Israel Corporation Ltd.

Condensed Consolidated Interim Financial Statements

As at September 30, 2017

(UNAUDITED)

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

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Report of the Corporation's Board of Directors

For the Nine Months Ended September 30, 2017

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

On January 7, 2015, the Corporation completed the split-up transaction (hereinafter – "the Transaction" or "the Transaction for Change of the Corporation's Holdings' Structure") further to the approval thereof on December 31, 2014 at the General Meeting of the Corporation's shareholders.

For additional details regarding the transaction for restructuring the Corporation's holdings – see Note 5 to the annual financial statements.

Commencing from the completion date of the Transaction, the Corporation operates to advance and develop its existing businesses in and outside of Israel. 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 September 30, 2017. The report was prepared in accordance with the Securities Law (Periodic and Immediate Reports), 1970, and on the assumption that the reader is also in possession of the interim financial statements for the period ended September 30, 2016, and the Periodic Report for 2016.

Various Events Occurring in the Corporation during the Period of the Report and Thereafter

1. On January 5, 2017, the Corporation issued, by means of expansion of the debentures (Series 11), NIS 790,170,000 par value debentures (Series 11). The proceeds from the issuance, net of the issuance expenses, amounted to about NIS 804 million (about $208 million – value on the transaction date). Standard & Poor's Maalot gave notice of provision of a rating of ilA for the above-mentioned expansion debentures (the Corporation was rated ilA/stable). For additional details – see Note 16.E.1(a) to the annual consolidated financial statements.

2. Further to that stated in Note 20B to the annual consolidated financial statements, on April 30, 2017, the District Court in Tel-Aviv–Jaffa accepted that request for certification of the filing of a derivative claim against the Corporation's controlling shareholders, the Corporation's former CEO, the Corporation's CEO, the Legal Advisor and Corporation Secretary and the former Vice-President of Business Development (hereinafter together – "the Officers"), the subject matter of which is bonuses paid to the Officers by the controlling shareholders in respect of completion of the distribution transaction, which is the subject of a Transaction Report of the Corporation, and determined, among other things, dates for commencement of the proceedings in the claim in the Corporation's name by the requesting party. For additional details – see Note 6.A.6 to the interim consolidated financial statements.

3. On June 19, 2017, the Corporation sold 128 million shares of Oil Refineries Ltd. (hereinafter – "ORL") it held, constituting about 4% of ORL's issued share capital, on a fully-diluted basis. The proceeds from the sale, net of selling expenses, amounted to about $56 million (about NIS 199 million). After the said sale, the Corporation holds about 33.08% of ORL's share capital, and together with partners it controls ORL. For additional details – see Note 5.A.4 to the interim consolidated financial statements.

Various Events Occurring in the Corporation during the Period of the Report and Thereafter (Cont.)

4. For details regarding the Corporation's liabilities – see the Immediate Report regarding the total liabilities based on repayment date that was published on November 22, 2017 (Reference No. 2017-01-103237). 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 nine-month periods ended September 30, 2017 amounted to about $1,440 million and about $4,057 million, respectively, compared with about $1,383 million and about $4,025 million, respectively, for the corresponding periods ended September 30, 2016.

– The total net income attributable to the owners of the Corporation for the three-month and nine-month periods ended September 30, 2017 amounted to about $42 million and about $54 million, respectively, compared with net loss attributable to the owners of the Corporation about $209 million and about $119 million, respectively, in the corresponding periods last year.

– The total assets, as at September 30, 2017, amounted to about $10,594 million, compared with about $10,903 million, as at September 30, 2016, and compared with about $10,423 million, as at December 31, 2016.

– The current assets net of current liabilities, as at September 30, 2017 amounted to about $948 million, compared with about $1,271 million as at September 30, 2016, and compared with about $913 million, as at December 31, 2016.

– The total non-current assets, as at September 30, 2017, amounted to about $7,147 million, compared with about $7,153 million, as at September 30, 2016, and compared with about $7,077 million, as at December 31, 2016.

– The non-current liabilities, as at September 30, 2017, amounted to about $5,570 million, compared with about $6,117 million, as at September 30, 2016, and compared with about $5,729 million, as at December 31, 2016.

