of the report the Corporation and the Headquarters Company made early repayment of loans, in the aggregate amount of $200 million, and a deposit was released, in the amount of about $8 million, which was deposited as security in favor of a certain loan, as stated. In addition, on May 10, 2018, the Corporation made early repayment of a loan, in the amount of $193.3 million, with a consortium of banks, as mentioned in Note 16E to the annual financial statements. As at the date of the report, a provision was recorded, in the amount of about $1.7 million, in respect of an early repayment commission.

7. Further to that stated in Note 6A(5) below, in respect of a derivative claim in connection with bonuses received by officers (former and present) of the Corporation from the controlling shareholders relating to completion of the "split-up" transaction, on March 18, 2018, a judgment was received from the District Court approving the compromise agreement for ending the proceedings and, as a result, the Corporation recorded the amount of about $9 million in the "other income" category in the statement of income, which reflects the amounts to which the Corporation is entitled net of the payment to the plaintiff and payment of the fees of the plaintiff's representatives.

8. Subsequent to the date of the report, on July 9, 2018, S&P Maalot gave notice of confirmation of the rating of the Corporation at ilA/stable, with a stable rating outlook.

Note 5 – Additional Information (Cont.)

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

1. Non-marketable options

Grant date	Entitled employees	Number of instruments (millions)	Issuance details	Instrument terms	Vesting conditions	Expiration date
March 6, 2018	Officers and senior employees	5.5	An issuance of non-marketable and non-transferrable options, for no consideration, under the 2014 Equity Compensation Plan to 508 ICL officers and senior employees in Israel and overseas.	Upon exercise, each option may be converted into one ordinary share of NIS 1 par value of the Company.	3 equal tranches: (1) one third at the end of 12 months after the grant date; (2) one third at the end of 24 months after the grant date; (3) one third at the end of 36 months after the grant date.	March 6, 2025
May 14, 2018	ICL's CEO	0.4	An issuance of non-marketable and non-transferrable options, for no consideration, under the 2014 Equity Compensation Plan (as amended).	Upon exercise, each option may be converted into one ordinary share of NIS 1 par value of the Company.	3 equal tranches: (1) one third at the end of 12 months after the grant date; (2) one third at the end of 24 months after the grant date; (3) one third at the end of 36 months after the grant date.	May 14, 2025

Note 5 – Additional Information (Cont.)

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

1. Non-marketable options (Cont.)

Additional Details	March 2018 Options Grant	May 2018 Options Grant
Share price	NIS 15.15 ($4.38)*	NIS 16.54 ($4.63)*
Original exercise price	NIS 14.52 ($4.20)*	NIS 15.76 ($4.42)*
Expected volatility	28.9%	28.8%
Expected life of options (in years)	7	7
Risk-free interest rate	0.03%	0.01%
Total fair value	$8 million	$0.6 million
Dividend – exercise price	Reduced on the "ex-dividend" date by the amount of the dividend per share	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 employees 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 calculated using the Black & Scholes model for pricing options. The exercise price is set according to the average closing share price in the TASE during the 30 trading days prior to the grant date and is linked to the CPI that is known on the date of payment. In a case of distribution of a dividend by the Company, 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 expiration date of the options is 7 years from the grant date.

The expected volatility was determined on the basis of the historical volatility of the 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.

Each option may be exercised into one ordinary share of NIS 1 par value of ICL. The ordinary shares issued as a result of exercise of the options have the same rights as ICL's ordinary shares, immediately upon the issuance thereof. The cost of the embedded benefits of the said plans will be recognized in the income statements over the vesting period.

The cost of grants complying with ICL's policy relating to "Rule 75" (accelerated vesting period for employees which their age plus their years of employment in ICL exceeds 75) is recognized in the income statements at the date on which the employee complies with "Rule 75".

Note 5 – Additional Information (Cont.)

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

2. Restricted shares

Grant date	Entitled employees	Number of instruments (millions)	Additional information	Instrument terms	Vesting conditions	Fair value on grant date ($ millions)
March 6, 2018	Officers and senior employees	1.7	The value of the restricted shares was determined according to the closing price on the TASE on the most recent trading day preceding the grant date.	An issuance for no consideration, under the 2014 Equity Compensation Plan (as amended).	3 equal tranches: (1) one third at the end of 12 months after the grant date; (2) one third at the end of 24 months after the grant date; (3) one third at the end of 36 months after the grant date.	8
May 14, 2018	ICL's CEO	0.1	The value of the restricted shares was determined according to the closing price on the TASE on the most recent trading day preceding the grant date.	An issuance for no consideration, under the 2014 Equity Compensation Plan (as amended)	3 equal tranches: (1) one third at the end of 12 months after the grant date; (2) one third at the end of 24 months after the grant date; (3) one third at the end of 36 months after the grant date.	0.6

On June 19, 2018, the Company's Board of Directors approved an equity grant to the Executive Chairman of the Board of Directors, Mr. Johanan Locker, in a total value of NIS 3.3 million (about $0.9 million) comprised of 403 thousand non-marketable and non-transferrable options exercisable into ordinary shares having a value of NIS 2.4 million and 47 thousand restricted shares having a value of NIS 0.9 million. The options and restricted shares will vest in three equal tranches: one-third at the end of 12 months after the grant date, one-third at the end of 24 months after the grant date and one-third at the end of 36 months after the grant date. The options will expire at the end of seven years from the grant date. Each option may be exercised for one ordinary share of NIS 1 per value of ICL.

Note 5 – Additional Information (Cont.)

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

2. Restricted shares (Cont.)

In addition, the Board of Directors approved an equity grant for 2019 to each director of ICL (excluding the Executive Chairman of the Board of Directors and the directors who are officers in Israel Corporation), in the form of restricted shares in a total value of NIS 0.3 million (about. $0.08 million) per director. The options and restricted shares will vest in three equal tranches: one-third at the end of 12 months from January 1, 2019, one-third at the end of 24 months from January 1, 2019, and one-third at the end of 36 months from January 1, 2019. The options will expire at the end of seven years on January 1, 2026. Each option may be exercised for one ordinary share of NIS 1 per value of ICL.

The above-mentioned grants are subject to the approval of the General Meeting of ICL's shareholders, which was received at the General Meeting held, subsequent to the date of the report, on August 20, 2018, which is considered as the grant date.

Furthermore, at General Meeting held on August 20, 2018, an annual and special bonus was approved for the exiting Acting CEO, Mr. Asher Greenbaum, in respect of 2017, in the aggregate amount of about NIS 2.5 million, and a special bonus in respect of 2018, in the amount of about NIS 0.5 million, based on the period of his service as ICL's Acting CEO in 2018, which are subject to approval of the Remuneration Committee and the Board of Directors that are to be received as part of the annual bonus approvals for officers in respect of 2018.

3. On June 5, 2018, ICL entered into an agreement for sale of the assets and business of its subsidiary, Rovita, for no consideration (hereinafter – "the Agreement"). Rovita produces commodity milk protein products, using by-products from the whey protein business of Prolactal, which is part of ICL's Specialty Solutions segment. Subsequent to the date of the report, on July 2, 2018, ICL completed the sale transaction. As a result, ICL recognized, in its financial statements for the second quarter of 2018, a loss deriving from the write-off of all Rovita's assets, in the amount of about $16 million (about $12 million after taxes), which is presented in the "other expenses" category in the statement of income.

4. Debentures

   A. Further to that stated in Note 16E(2) to the annual financial statements, on May 29, 2018, ICL completed a cash tender offer for all its debentures (Series D), senior notes due in 2024 with a coupon of 4.5%. Following the tender offer, ICL repurchased the amount of $616 million out of the original principal of $800 million. As a result, in the financial statements for the second quarter of 2018, ICL recorded financing expenses in the amount of $12 million.

Note 5 – Additional Information (Cont.)

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

4. Debentures (Cont.)

   B. On May 31, 2018, ICL completed a private offering of senior unsecured notes (hereinafter – "Debentures (Series F)") to institutional investors pursuant to Rule 144A and Regulation S of the U.S. Securities Act of 1933, as amended, in a total amount of $600 million, due for repayment on May 31, 2038. The Debentures (Series F) bear an annual coupon rate of 6.375%, which is to be paid in semiannual installments on May 31 and November 30 of each year, commencing November 30, 2018 and up to the final repayment date. The issuance price of the Debentures (Series F) was identical to their par value amount and they bear a yield of 6.375%.