– The total equity as at September 30, 2017 amounted to about $2,525 million and the total equity attributable to the owners of the Corporation amounted to about $934 million, compared with equity of $2,307 million and total equity attributable to the owners of the Corporation of $791 million as at September 30, 2016, and compared with total equity attributable to the owners of the Corporation of about $2,261 million and total equity attributable to the owners of the Corporation of about $804 million as at December 31, 2016.

FINANCIAL POSITION AND RESULTS OF OPERATIONS (Cont.)

Set forth below are the results of operations of the Group companies for the period July – September 2017:

– ICL finished the third quarter with income of about $84 million, compared with a loss of about $340 million in the corresponding quarter last year.

– Oil Refineries Ltd. (hereinafter – “ORL”), which applies in its financial statements IFRS 9 (2013), finished the third quarter with income of about $92 million, compared with income of about $1 million in the corresponding quarter last year.

Without the impact of application of IFRS 9 (2013), which is not applied by Israel Corporation, ORL finished the third quarter with income of about $72 million, compared with income of about $2 million in the corresponding quarter last year.

Set forth below are the results of operations of the Group companies for the period January – September 2017:

– ICL finished the period of the report with income of about $209 million, compared with a loss of about $154 million in the corresponding period last year.

– ORL which applies IFRS 9 (2013) in its financial statements, finished the period of the report with income of about $183 million, compared with income of about $116 million in the corresponding period last year.

Without the impact of application of IFRS 9 (2013), which is not applied by Israel Corporation, ORL finished the period of the report with income of about $169 million, compared with income of about $126 million in the corresponding period last year.

Set forth below is the composition of the Corporation’s and the Headquarters companies' results attributable to the owners:

	Three months ended September 30		Nine months ended September 30	
	2017	**2016**	**2017**	**2016**
	$ Millions			
ICL	**40**	(166)	**100**	(75)
ORL	**24**	1	**60**	47
Amortization of excess cost	**(3)**	(2)	**(10)**	(6)
Administrative, general, financing and other expenses of the Corporation’s headquarters	**(24)**	(33)	**(77)**	(84)
Gain (loss) from re-measurement to fair value of collar options (1)	**5**	(3)	**(15)**	3
Tax expenses of the Corporation’s headquarters	**–**	(6)	**(4)**	(4)
	42	(209)	**54**	(119)

(1) Further to that stated in Note 16.E.1(h) to the annual consolidated financial statements, the changes stem from re-measurement of the options based on their fair value in connection with the financial transaction in ICL shares (hereinafter – “the Collar Options”), including adjustment of the dividend component. The said changes are included in the “other income” 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 September 30, 2017, the total financial liabilities of the Corporation and of the wholly owned and controlled headquarters companies (hereinafter – "the Headquarters Companies") amounted to about $2,153 million. The balance of the fair value of the options in the financial transaction (hereinafter – "the Collar Options") economically reduces the liabilities by about $46 million and the balance of the fair value of the currency and interest SWAP transactions, economically reduces the liabilities by about $37 million.

As at the date of the report, the investments of the Corporation and of the Headquarters Companies in liquid assets amounted to about $791 million, of which the Corporation provided a short-term loan, in the amount of about $150 million, to ICL. For additional details – see the "Additional Information" Note in the Separate-Company Financial Information. The amounts are invested in short-term deposits in financial institutions. In the period of the report, the Corporation released the amount of about $60 million that was deposited as collateral in favor of loans. For additional details – see Note 5.A.3 to the condensed consolidated interim financial statements. Subsequent to the date of the report, the Corporation deposited $23 million as collateral in favor of a loan. For additional details – see Note 5.A.5 to the condensed consolidated interim financial statements.

The net financial liabilities of the Corporation and of the Headquarters Companies as at the date of the report was about $1,279 million, compared with net debt balances of about $1,368 million and about $1,379 million as at September 30, 2016 and as at December 31, 2016, respectively. As at the date of the report, the net financial liabilities of the headquarters companies standing alone amounted to about $229 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)(h) to the annual financial statements and Note 5.A.2 to the condensed consolidated interim financial statements.