   According to the terms of the Debentures (Series F), ICL is required to comply with certain covenants, including limitations on placing liens, restrictions on sale and lease-back transactions and standard restrictions with respect to merger and/or transfer of assets. ICL is also required to offer to repurchase the Debentures (Series F) upon occurrence of a "change of control" event, as defined in the indenture for the Debentures (Series F). In addition, the terms of the Debentures (Series F) include customary events of default, including a cross-acceleration with reference to other material indebtedness. ICL is entitled to optionally repay the outstanding Debentures (Series F) at any time prior to the final repayment date, under certain terms, subject to payment of an agreed early repayment premium. The Debentures (Series F) were rated BBB– by S&P Global Inc. and Fitch Rating Inc. with a stable rating outlook.

5. On May 10, 2018 and on June 21, 2018, respectively, the credit rating agency S&P Global confirmed ICL's international credit rating, BBB- with a stable rating outlook, and the credit rating agency S&P Ma'alot confirmed ICL's credit rating, 'ilAA' with a stable rating outlook.

6. Further to Note 5 to the annual financial statements, on March 28, 2018, ICL completed the sale transaction of the Fire Safety and Oil Additives businesses, for a consideration of $1,010 million, of which $953 million is in cash and $57 million is in the form of preferred equity certificates issued by a subsidiary of the buyer. As a result of that stated above, as part of the financial statements for the first quarter of 2018, ICL recorded a capital gain, net of transaction expenses, of $841 million, which is presented under "other income" in the consolidated statement of income.

Note 5 – Additional Information (Cont.)

B. Israel Chemicals Ltd. (hereinafter – “ICL”) (Cont.)

6. (Cont.)

Impact of sale of the businesses

	As at June 30, 2018 ($ million)
Cash and cash equivalents	1
Trade and other receivables	34
Inventory	59
Property, plant and equipment	26
Intangible assets	64
Trade payables and other current liabilities	(28)
Deferred tax liabilities	(3)
Net asset and liabilities	**153**
Consideration received in cash *	943
Taxes paid	(35)
Less cash belonging to the activities	(1)
Net cash received	**907**

* The consideration received in cash is net of $10 million transaction expenses. The total consideration also includes preferred equity certificates in the amount of $57 million.

7. In January 2018, in light of ICLs decision to discontinue the production of potash at ICL UK and transition to full production of Polysulphate in the second half of 2018, a plan was approved for personnel reduction, following which ICL recorded an increase of about $7 million in the provision for employee benefits in its financial statements for the first quarter of 2018.

8. Further to that stated in Note 20C(2)(d) to the annual financial statements, subsequent to the date of the report, on August 6, 2018, after receipt of all the required approvals, the new power station at Sodom (hereinafter – “the Station”) was placed into full service. ICL intends to operate the Station concurrent with the continued operation of the existing power station, which will be partially operated in a “hot back-up” format for production of electricity and steam.

C. Oil Refineries Ltd. (hereinafter – “ORL”)

1. As detailed in Note 9C(2) to the annual financial statements, in the period of the report the General Meeting of the shareholders of ORL approved ORL’s undertaking in an agreement for acquisition of natural gas from Energean. The agreement is subject to fulfillment of preconditions which, as at the approval date of ORL’s financial statements, some of which had not been fulfilled yet. Regarding a request for certification of a derivative claim filed, among other things, with respect to the above-mentioned transaction – see Notes 6A(7) and 6C(2), below.

Note 5 – Additional Information (Cont.)

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

2. As at June 30, 2018, ORL and its subsidiaries, Carmel Olefins and Gadiv, were in compliance with the financial covenants determined for them in connection with their liabilities.

3. On April 3, 2018, Standard & Poor's Maalot updated the rating of ORL and of ORL's public debentures to ilA–, with a positive rating outlook.

4. On January 14, 2018, the General Meeting of the shareholders approved, with a special majority, distribution of a dividend in the amount of $65 million, and on January 31, 2018, the dividend was paid (the share of Israel Corporation in the dividend is about $21.5 million). The dividend is out of earnings that are not entitled to benefits under the Law for Encouragement of Capital Investments, 1959.

5. In light of signs of an impairment in the value of the oils and wax activities, as at June 30, 2018, Haifa Basic Oils made an examination of the recoverable value of the activities, in accordance with the provisions of IAS 36. Pursuant to the said estimate, in the second quarter of 2018, a loss from impairment in value was recognized, in the pre-tax amount of about $10 million (the Corporation's share – about $3 million), and thus the depreciable assets of Haifa Basic Oils were fully written down. Subsequent to the date of the report, ORL's Board of Directors expressed its opinion that consideration should be given to closing down the factory of Haifa Basic Oils and permanently discontinuing all its activities. In ORL's estimation, the possible discontinuance of the activities of Haifa Basic Oils does not have a material impact on the results of ORL's activities, beyond the impairment loss recorded, as detailed above.

6. Further to that stated in Note 9C(5) to the annual financial statements, commencing from January 1, 2018 ORL is making early application of International Financial Reporting Standard IFRS 16 "Leases" (hereinafter – "the Standard"), which replaces International Accounting Standard IAS 17 and its related Interpretations. Israel Corporation is not making early application of the Standard. The impact on ORL's net income for the period of the report as a result of application of the Standard is not significant.

   ORL elected to apply the transitional rule whereby for the said leases, as at January 1, 2018 a lease liability was recognized, in the amount of about $99 million, which was calculated based on the present value of the future lease payments discounted at the incremental interest rate of the relevant lessee of ORL as at this date, corresponding to the remaining lease period (weighted-average of about 3.5%), and at the same time recognized a "usage right asset" in the same amount. Accordingly, application of the Standard had no impact on the balance of ORL's retained earnings as at January 1, 2018.

   In addition, commencing from the initial application date of the Standard, depreciation expenses are recognized in respect of usage right assets (in place of the lease expenses included in the EBITDA), which are mainly presented in the cost of sales, and financing expenses relating to the lease liability. The said impact is reflected in an increase in ORL's consolidated EBITDA in the first half of 2018 of about $14 million (in the second quarter of 2018, in the amount of about $7 million). The impact on ORL's net income in the first half and the second quarter of 2018 is not material.

Note 5 – Additional Information (Cont.)

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

6. (Cont.)

As a result of the initial application, there were no significant changes in ORL's main financial ratios or its ability to comply with the financial covenants it is subject to under the financing agreements and trust indentures.

Condensed data regarding associated company – ORL

ORL has made early adoption of the provisions of IFRS 16. Since Israel Corporation has not made early adoption of the Standard, as stated, Israel Corporation makes adjustments to the statements of ORL in its financial statements. The impact of the early adoption of the Standard on ORL's net income in the period of the report is not significant. The data set forth below includes impacts of early adoption of the provisions of the Standard, as stated.

Condensed data regarding the interim statement of position:

	June 30 2018	June 30 2017	December 31 2017
	(Unaudited)	(Unaudited)	(Audited)
		$ millions	
Country of Incorporation		ISRAEL	
Rate of ownership rights*	**33.05%**	33.08%	33.06%
Current assets	**1,745**	1,362	1,604
Non-current assets	**2,443**	2,401	2,411
Current liabilities	**(1,211)**	(1,006)	(1,204)
Non-current liabilities	**(1,644)**	(1,723)	(1,607)
Total net assets (100%)	**1,333**	1,034	1,204

Condensed data regarding the interim statement of income:

	For the six months ended June 30 2018	For the six months ended June 30 2017	For the three months ended June 30 2018	For the three months ended June 30 2017	For the year ended December 31 2017
	(Unaudited)		(Unaudited)		(Audited)
			$ millions		
Revenues	**3,365**	2,583	**1,719**	1,378	5,624
Income for the period , net	**171**	92	**97**	73	262
Other comprehensive income (loss)	**31**	(11)	**18**	(2)	(11)
Total comprehensive income	**202**	81	**115**	71	251

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) On October 16, 2013, V-Cars filed a monetary claim in the District Court in Tel-Aviv (essentially identical to the claim filed in the United States against the Corporation that was rejected) against the Corporation. On dates from February 28, 2016 through March 2, 2016, four consecutive days of proof hearings were held at the conclusion of which the case was set for written summations. The plaintiff and the Corporation have submitted their summations in the case. On June 3, 2018, a court decision was rendered by Judge Fargo rejecting the claim in full. Subsequent to the date of the report, on July 18, 2018, the plaintiff filed a notice of appeal. The Corporation intends to file a counter-appeal regarding the lack of an award of legal expenses in favor of the Corporation. An Order for summation of the contentions has not yet been issued and a hearing date has not been set. In the Corporation's estimation, based on an opinion of its legal advisors, the chances appeal will be accepted are remote.

(2) On August 5, 2014, a request was filed in the District Court in Tel-Aviv–Jaffa (the Economics Division) for certification of a claim as a derivative claim (hereinafter – "the Request for Certification"), by a Corporation shareholder that allegedly holds 19 of the Corporation's shares (hereinafter – "the Requesting Party") against the Corporation, ZIM, Messrs. Gideon Langholz, Oded Degany, Zehavit Cohen and Michael Bricker (who serve as Corporation directors) and against Millennium Investments Elad Ltd. (hereinafter – "Millennium") and Mr. Idan Ofer (hereinafter – "the Respondents"). A copy of the statement of claim was attached to the Request for Certification. On June 26, 2016, a Court decision was rendered whereby the Request for Certification was rejected (hereinafter – "the Court Decision"). On September 25, 2016, Requesting Party filed an appeal of the court decision to the Supreme Court. On July 6, 2017, the appellant filed the summations on his behalf. Up to November 15, 2017 the respondents filed their summations. The date for submission of the response summations was set at December 4, 2017. The hearing that was scheduled for June 25, 2018, was cancelled, and in its place a hearing was scheduled for February 4, 2019 for completion of the oral contentions. At this early and preliminary stage of the appeal, it is difficult to estimate the chances of these proceedings and their risks. In any event, as usual, a derivative claim (even if it is certified as a derivative claim), as well as the appeal of the rejection of the request for certification of the claim as a derivative claim, does not pose a significant threat of a liability for a significant monetary amount on the part of the Corporation (this is the rationale forming the basis for this type of claim), and it appears that this is also true in this case.

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

A. The Corporation (Cont.)

(3) On December 31, 2014, a request for certification of a claim as a derivative claim was filed in the District Court of Tel-Aviv–Jaffa (Economic Division) ("the Request for Certification"), by two shareholders who allegedly hold together 42 of the Corporation's shares (hereinafter – "the Plaintiffs"), against the Corporation, Messrs. Gideon Langholz, Oded Degany, Zehavit Cohen and Michael Bricker (who serve as Corporation directors) (hereinafter – "the Directors") and against Trigger Foresight (a limited partner) (hereinafter – "Trigger Foresight"). A copy of the statement of claim was attached to the Request for Certification. On December 10, 2015, a preliminary hearing was held on the request for the approval and thereafter the case was set for hearings of the proofs. The Plaintiffs filed a request with the Court for discovery of documents. On May 15, 2016, the Court's decision was received wherein it determined that there is no place for hearing the request for discovery of documents prior to hearing the Request for Certification. On June 13, 2016, the Plaintiffs filed a request for leave to appeal in connection with the Court's decision to reject the request for discovery of documents (hereinafter – "the Request for Leave to Appeal"). On August 9, 2016, a notice and request was filed on behalf of the Plaintiffs and Trigger Foresight whereby they have reached agreements with each other. On October 26, 2016, a decision was rendered by the Supreme Court on the Request for Leave to Appeal whereby, in brief, the Request for Leave to Appeal was accepted in part and it was ruled that protocols of the Special Committee for the period determined are to be submitted to the District Court in order to determine whether to allow reading of the documents while a balancing is to be made between the relevance of these documents to that contended in the Request for Leave to Appeal and the claims of confidentiality raised by the Corporation. On November 8, 2016, a notification was filed on behalf of Israel Corporation with respect to delivery of documents (confidential documents) for the Court's perusal, to which were attached (in a sealed envelope for the Court's perusal only) the required protocols, and the parts the Corporation believes are confidential – were marked as such. On January 17, 2017, the Court's decision was rendered, which accepted the Corporation's position regarding application of the attorney/client privilege to the documents delivered to the Court, as noted above, and the Court determined that under the circumstances of the matter there is no justification to negate the privilege. Accordingly, the Court instructed the Corporation to transfer the said documents for perusal by the requesting parties, while "blacking out" the confidential sections protected by the privilege. On March 19, 2017, the Plaintiffs filed a request to summon witnesses, wherein they requested the Court to summon Prof. Asher Blass for questioning, who prepared the opinion regarding the debt arrangement that is the subject of the request for certification of Antropi Investigation Services Ltd., and Mr. Nir Gilad. On May 9, 2017, the Court accepted the request to summon witnesses and instructed that Prof. Asher Blass and Mr. Nir Gilad be summoned to appear. On June 28, 2017, July 3, 2017 and July 19, 2017 hearings were held on the proofs. Additional hearings on the proofs were scheduled for November 2018. At this early and preliminary stage of the proceeding, it is difficult for the Corporation, based on the opinion of its legal advisors, to assess the chances of the proceeding and its risks. In any event, a derivative claim (even if it is ultimately approved as a derivative claim) does not create actual monetary exposure to the Corporation itself.

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

A. The Corporation (Cont.)

(4) On January 15, 2015, a request was filed on behalf of Mr. Mordochai Gavrielli (hereinafter – "the Plaintiff"), as part of a proceeding for certification of a claim as a class action, in the amount of NIS 32.3 million (hereinafter – "the Request"), against the Corporation and, based on that alleged in the Request, against the members of the Corporation's Board of Directors, the Corporation's CEO on the relevant dates, the Corporation's CFO on the relevant dates (hereinafter – "the Officers") and the Corporation's controlling shareholder (hereinafter jointly and severally – "the Respondents"). The Plaintiff held 5 of the Corporation's shares between the dates October 14, 2014 through December 3, 2014. As part of an Immediate Report of the Corporation dated December 31, 2014, a notification was provided whereby there was a clerical error in the Report of the Board of Directors as at September 30, 2014, which was published on November 25, 2014 (hereinafter – "the Board of Directors"). Pursuant to that alleged in the Request, the clerical error is a "significant error in description of the financial position of the subsidiary", and this error caused the Plaintiff and additional shareholders, who bought and sold their shares during the period between November 25, 2014 (prior to the start of trading) through December 31, 2014 (after the close of trading) (hereinafter – "the Alleged Misleading Period"), to sustain significant harm. On January 5, 2016, a preliminary hearing on the claim was held. On May 17, 2016, a court hearing was held wherein the Plaintiff (regarding his affidavit), the expert on its behalf (regarding his opinion) and a declarant on behalf of the Corporation (on his affidavit) were questioned. On July 18, 2016, the requesting party filed summations on his behalf and on November 14, 2016, the respondents filed summations on their behalf, and on November 22, 2016, the requesting party submitted response summations. On December 6, 2017, a decision was rendered by the District Court (the Hon. D. Karat-Meir) with respect to the request for certification of the claim as a class action. The Court accepted the request and approved filing of a class action on behalf of a defined and limited group of shareholders of Israel Corporation, who according to the contention suffered harm due to the clerical error. On December 20, 2017, a decision was rendered by the District Court (the Hon. Magen Altuvia) wherein the parties were requested to provide their positions regarding the Court's suggestion to enter into a time-limited reconciliation proceeding before the Hon. Tzvi Zilbertal (retired) and/or any other mediator. On December 31, 2017, notifications were filed on behalf of both the requesting party and the respondents, which included the following agreements: the parties agree to carry on a reconciliation proceeding (for a limited period of time) before the Hon. Tzvi Zilbertal (retired). The plaintiff agreed to extend the date for purposes of filing a request for a re-hearing (on behalf of the respondents) such that it will be filed within 30 days after either of the parties notifies the Court that the lack of success of the reconciliation proceeding (to the extent it does not succeed). On December 31, 2017, a further decision was rendered by the District Court (the Hon. Magen Altuvia) instructing (further to the notifications of agreement on behalf of the parties) to transfer the dispute to a time-limited reconciliation proceeding before the Hon. Tzvi Zilbertal (retired), as well as with respect to extension of the hearing dates until another decision is rendered. On February 13, 2018, the first reconciliation meeting was held, and additional meetings were scheduled. The Corporation included a provision that properly reflects, in the estimation of the Corporation's management, the cost that will be paid with a probability of more than 50%. The Corporation has insurance coverage for its liability stemming from the claim, subject to customary exceptions in the policy and, accordingly, an indemnification asset was recognized.

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

A. The Corporation (Cont.)

(5) Further to that stated in Note 20B(1)(e) to the annual financial statements, on March 18, 2018, a hearing was held and on that date a court decision was issued by the District Court approving the compromise agreement for ending the proceedings. Pursuant to the compromise agreement (in brief), the officers of the Corporation will transfer the aggregate amount of NIS 45 million in order to conclude the dispute that is the subject of proceeding, on the dates stipulated in the compromise agreement. Pursuant to the compromise agreement, against execution of the payments all the contentions, causes of action and claims of the Corporation (including the Claimant) against the respondents in the proceeding will be cancelled with reference to all the contentions, causes of action and claims raised in the request for certification of the claim, including those relating to the grants. In addition, in the compromise agreement an award was provided to the Claimant and attorney's fees of her representative, in the aggregate amount of NIS 7.3 million, which is to be paid as part of the amount to be paid to the Corporation, as stated, and on the dates determined in the Court's decision. The amount of the award was determined taking into account the fact that this is an innovative decision, the likes of which have not yet found their way into the court decisions of the State of Israel.