The balances of the loan, including accrued interest, as at September 30, 2017, September 30, 2016 and December 31, 2016, which is included in the Corporation's net debt, amounted to about $148 million, $208 million and about $198 million, respectively.

As at the date of the report, the balance of the loan granted to Kenon as part of the credit framework is about $236 million (including accrued interest of $36 million). Pursuant to Immediate Reports of Kenon, during July 2017 Kenon received various non-binding offers for acquisition of all or part of the assets of I.C. Power. Subsequent to the date of the report, on October 26, 2017, Kenon gave notice that it is carrying on advanced negotiations with a financial investor for sale of the assets in Latin America and the Caribbean. For additional details regarding the loan to Kenon – see Note 11 to the annual financial statements.

In the period of the report, the Corporation and the Headquarters Companies repaid $272 million, of which partial payment of the debentures (Series 7 and Series 9) (net of hedging transactions), in the amount of about $212 million. Payments of principal and interest in respect of debentures, in the amount of about $60 million, were postponed in accordance with the provisions of the trust certificates to January 1, 2017, since December 31, 2016 was not a business day.

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

In addition, in the second quarter the Corporation made early repayment of a loan, in the amount of $50 million, and extended the repayment date of long-term loans, in the amount of $193 million, for a period of 3 years from the signing date. For additional details – see Note 5.A.3 to the condensed consolidated interim financial statements.

On January 5, 2017, the Corporation issued, by means of expansion of the U.S. dollar-linked debentures (Series 11), NIS 790,170,000 par value debentures (Series 11). The proceeds from the issuance, net of the issuance expenses, amounted to about $208 million (value on the transaction date). For additional details – see Note 16.E.1(a) to the annual consolidated financial statements. As at the date of the report, the corporation is in compliance with the financial covenants. For details regarding the Corporation's financial covenants – see Note 16.C.1 to the annual consolidated financial statements.

In addition, from time to time, the Corporation and the Headquarters Companies extend the repayment dates of long-term loans. As at the date of the report, the average duration of the balance of the loans and debentures of the Corporation and the Headquarters Companies is about 2.75 years.

In June 2017, the Corporation sold 128 million shares of ORL it held, constituting about 4% of ORL's issued share capital, on a fully-diluted basis, for a net consideration of about $56 million. For additional details – see Note 5.A.4 to the condensed consolidated interim financial statements.

During the period of the report, the Corporation and the Headquarters Companies received dividends, net of tax, from ICL, in the amount of about $81 million, and the corporation received a dividend, net of tax, from ORL, in the amount of about $30 million.

On November 22, 2016, Standard & Poor's Maalot, announced a reduction of the Corporation's rating from ilA+/Negative to ilA/stable, due to erosion of the consolidated debt coverage ratio. The rating outlook is stable. For additional details – see Note 16.E.1 to the annual consolidated financial statements.

On January 4, 2017, Standard & Poor's Maalot, announced provision of a rating of ilA to debentures in the aggregate scope of up to NIS 1 billion par value that are to be issued by the Corporation (ilA/stable) as part of expansion of the debentures (Series 11).

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES:

ISRAEL CHEMICALS LTD.

	7–9/2017		7–9/2016		1–9/2017		1–9/2016		2016	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
Sales	**1,440**	**–**	1,383	–	**4,057**	**–**	4,025	–	5,363	–
Gross profit	**470**	**33**	461	33	**1,243**	**31**	1,244	31	1,660	31
Operating income (loss)	**180**	**13**	(331)	–	**440**	**11**	(75)	–	(3)	–
Adjusted operating income*	**215**	**15**	164	12	**484**	**12**	442	11	582	11
Net income (loss) attributable to ICL's shareholders	**84**	**6**	(340)	–	**209**	**5**	(154)	–	(122)	–
Adjusted net income attributable to ICL's shareholders*	**115**	**8**	120	9	**247**	**6**	337	8	451	8
Adjusted EBITDA (1)	**314**	**22**	286	21	**783**	**19**	787	20	1,051	20
Cash flows from operating activities	**176**	**–**	249	–	**570**	**–**	709	–	966	–
Capital expenses	**100**	**–**	157	–	**321**	**–**	516	–	652	–