(6) In September 2013, the District Court in Lod issued a fixed liquidation order against Better Place, which is incorporated in Delaware in the United States, in which the Corporation holds about 30% of its shares. This liquidation order was recognized during October 2013 by the competent court in Delaware. As far as we know, a liquidation order has also been issued against subsidiaries of Better Place. In March 2014, the Corporation submitted to the Liquidators of Better Place a debt claim in the amount of about $72 million in respect of its investment in subordinated convertible notes issued by Better Place in November 2012 and February 2013. On September 2, 2014, the decision of the liquidators of Better Place was received whereby the debt claim submitted by the Corporation is rejected. No appeal of the decision on the debt was filed. Former officers of the Corporation have been summoned for investigation by the Liquidators of Better Place. Further that stated above, on May 23, 2016, a claim was filed in the Central District Court of Lod by the Liquidators of Better Place, in the amount of NIS 200 million, against, among others, a number of position holders in Better Place, including 3 former officers of the Corporation, in connection with their service in Better Place and actions or omissions of the defendants at the time of the liquidation. To the best of its knowledge, the Corporation is not one of the defendants. Statements of defense in the case have not yet been filed. On October 22, 2017, a pre-trial hearing held, whereat it was determined, among other things, that some of the defendants, including the said officers, are to file, no later than December 10, 2017, a request for summary dismissal that will relate solely to the contention that the claim is not appropriate since they have the defense of the rule of business judgment under Israeli law.

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

A. The Corporation (Cont.)

(6) (Cont.)

On December 13, 2017, some of the defendants, including the said officers, filed a request for summary dismissal, as stated. The Liquidators of Better Place filed their response to the request for summary dismissal in March 2018, and on April 15, 2018, the reply of the defendants to response of the Liquidators was submitted. On April 22, 2018, the Liquidators of Better Place filed a request with the Court to transfer the hearing of the claim to another party (in place of the Hon. Judge Groskopf who was appointed to serve on the Supreme Court) and on April 29, 2018, an objection to the request was filed on behalf of the defendants, as stated, and on May 3, 2018, the response of Liquidators to the request was submitted. Decisions have not yet been rendered by the Court with respect to any of the requests. It is further noted that, to the best of the Corporation's knowledge, on February 5, 2018, the Bankruptcy Court in Delaware (the court in the place of incorporation of Better Place) rejected a request for summary dismissal filed by some of the defendants, including three of the former officers of the Corporation, based on the contention that Delaware law does not have a foundation for the cause of action in the claim filed against them.

(7) On January 10, 2018, a request was filed in the District Court in Tel-Aviv–Jaffa, for certification of a derivative claim in the name of Oil Refineries Ltd. (hereinafter – "ORL") against former directors of ORL, directors currently serving, O.P.C. Energy Ltd. (hereinafter – "OPC"), O.P.C. Rotem Ltd., O.P.C. Hadera Ltd., Israel Chemicals Ltd. (hereinafter – "ICL") and Messrs. Idan Ofer and Ehud Angel (hereinafter – "the Request for Certification"). The subject matter of the Request for Certification is transactions for acquisition of gas of the group companies, including their "intercompany" aspect, including undertakings of ORL, ICL and OPC in 2012 with the Tamar partnership in agreements for supply of natural gas from Tamar's reserve (hereinafter – "the Group Companies" and the "Tamar Transaction", respectively) and undertakings of the Group Companies (between them directly and through subsidiaries) in agreements for acquisition of gas from Energean Israel Ltd. (hereinafter – "the Energean Transaction" and "Energean", respectively), which as at the filing date of the Request for Certification was awaiting approval of the General Meeting of the shareholders of ORL and, in fact, was approved by it on January 21, 2018.

Contentions of the requesting party with respect to the Energean Transaction

As part of the Request for Certification, the requesting party contends with respect to the Energean Transaction, among other things, in brief and based on an expert's opinion that was attached to the Request for Certification, that the Group Companies were required to enter into a transaction with themselves with respect to the manner of allocation of the economic benefits obtained in the joint negotiations (hereinafter – "the Intercompany Transaction"). The requesting party contends that the failure to carry on negotiations for obtaining an intercompany transaction and the lack of an intercompany transaction adversely impacts ORL and prejudices, since it apparently does not receive the share of the economic benefits it is entitled to due to its significant purchasing power and its contribution to the negotiations with Energean.

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

A. The Corporation (Cont.)

(7) (Cont.)

Contentions of the requesting party with respect to the Energean Transaction (Cont.)

Also pursuant to the requesting party's position, in brief, there were significant defects in the Energean Transaction, including: the transaction was brought for approval by the General Meeting of ORL's shareholders while concealing material details and on the basis of a defective factual and economic infrastructure, which negates the validity of approval granted (that was granted as noted), since the infrastructure relates mainly to the Energean Transaction and not to the Intercompany Transaction, which is the reason why the General Meeting was convened in the first place; no intercompany process was carried on, or any other appropriate proceeding in order to allocate the intercompany benefits between the Group Companies; no disclosure was made to the General Meeting of ORL's shareholders of, among other things, the matter of the combined scope of the benefits obtained jointly, the economic price of the agreement ORL could have obtained itself, due to its own independent purchasing power, as well as to the benefit each of the Group Companies would have obtained separately, taking into account the purchasing power and the contribution each of the Group Companies made to the joint negotiations.

It was further asserted in the Request for Certification that the Energean Transaction is an extraordinary transaction in which the controlling shareholder of ORL has a personal interest, and it is not in ORL's best interest, since according to the contention of the requesting party, even if it is approved by the General Meeting of ORL's shareholders (that was granted as noted) such approval will not be valid due to the alleged defects in the format of the undertaking, as stated, in the disclosure provided to the General Meeting of ORL's shareholders and in the economic opinion published shortly before its approval. Additional contentions were raised with reference to this transaction, including the question of its being for the benefit of ORL and it was "at market terms". The requesting party contends that the respondents breached their duty of trust, good faith and fairness to ORL, taking into account, among other things, the fact that ORL's business opportunity was exploited for the needs of other companies controlled by the controlling shareholder, the Board of Directors and the controlling shareholder were in a position of a conflict of interests regarding which proper disclosure was not made, and there were defects in the undertakings, disclosure and non-approval of the transaction as required. In addition, it was argued that the Board of Directors breached their duty of caution to ORL due to, among other things, the format for carrying on the negotiations and the undertaking in said transaction and its non-approval as required, and that the members of ORL's Audit Committee did not fulfill their obligations in this regard. Regarding the Corporation, it is contended in the Request for Certification, among other things, that the controlling shareholders of ORL (including the Corporation) and ORL's Board of Directors acted in cooperation in order to hold a deficient, defective and misleading discussion of approval of the Energean Transaction, and the benefitted, are benefitting and will continue to benefit from part of the benefit conferred on them, at ORL's expense.

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

A. The Corporation (Cont.)

(7) (Cont.)

Contentions of the requesting party with respect to the Energean Transaction (Cont.)

The main reliefs the requesting party is petitioning for in the Request for Certification with respect to the Energean Transaction are: to declare that the said transaction did not receive the approvals required in accordance the provisions of the law (even if approval of the General Meeting of ORL's shareholders was granted, which as noted was granted on January 21, 2018); to declare that the approval of the General Meeting of ORL's shareholders is not binding with reference to approval of the subject transaction; to declare that no intercompany process was properly carried on regarding the manner of allocating the combined benefits obtained in the joint negotiations with Energean, and that the manner of allocating the benefit was not brought for a "three-sided" approval, including approval of the General Meeting of ORL's shareholders, as required; to instruct that an intercompany process is to be carried out, including in a manner that will ensure allocation of the benefits among the Group Companies based on the separate bargaining power of each of them, and to totally nullify the intercompany agreement, express or implied, in connection with the Energean Transaction, which is expressed in determination of the prices of each of companies vis-à-vis Energean; to the extent that up to the time of clarification of the claim the Transaction is approved and executed, to instruct the respondents, jointly and severally, to compensate ORL and/or to return to it the amount of the benefits that, based on the position of the requesting party, OPC and ICL received at ORL's expense, and to instruct that there shall be added to the amount of the damages and/or the return that will be determined a percentage coefficient, at a rate of not less than 50% or, alternatively, to return the amount of the "profit gained by ORL's controlling shareholders from the said transactions" – whichever is higher; or alternatively, to the extent there is an economic dispute and/or a reasonable boundary regarding the manner of allocating the benefit among the Group Companies, ORL will receive a benefit at the highest level, with reference to the other companies, and/or a payment for the gas supplied in this Transaction at the lowest rate, in the framework of the said boundary.