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

	7–9/2017	7–9/2016	1–9/2017	1–9/2016	2016
			$ millions		
Net income (loss) attributable to ICL's shareholders	**84**	(340)	**209**	(154)	(122)
Depreciation and amortization	**97**	108	**286**	306	401
Financing expenses, net	**36**	45	**99**	113	132
Taxes on income (tax benefit)	**62**	(22)	**145**	5	55
Adjustments*	**35**	495	**44**	517	585
Total adjusted EBITDA	**314**	286	**783**	787	1,051

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

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Adjustments to the operating income and the reported net income

	7–9/2017	7–9/2016	1–9/2017	1–9/2016	2016
			$ millions		
Operating income (loss)	**180**	(331)	**440**	(75)	(3)
Capital loss (gain) (1)	**–**	–	**(6)**	1	1
Write down and impairment of assets (2)	**18**	489	**18**	489	489
Provision for early retirement and dismissal of employees (3)	**–**	20	**15**	26	39
Provision in respect of prior periods resulting from an arbitration decision (4)	**6**	10	**6**	10	13
Retroactive electricity charges (5)	**–**	(16)	**–**	(16)	(16)
Provision for legal claims (6)	**11**	(8)	**11**	7	8
Provision for historical waste removal (7)	**–**	–	**–**	–	51
Total adjustments to operating income (loss)	**35**	495	**44**	517	585
Total adjusted EBITDA	**215**	164	**484**	442	582
Net income (loss) attributable to the shareholders of ICL	**84**	(340)	**209**	(154)	(122)
Total adjustments to operating income (loss)	**35**	495	**44**	517	585
Adjustments to financing expenses (8)	**3**	26	**3**	26	38
Total tax impact of the above operating income and financing expenses adjustments	**(7)**	(62)	**(9)**	(66)	(81)
Tax assessment and deferred tax adjustments (9)	**–**	1	**–**	14	36
Adjustments attributable to the non-controlling interests	**–**	–	**–**	–	(5)
Total adjusted net income attributable to the shareholders of ICL	**115**	120	**247**	337	451

(1) Capital (gain) loss from sale of non-core businesses. In 2017, additional consideration received regarding earn-out of 2015 divestitures.

(2) Impairment in value and write down of assets. In Q3 2017, relating to an impairment of an intangible asset in Spain, in the amount of $14 million and the write-down of an investment in Namibia in the amount of $4 million. In 2016, with respect to the write-down of assets (including expected closure cost) relating to the global ERP project (Harmonization Project), in the amount of $282 million, write down of assets relating to discontinuance of the activities of Allana Afar in Ethiopia (including expected closure cost), in the amount of $202 million, and impairment in the value of assets of a subsidiary in the United Kingdom, in the amount of $5 million.

(3) Provision for early retirement and dismissal of employees in accordance with the Company's comprehensive global efficiency plan from 2012 in its production facilities throughout the group. In 2016, provisions relating to the Company's facilities in Israel of the Bromine companies (see also Q1 2016), the Company's facilities in the United Kingdom and the Company's facilities of the joint venture in China (reflected also in the non-controlling interests' adjustment below). In 2017, provisions relating to the Company's facilities in Israel at ICL Rotem.

(4) Provision in connection with prior periods in respect of royalties arbitration in Israel.

(5) Reversal of provision in connection with prior periods in respect of costs of management services of the electricity system in DSW and ICL Rotem.

(6) Provision for legal claims. In Q3 2017, relating to a dispute with the National Company for Roads in Israel regarding damage caused to bridges by DSW, in the amount of $6 million, and a dispute with the European Commission concerning past grants received by a subsidiary in Spain, in the amount of $5 million. In 2016, mainly regarding two claims settled in 2016 related to prior periods. In Q1 2016, deriving from the settlement agreement that ended the class action brought by the farmers in Israel regarding potash prices, and in Q2 2016, deriving mainly from the commercial price dispute with Haifa Chemicals which ended with the arbitration award agreement in Q3 2016.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

(7) Provision for removal of waste in respect of prior periods. In 2016, purification and removal of historical waste from the potash activities in Spain as a result of decisions made by the Spanish authorities in connection with the plan for treating the salt pile in the Sallent site leading to plan changes mainly related to the water pumping process involved in the salt treatment.
(8) Interest and linkage expenses in connection with the royalties arbitration and tax assessments in Israel, and a dispute of a subsidiary in Spain with the European Commission, all relating to prior periods. In 2017, $3 million related to a dispute with the European Commission. In 2016, $26 million in connection with the royalties arbitration and $12 million relating to a tax assessment in Israel.
(9) Tax assessments in Israel and Belgium (see also Q1 2016) relating to prior periods.