Contentions of the requesting party with respect to the Tamar Transaction

Regarding the Tamar Transaction, the requesting party contends, in brief, among other things, and based on an expert's opinion that was attached to the Request for Certification, that the Tamar Transaction was also an extraordinary transaction that was not approved by ORL as required, and also raises additional contentions with respect to this transaction, including questions of whether it was in ORL's benefit and whether it was at market terms. Regarding the Corporation, it is contended in the Request for Certification, among other things, that ORL's controlling shareholders (including the Corporation) and ORL's Board of Directors acted in cooperation in order to violate the provisions of law and to prevent a discussion and decision with respect to the Tamar Transaction at the General Meeting of ORL's shareholders. Thus, so it is argued, ORL's controlling shareholders negated the ability to examine the transaction and/or to decide to enter into an undertaking with another party and/or in another format and/or to fundamentally change the terms of the transaction.

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

A. The Corporation (Cont.)

(7) (Cont.)

Contentions of the requesting party with respect to the Tamar Transaction (Cont.)

Regarding the Tamar Transaction, among other things, declaratory reliefs were requested in connection with not holding an intercompany process as required according to the requesting party's approach (see above), and regarding in appropriate approval and lack of validity of the Tamar Transaction vis-à-vis ORL, including surplus gas that was acquired in the framework thereof pursuant to agreements that are part of the terms of the Tamar Transaction, as asserted in the Request for Certification; as well as reliefs in the form of compensation to ORL by the respondents, jointly and severally, and/or return of the amount of the benefits the additional parties to the Transaction apparent obtained, at ORL's expense, plus a "coefficient" demanded or, alternatively, return of the amount of the "profit gained by ORL's controlling shareholders from the said transactions" – whichever is higher (where it is contended that ORL is entitled to compensation at the highest level, as stated above). The requesting party noted in the Request for Certification that it is unable to estimate the amount of the claim at this juncture however it is more than NIS 2.5 million. It was also requested by the requesting party, among other things, that after certification of the claim as a derivative claim (if certified), the Court will approve attorney's fees that will be calculated based on the benefit and/or benefits obtained to ORL and in general. In its decision on January 11, 2018, the Court instructed that the responses to the Request for Certification be submitted within 60 days, and that a copy of the Request for Certification be provided to the State Attorney General, who will give notice within 30 days of the filing date of the responses, as stated, it he intends to join the proceeding. On February 14, 2018, the respondents, the representation of which in the proceeding was arranged on the said date, filed an agreed-to request for approval of a hearing arrangement. Subsequent to the date of the report, on August 7, 2018, a response was submitted on behalf of the Corporation and on behalf of additional respondents. At this preliminary stage of the proceedings, it is difficult to assess the chances of this proceeding and its risks.

(8) Derivative Claim 68729-11-17, Roi Hahami v. Oil Refineries et al – during December 2017, a request was filed in the District Court in Tel-Aviv for certification of a derivative claim (hereinafter – "the Request for Certification"), in the name of Oil Refineries Ltd. (hereinafter – "ORL"), against O.P.C. Rotem Ltd. (hereinafter – "OPC") and against directors of ORL and directors of the Corporation. The subject matter of the Request for Certification is a contractual undertaking from 2011 for sale of electricity from OPC to ORL during a period of years, in an overall scope estimated in the Request for Certification in the amount of $800 million to $900 million. The requesting party contends that this is a transaction that was made without approval, this being, among other things, due to its being an extraordinary transaction for ORL since: it was not made in the ordinary course of ORL's business; it could have a material impact on ORL's profits; and there is an indication that it was not made at market terms. The requesting party further contends that the controlling shareholder of ORL had a personal interest in the transaction and, therefore, the undertaking in the transaction was required to receive the approval of the General Meeting of ORL's shareholders – approval that was not received.

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

A. The Corporation (Cont.)

(8) (Cont.)

The reliefs requested in the Request for Certification are: (a) a declaration that the undertaking between ORL and OPC is invalid, or may be cancelled; (b) an Order for prevention of execution of the transaction until after all the required approvals for it have been received; (c) a determination that OPC must return to ORL the amounts paid to OPC in connection with the transaction or, alternatively, part of the said payment; (d) charging all the respondents to compensate ORL for the damages caused to it as a result of the undertaking in the transaction. The requesting party contends in the Request for Certification that, in light of the fact that the Corporation held on the relevant dates 80% of OPC's shares (directly and indirectly), but only 37% of the shares of ORL, the Corporation had a "real interest to worsen ORL's terms in the transaction for acquisition of electricity from OPC, and to become enriched thereby". The requesting party further contends that the transaction involves a large monetary amount, and that "to the extent the amount of the transaction is higher and more significant, there is a greater fear of an adverse impact on the Company's [ORL – the undersigned] benefit and exploitation of the position of the controlling shareholder to become enriched at the Company's expense". In addition, the requesting party contended that "there is a heavy fear that Israel Corporation actually made use of its control over ORL advance its energy business and to establish an energy arm, while using ORL as a main and foremost anchor customer, without proper consideration to ORL". Specifically, the requesting party contended that in its role as the main and largest customer of OPC, ORL should have received preferable terms in the undertaking compared with other customers of OPC, however, as a practical matter, ORL received "similar terms" to other customers "this being due to the fact that the transaction favored Israel Corporation and was intended to help it to establish a private power station". It was also asserted that the Corporation "utilized ORL's purchasing power (as a consumer of natural gas) in order to reduce the operating costs of the Rotem power station … but, on the other hand – Israel Corporation neutralized the same purchasing power of ORL in the transaction for acquisition of electricity with OPC …". It was also argued in the Request that since the Corporation knew that the undertaking between ORL and OPC was made with the required approvals (this being, among other things, due to double service of one of the officer in both ORL and the Corporation) – the undertaking is not valid regarding it. The requesting party contends that the Corporation "steered the activities of ORL and the activities of OPC Rotem, in all that relating to acquisition of the electricity", the Corporation "unfavorably exploited its power of control in ORL and formulated the illegal transaction, the Corporation placed itself in a position of conflicting interests, the Corporation "exploited its power of control in ORL in order to become enriched at ORL's expense", [*ed.* and] the Corporation did nothing with respect to convening a General Meeting of the shareholders of ORL even though it knew there was a need for such a General Meeting. Thus, the requesting party contends, the Corporation breached the duty of good faith and fairness imposed on it and, accordingly, it must be charged for compensation in respect of the damages caused to ORL. The requesting party did not quantify the damages he alleges were caused to ORL but, rather, claimed that clarification of the amount of the damages must be left to a stage after certification of the claim as a derivative claim. Nonetheless, the requesting party noted that there are a number of indications that damages were sustained.

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

A. The Corporation (Cont.)

(8) (Cont.)

It is noted that even though the initial monetary relief demanded in the claim is to determine that every payment made by ORL to OPC is invalid, and even though the scope of the payments (in the entire transaction, both in the part already executed and in the part not yet executed) is estimated by the requesting party at $800 million to $900 million, such relief was not directed against the Corporation – since against it, as stated, relief was requested of compensation for damages only. Subsequent to the date of the report, on July 10, 2018, the Corporation submitted its response. On the same date, ORL submitted a request for summary dismissal of the Request for Certification. The Corporation joined the ORL's request for summary dismissal. Taking into account the legal material on which the allegations against the Corporation are based, along with the factual data transferred to us up to now – it appears that the chances that relief will be adjudicated against the Corporation are lower than the chances that such relief will not be adjudicated against it.

B. ICL

(1) Subsequent to the date of the report, on July 2, 2018, an application for certification of a class action was filed in the Central District Court against ICL and its subsidiaries, Rotem Amfert Negev Ltd. and Fertilizers and Chemicals Ltd. (jointly hereinafter – "the Defendants"). The causes of action are the alleged exploitation of the Defendants' monopolistic position to charge consumers in Israel excessive and unfair prices for products classified as "solid phosphate fertilizer" between 2011 and 2018, contrary to the position of the Restricted Trade Practices Law, and unjust enrichment at the expense of the plaintiff and the represented group. The representative plaintiff is a Kibbutz member that grows various plants and trees in his yard and in a nearby orchard. The represented group includes all consumers who purchased, directly or indirectly, solid phosphate fertilizer products manufactured by the Defendants, or farming produce fertilized with solid phosphate fertilizer or food products that include such farming produce, in the years 2011–2018 (hereinafter – "the Represented Group").

According to the statement of claim, the plaintiff requests, among other things, that the Court rules in his favor and in favor of the Represented Group, awarding them compensation for the damages allegedly caused them, in the total amount of NIS 56 million (about $15 million), based on a calculation pursuant to the "difference test", measuring the difference between the price of a product and its cost, as described in the statement of claim, or in the amount of about NIS 73 million (about $20 million), based on the "comparison test", comparing the price of a product to its price in other markets, as described in the statement of claim. It should be noted that ICLs total sales of solid phosphate fertilizers in Israel during 2017 were negligible. ICL is reviewing the application and will submit its position to the Court as required by law. As at the date of the report, considering the early stage of the proceeding, ICL is unable to assess the chances the application will be accepted.

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

B. ICL (Cont.)

(2) On May 20, 2018, a collective labor agreement was signed between Dead Sea Works Ltd. (hereinafter – "DSW") and DSW's Workers Council, the General Organization of Workers in Israel and the Histadrut Negev District branch, for a period of five years (hereinafter – "the Agreement"), commencing from October 1, 2017, the termination date of the previous labor agreement. The key provisions of the Agreement are as follows:

a. Arrangement of wage increases to the employees to whom the Agreement applies.

b. Completion of execution of DSW's efficiency plan by September 30, 2021, in accordance with the provisions specified in the Agreement.

c. During the efficiency period, mentioned above, no collective dismissals shall be implemented.

d. The declared labor disputes are cancelled and throughout the Agreement period appropriate labor relations shall be maintained and no actions shall be taken which may cause a work disruption.

e. Payment of a signing bonus upon signing of the Agreement.

Considering the aforesaid, in the financial statements for the second quarter of 2018 ICL recognized an expense in the amount of $5 million due to the signing bonus, which is presented under "salary expenses" in the statement of income.

(3) Further to that stated in Note 20D(1) to the annual financial statements, regarding the Dead Sea Concession, on May 23, 2018, the Israeli Ministry of Finance published the interim report of the inter-ministry team headed by the Chief Economist, Mr. Yoel Naveh, which examined the required government actions towards the end of the Dead Sea concession period in 2030. The team's interim report includes a series of guiding principles and recommendations regarding the actions which the government should take, and is subject to a public hearing. On July 5, 2018, ICL submitted its position within the framework of the public hearing process. As at the date of the report, since the interim report was only initially published for public remarks and merely includes guiding principles and a recommendation to establish sub-teams to implement such principles, ICL is unable to assess, at this stage, the concrete, final implications thereof or the date of their publication.

(4) Further to that stated in Note 20B(2)(a)(iii) to the annual financial statements, in connection with the three applications for certification of claims as class actions against ICL as a result of a partial collapse of the dike in the evaporation pond of Rotem Amfert Negev Ltd. (hereinafter – "Rotem") which caused contamination of the Ashalim Stream and its surrounding area, on May 1, 2018, the Israel Nature and Parks Authority (hereinafter – "NPA") filed a motion with the Be'er Sheva District Court to strike the three applications mentioned above as, according to NPA, it is the entity most suitable to serve as the representative plaintiff in a class action in this regard.

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

B. ICL (Cont.)

(4) (Cont.)

Concurrently, NPA filed an application for certification of a class action against ICL, Rotem and past and present officers of ICL and Rotem (jointly hereinafter – "the Respondents"), with respect to the Ashalim incident. According to NPA, the Respondents, jointly and/or severally, are liable for compensation due to the Ashalim incident, among other things by virtue of the torts laws and/or unjust enrichment laws and by virtue of any other law.

In the Application, the Court was requested, among other things, to issue orders the purpose of which is to take all necessary measures to prevent recurrence of the environmental hazard, and also to cooperate with NPA and the State's authorities in order to minimize the ecological and environmental damage and see to restoration of the nature reserve. Furthermore, the Court was requested to grant monetary relief to the public injured by the ecological and environmental damage, and to grant a monetary relief for purposes of restoration of the nature reserve, in the aggregate amount of NIS 397 million (about $110 million).

ICL is studying the applications and considering its legal steps. In light of the preliminary stages of the applications and the scarcity of similar precedents, it is difficult, at this stage, to estimate the outcome of this proceeding.

On May 16, 2018, ICL was served with a motion for discovery and perusal of documents (hereinafter – "the Motion"), filed in the Tel-Aviv District Court, by a shareholder of ICL (hereinafter – "the Movant"), as a preliminary proceeding in preparation for a possible filing of an application for certification of a multiple derivative action against officers of ICL and Rotem who, according to the Movant, caused the alleged damages caused and to be caused by ICL as a result of the Ashalim incident. ICL is reviewing the Motion and will submit its position to the Court.

(5) Further to that stated in Note 20B(2)(a)(ii) to the annual financial statements, in connection with the appeal filed by Adam Teva V'Din – Israeli Association for Environmental Protection (hereinafter – ATD) in the matter of the building permit for Pond 4, in March 2018, the Appeals Committee fully denied the claims of ATD regarding the permit, which remained in effect until May 31, 2018. Regarding the permits for Pond 5, the Appeals Committee determined that in connection with the northern part of the Pond, the permits for continuation of preparation works and use may presently be issued. As for the southern part of the pond, the Committee determined that the permit for continuation of the preparation works and the use permit are subject to a decision of the Tamar Local Building and Planning Committee, which will be issued pursuant to the results of a discussion, headed by the Ministry of Environmental Protection, relating to the future of the gypsum ponds and their location.

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

B. ICL (Cont.)

(5) (Cont.)

On May 16, 2018, ATD filed an administrative petition against the Appeals Committee, wherein it requests the Court to order that: (1) the Appeals Committee's ruling is void, as well as any permit issued by virtue thereof for ponds 4 and 5; (2) the "relief" in implementation of the outline plan applying to the region, as provided in the Appeals Committee's ruling, constitutes a breach of the provisions of the outline plan applying to the region; and (3) the Local Committee shall act to enforce the law and abstain from further planning procedures and permits until such enforcement actions are taken. ICL filed its position to the Court in July 2018. ICL estimates that the chances that the petitioner's claims will be sustained, in whole or in part, in a manner causing invalidation of the permits, are lower than the chances of their being denied, among other things, as this is the third appeal concerning the same decision of the Local Committee.

(6) Further to that stated in Note 20B(2)(c) to the annual financial statements, regarding the urban license for the Sallent site and following the Urban Catalan Central Commission (CUCC) demand to legalize the current uses of Cogullo Salt Mountain, on July 5, 2018, the City Council issued the urban license to the Copmany. In addition, regarding the permit to pile up salt in Sallent, on June 12, 2018, ICL received the CUCC's approval to continue piling up the salt up to June 30, 2019.

(7) Further to that stated in Note 20D(2) to the annual financial statements, regarding the National Outline Plan (hereinafter – NOP 14B), which includes the Barir field, in March 2018, a discussion regarding the appeal filed by the Minister of Health was held in the Housing Cabinet, wherein it was decided, with the consent of the Ministry of Health, Finance and Energy, to remove the appeal and to approve the NOP 14B. In addition, it was decided to establish a team with representatives of the Ministries of the: Treasury, Health, Transportation, Environmental Protection and Energy, which will present to the Housing Cabinet a report that includes health aspects for NOP 14B. In April 2018, NOP 14B was formally published. Subsequent to the date of the report, on July 23, 2018, an additional petition to revoke the approval of NOP 14B was submitted to the Israeli Supreme Court sitting as the High Court of Justice by the municipality of Arad against the National Building and Zoning Council, the Ministry of Health, the Israeli Ministry of Environmental Protection and Rotem Amfert.

(8) In March 2018, an application for certification of a claim as a class action was filed in the District Court in Be'er Sheva by two groups: the first class constituting the entire public in the State of Israel and the second class constituting visitors of Bokek stream and the Dead Sea (hereinafter – "the Applicants"), against the subsidiaries, Rotem Amfert Negev Ltd. and Periclase Dead Sea Ltd. (hereinafter – "the Respondents"). According to the claim, the Respondents have allegedly caused continuous, severe and extreme environmental hazards through pollution of the "Judea group – Zafit formation" groundwater aquifer (hereinafter – "the Aquifer") and the Ein Bokek spring with industrial wastewater, and in doing so the Respondents have violated various provisions of property laws and environmental protection laws, including the provisions of the Law for Prevention of Environmental Hazards and the Water Law, as well as violations relating to the Torts Ordinance – breach of statutory duty, negligence and unjust enrichment.

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

B. ICL (Cont.)

(8) (Cont.)

As a result, the Court was requested to order the Respondents to eliminate the proprietary violation in reference to the Aquifer and Bokek stream by restoration thereof and to pay the public compensation in an estimated amount of NIS 1.4 billion (about $410 million). In ICL's estimation, considering the early stage of the proceeding and due to unprecedented questions that arise from the request, it is not possible to assess, at this stage, the chances the application will be accepted.

(9) Further to Note 20D(1) to the Annual Financial Statements, in connection with the royalty arbitration proceedings, in March 2018, ICL filed a counter-opinion in respect of the State's claim to an additional amount as a result of an alleged underpayment of royalties. ICL believes that the State's main claims are unfounded and in its estimation the chances they will be rejected by the arbitrators are higher than they will be accepted. As at the date of the report, ICL had paid the full amount of the additional royalties in connection with the claims that are not disputed.

C. ORL

(1) Further to Note 20B(3)(f) to the Annual Financial Statements, in the period of the report ORL paid the amount of about NIS 251 million (about $73 million) in respect of development levies (about NIS 230 million principal and about NIS 21 million interest and linkage differences that were not in dispute). In the second quarter of 2018, the Court gave the force of a court decision to the a compromise agreement signed between the parties whereby ORL paid an additional amount in respect of interest and linkage differences, in the amount of about NIS 29 million (about $8 million). The compromise agreement did not have a material impact on ORL's results of operations in the period of the report.

(2) As stated in Note 20B(3)(e) to the Annual Financial Statements, in the period of the report a shareholder of ORL (K.R.N.A.) requested from the District Court in Tel-Aviv to certify a claim it filed as a derivative claim in the name of ORL against OPC, ICL, the Corporation and the controlling shareholders thereof and the directors that served in the Corporation in 2012 (at the time of approval of the transaction with Tamar) and/or that served therein in 2017 (at the time of approval of the transaction with Energean), in connection with transactions for acquisition of natural gas from Tamar and Energean, based on the contention that the transactions were not approved as required and that the two transactions are not in the best interest of ORL and are not on market terms. Subsequent to the period of the report, ORL and the other respondents filed their responses to the request.

In ORL's estimation, based on its legal advisors representing it in the case, at this early stage it is not possible to estimate the chances that the request will be approved, however in any case ORL will not be required to pay any amounts claimed in the request.

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

C. ORL (Cont.)

(3) Further to Note 20B(3)(c) to the Annual Financial Statements, in the second quarter of 2018, charges were filed against ORL and four of its officers, in connection with a fire event in a storage tank of intermediate materials in ORL's yard in 2016. The proceedings have not yet started. In the estimation of ORL's management, based on the evaluation of its legal advisors representing it with respect to the said charges, at this early stage, ORL is not able to assess the exposure stemming from the said charges filed.

(4) Subsequent to the date of the report, ORL, on August 9, 2018, ORL received a notification from the New General Workers Union (hereinafter – "the Histadrut") of announcement of a labor dispute, pursuant to Sections 5A and 5B of the Law for Settlement of Labor Disputes, 1957. ORL rejects the Histadrut's contentions and the announcement, as stated, contending that the content of the notification and its underlying circumstances do not justify and do not give rise to a cause of action for announcement of a labor dispute. At this stage, ORL is unable to estimate whether the announcement of the Histadrut will have an impact on ORL and, if so, what such impact will be.

(5) As detailed in Note 20B(3)(a)-(c) to the Annual Financial Statements, legal, administrative and other proceedings are being carried on against the ORL Group regarding environmental protection, and various warnings have been received from the Ministry of Environmental Protection and various investigations are being carried on by it regarding a number of matters, where with respect to some of them, in the estimation of ORL's management, based on the opinion of its legal advisors and the legal advisors of ORL's subsidiaries, at this stage, it is not possible to estimate the impacts, if any, on the financial statements as at June 30, 2018 and, accordingly, no provisions in respect thereof have been included in the financial statements.

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.

Note 7 – Financial Instruments (Cont.)

Fair value (Cont.)

(1) Fair value compared with book value (Cont.)

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					
	June 30, 2018		June 30, 2017		December 31, 2017	
	Book value	Market value	Book value	Market value	Book value	Market value
	Unaudited		Unaudited		Audited	
	Millions of dollars					
Debentures	**2,765**	**2,824**	2,825	2,944	2,770	2,884
Long-term loans from financial institutions	**588**	**595**	992	1,021	999	1,026

(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.

	June 30 2018	June 30 2017	December 31 2017
	(Unaudited)	(Unaudited)	(Audited)
	Book Value		
	$ millions		
Assets			
Investments measured at fair value through other comprehensive income* (1)	**150**	208	212
Derivatives used for accounting hedge (1)	**19**	25	29
Derivatives used for economic hedge (1)	**68**	107	86
Call (put) options on ICL shares (collar) (2)	**27**	45	47
	264	385	374
Liabilities			
Derivatives used for accounting hedge (1)	**11**	1	1
Derivatives used for economic hedge (1)	**29**	15	6
	40	16	7

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

* Investment in 15% of the share capital of YTH, which is subject to a three-year lock-up period as required by Chinese law, which is scheduled to expire in January 2019. Measurement of the fair value of the discount rate in respect of the lock-up period was calculated by use of the Finnerty 2012 Model and is based on an estimate of the period in which the restriction on marketability applies and a standard deviation of the yield on a YTH share in this period. The impact stemming from a possible and reasonable change in these data items, which are not observed, is not material.

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				
	Six Months Ended June 30		Three Months Ended June 30		Year Ended December 31
	2018	2017	2018	2017	2017
	Unaudited		Unaudited		Audited
	Millions of dollars				
Opening balance	**47**	74	**38**	63	74
Closing of financial transaction*	**(10)**	(12)	**(5)**	(6)	(25)
Settlement in respect of dividend adjustment component	**2**	3	**1**	2	5
Total losses recognized in the statement of income:					
Realized	**(2)**	(3)	**(1)**	(2)	(5)
Unrealized	**(10)**	(17)	**(6)**	(12)	(2)
Closing balance	**27**	45	**27**	45	47

* See Note 5.A.5

(4) Data regarding measurement of fair value at Level 2 and Level 3

Level 2

The fair value of forward contracts on foreign currency is determined using trading programs that are based on their market prices. The market price is determined based on a weighting of the exchange rate and the appropriate interest coefficient for the period of the transaction along with an index of the relevant currencies.

The fair value currency options and options on energy prices is determined using trading programs that are based on the customer model in the account, internal value, standard deviation, interest and period of the option.

The fair value of contracts for exchange (SWAP) of interest rates and energy prices is determined using trading programs and is based on the market prices, period up to settlement of the contract and the credit risks of the parties to the contract.

The fair value of currency and interest exchange (SWAP) transactions is based on the market interest rates for discounting the future cash flows on the basis of the terms and length of the period up to maturity of each transaction and using market interest rates.

The fair value of transactions hedging the rate of the index is based on the inflationary expectations, market interest rates for discounting the future cash flows on the basis of the terms and length of the period up to maturity of each transaction and using market interest rates of a similar instrument as at the measurement date.

Note 7 – Financial Instruments (Cont.)

(4) Data regarding measurement of fair value at Level 2 and Level 3 (Cont.)

Level 3

The fair value of derivate assets at Level 3 is measured every quarter by an external appraiser using the "Black and Scholes" model, which is used for measuring options. Measurement of the value is examined by professional parties in the Corporation. The Corporation believes that the fair values determined for purposes of measurement and/or disclosure are appropriate. The impact of a possible reasonable change of one or more of the assumptions that is not observed is not material.

Israel Corporation Ltd.

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

As at June 30, 2018

(Unaudited)

Israel Corporation Ltd.
Condensed Separate Information provided in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970
As at June 30, 2018
Unaudited

Contents

Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006, Israel
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To the Shareholders of Israel Corporation Ltd.

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

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970 of Israel Corporation Ltd. (hereinafter – "the Company") as at June 30, 2018 and for the six-months and three-months periods then ended. The separate interim financial information is the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express a conclusion on 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 direct attention to that stated in Note 6.C.5 to the Company's consolidated financial statements regarding certain legal proceedings and other contingencies against ORL and its subsidiaries, which in the estimation of the managements of the defendant companies, based on the opinion of their legal advisors, it is not possible to predict at this point the impact thereof on the financial statements, if any, and accordingly no provision in respect thereof has been included in the financial statements.

Somekh Chaikin
Certified Public Accountants (Isr.)

August 23, 2018

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at June 30, 2018
Condensed Interim Statements of Financial Position Information

	At June 30		At December 31
	2018	2017	2017
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Assets			
Cash and cash equivalents	**87**	86	54
Short-term deposits	**427**	560	468
Loan to investee company	**–**	150	175
Loan to related company	**–**	–	240
Other receivables and debit balances	**7**	3	5
Derivative instruments	**22**	28	29
Total current assets	**543**	827	971
Non-Current Assets			
Investments in investee companies	**2,146**	1,599	1,730
Loans to wholly-owned subsidiaries	**207**	128	130
Loan to related company	**–**	231	–
Other assets	**5**	–	–
Derivative instruments	**31**	64	64
Total non-current assets	**2,389**	2,022	1,924
Total assets	**2,932**	2,849	2,895

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 June 30, 2018
Condensed Interim Statements of Financial Position Information

	At June 30		At December 31
	2018	2017	2017
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Liabilities			
Current maturities in respect of non-current liabilities	**320**	**351**	254
Other payables and credit balances	**60**	**61**	72
Derivative instruments	**5**	**2**	–
Total current liabilities	**385**	**414**	326
Non-Current Liabilities			
Debentures and long-term loans	**1,195**	**1,588**	1,554
Derivative instruments	**8**	**–**	**–**
Long-term balances	**2**	**2**	2
Deferred taxes, net	**–**	**1**	–
Total non-current liabilities	**1,205**	**1,591**	1,556
Total liabilities	**1,590**	**2,005**	1,882
Equity			
Share capital and premium	**326**	**326**	326
Capital reserves	**(171)**	**(152)**	(117)
Capital reserve for transactions with controlling shareholder	**190**	**190**	190
Retained earnings	**997**	**480**	614
Total equity attributable to the owners of the Corporation	**1,342**	**844**	1,013
Total liabilities and equity	**2,932**	2,849	2,895

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

Approval date of the financial statements: August 23, 2018

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 June 30, 2018
Condensed Interim Statements of Income Information

	For the				
	Six Months Ended June 30		Three Months Ended June 30		Year Ended December 31
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Administrative and general expenses	**3**	3	**1**	1	7
Other expenses, net	**2**	22	**6**	16	9
Operating loss	**5**	25	**7**	17	16
Financing expenses	**74**	91	**32**	47	136
Financing income	**(24)**	(58)	**(13)**	(27)	(68)
Financing expenses, net	**50**	33	**19**	20	68
Share in income of investee companies, net	**535**	77	**75**	45	226
Income before taxes on income	**480**	19	**49**	8	142
Taxes on income (tax benefit)	**(1)**	7	**–**	3	7
Income for the period attributable to the owners of the Corporation	**481**	12	**49**	5	135

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 June 30, 2018
Condensed Interim Statements of Comprehensive Income Information

	For the				
	Six Months Ended June 30		Three Months Ended June 30		Year Ended December 31
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Income for the period attributable to the owners of the Corporation	**481**	12	**49**	5	135
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	**(18)**	18	**(14)**	8	17
Net change in fair value of cash flow hedges transferred to the statement of income	**20**	(17)	**13**	(8)	(16)
Other comprehensive income (loss) in respect of investee companies, net	**(19)**	21	**(43)**	11	47
Total	**(17)**	22	**(44)**	11	48
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	**(2)**	(7)	**(20)**	(4)	(4)
Total	**(2)**	(7)	**(20)**	(4)	(4)
Other comprehensive income (loss) for the period, net of tax	**(19)**	15	**(64)**	7	44
Total comprehensive income (loss) for the period attributable to the owners of the Corporation	**462**	27	**(15)**	12	179

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 June 30, 2018
Condensed Interim Statements of Cash Flows Information

	For the Six Months Ended June 30		Three Months Ended June 30		Year Ended December 31
	2018	**2017**	**2018**	**2017**	**2017**
	(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	**481**	12	**49**	5	135
Adjustments:					
Financing expenses, net	**50**	33	**19**	20	68
Share in income of investee companies, net	**(535)**	(77)	**(75)**	(45)	(226)
Capital loss, net	**–**	3	**–**	3	3
Loss on re-measurement to fair value of Collar options	**12**	20	**7**	14	7
Taxes on income (tax benefit)	**(1)**	7	**–**	3	7
	7	(2)	**–**	–	(6)
Change in receivables	**(7)**	(1)	**(1)**	(2)	2
	–	(3)	**(1)**	(2)	(4)
Income tax paid, net	**(1)**	(2)	**(1)**	–	(4)
Dividends received	**75**	99	**23**	40	138
Net cash provided by operating activities	**74**	94	**21**	38	130
Cash flows from investing activities					
Short-term deposits and loans, net	**23**	108	**(65)**	142	205
Net proceeds from sale of shares of investee company	**–**	56	**–**	56	56
Collection of long-term loan from related company	**200**	–	**–**	–	–
Collection (payment) of long-term loans from (to) investee companies	**86**	(150)	**–**	(150)	(175)
Interest received	**43**	2	**1**	1	5
Receipts (payments) in respect of settlement of derivatives for economic hedging, net	**2**	(6)	**–**	(2)	(11)
Net cash provided by (used in) investing activities	**354**	10	**(64)**	47	80

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 June 30, 2018
Condensed Interim Statements of Cash Flows Information

	For the Six Months Ended June 30		For the Three Months Ended June 30		Year Ended December 31
	2018	**2017**	**2018**	**2017**	**2017**
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from financing activities					
Dividend paid	**(120)**	–	**(120)**	–	–
Receipt of long-term loans and issuance of debentures	**238**	208	**–**	–	208
Repayment of long-term loans and debentures*	**(464)**	(272)	**(193)**	(50)	(369)
Interest paid*	**(50)**	(53)	**(20)**	(19)	(96)
Receipts (payments) for settlement of derivatives used for hedging, net	**3**	1	**(1)**	–	3
Net cash used in financing activities	**(393)**	(116)	**(334)**	(69)	(254)
Net increase (decrease) in cash and cash equivalents	**35**	(12)	**(377)**	16	(44)
Cash and cash equivalents at the beginning of the period	**54**	97	**466**	70	97
Effect of exchange rate fluctuations on balances of cash and cash equivalents	**(2)**	1	**(2)**	–	1
Cash and cash equivalents at the end of the period	**87**	86	**87**	86	54

* In 2017, includes payments of principal and interest in respect of debentures, in the amount of about $60 million, which were postponed in accordance with the trust certificates from December 31, 2016, since the contractual repayment date was not a business day.

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 June 30, 2018
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, 2017 and together with the consolidated financial statements as at December 31, 2017 and the condensed and consolidated financial statements as at June 30, 2018.

In this separate-company interim financial information:

A.	The Corporation	–	Israel Corporation Ltd.
B.	ICL	–	Israel Chemicals Ltd. and its subsidiaries.
C.	ORL	–	Oil Refineries Ltd. and its subsidiaries.
D.	Subsidiaries	–	Companies the financial statements of which are fully consolidated, directly or indirectly, with those of the Corporation.
E.	Investee companies	–	Companies where the Corporation's investment therein is included, directly or indirectly, in the financial statements using the equity basis of accounting.

Additional Information

A. On February 13, 2018, the Board of Directors of ICL decided to distribute a dividend, in the amount of about $70 million, about $0.054 per share. The dividend was distributed on March 14, 2018. The share of the Corporation's and the headquarters companies – about $33 million.

B. On May 10, 2018, the Board of Directors of ICL decided to distribute a dividend, in the amount of $52 million, about $0.04 per share. The dividend was distributed on June 20, 2018. The share of the Corporation's and the headquarters companies – about $24 million.

C. Subsequent to the date of the report, on July 31, 2018, the Board of Directors of ICL decided to distribute a dividend, in the amount of $56 million, about $0.04 per share. The dividend will be distributed on September 4, 2018. The share of the Corporation's and the headquarters companies – about $26 million.

D. Further to that stated in Note 4 to the annual financial statements, separate-company (solo) information as at December 31, 2017 – during the first quarter of 2018 ICL repaid the entire balance of the loan, which as at December 31, 2017 was in the amount of $175 million.

E. On April 24, 2018, the General Meeting of the shareholders of ICL approved extension of the management fees agreement with the Corporation for the years 2018 through 2020, in the amount of $1 million per year.

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 June 30, 2018

(Unaudited)

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

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

For this purpose, the members of management are:

Avisar Paz, CEO;

Sagi Kabla, CFO

Maya 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, 2017 (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, 2017, is effective.

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

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

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

Management Representation

Declaration of the CEO

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

I, Avisar Paz, declare that:

(1) I have examined the interim financial statements of Israel Corporation Ltd. (hereinafter – "the Corporation") as at June 30, 2018 (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.

August 23, 2018

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Avisar Paz, CEO

Management Representation

Declaration of the most Senior Officer in the Finance Area

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

I, Sagi Kabla, declare that:

(1) I have examined the interim financial statements and the other financial information included in in the statements for interim periods of Israel Corporation Ltd. (hereinafter – "the Corporation") as at June 30, 2018 (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.

August 23, 2018

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Sagi Kabla, CFO