ICL discloses in this Quarterly Report non-IFRS financial measures titled adjusted operating income, adjusted net income attributable to ICL’s shareholders and adjusted EBITDA. ICL’s management uses adjusted operating income, adjusted net income attributable to ICL’s shareholders and adjusted EBITDA to facilitate operating performance comparisons from period to period. ICL calculates its adjusted operating income by adjusting its operating income to add certain items, as set forth in the reconciliation table under “Adjustments to reported operating and net income” above. Certain of these items may recur. ICL calculates its adjusted 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” below which were adjusted for in calculating the adjusted operating income and adjusted net income attributable to ICL’s shareholders.

The adjusted operating income, adjusted net income attributable to ICL’s shareholders or adjusted EBITDA data should not be viewed as a substitute for operating income or net income attributable to ICL’s shareholders determined in accordance with IFRS, and it should be noted that the 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 our performance.

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

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Results of operations for the period July – September 2017

	$ millions		
	Sales	**Expenses**	**Operating income**
Q3 2016 figures	**1,383**	**(1,714)**	**(331)**
Total adjustments Q3 2016 *	–	495	495
Adjusted Q3 2016 figures	**1,383**	**(1,219)**	**164**
Quantity	21	(6)	15
Price	15	–	15
Exchange rate	21	(32)	(11)
Raw materials	–	(2)	(2)
Transportation	–	1	1
Operating and other expenses	–	33	33
Adjusted Q3 2017 figures	**1,440**	**(1,225)**	**(215)**
Total adjustments Q3 2017 *	–	35	35
Q3 2017 figures	**1,440**	**(1,260)**	**180**

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

Quantity – the increase derives mainly from fire safety products in ICL Advanced Additives and phosphoric acid in ICL Phosphate, partly offset by a decrease in phosphate rock and phosphate fertilizers in ICL Phosphate together with a decrease in dairy proteins in ICL Food Specialties.

Price – the increase derives mainly from an increase in potash selling prices together with an increase in bromine-based products selling prices which positively affected ICL Industrial Products.

Exchange rate – the decrease derives mainly from the upward revaluation of the shekel and the euro against the dollar increasing production costs, partly offset by the upward revaluation of the euro against the dollar which increased revenue.

Operating and other expenses – the increase derives mainly from an increase in insurance income compared to the corresponding quarter last year, a decrease in depreciation expenses as a result of ICL's Capex-reduction and operational cost-saving measures (including G&A reduction) throughout ICL.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Results of operations for the period July – September 2017 (Cont.)

The following table sets forth sales by geographical regions based on the location of the customer:

	7–9/2017		7–9/2016	
	$ millions	**%**	**$ millions**	**%**
Europe	**462**	**32**	437	32
North America	**345**	**24**	330	24
Asia	**339**	**24**	324	23
South America	**214**	**15**	167	12
Rest of the world	**80**	**5**	125	9
Total	**1,440**	**100**	1,383	100

Europe – the increase derives mainly from an increase of ICL Specialty Solutions segment sales, mainly bromine-based industrial products and dairy proteins.

North America – the increase derives mainly from an increase in fire-safety products quantities sold, partly offset by a decrease in clear brine solutions quantities sold.

Asia – the increase derives mainly from an increase in quantities sold of phosphoric acid, bromine-based flame retardants, bromine-based industrial products and dairy proteins. This increase was partly offset by a decrease in phosphate fertilizers, phosphate rock and potash quantities sold.

South America – the increase derives mainly from an increase in potash selling prices and quantities sold, partly offset by a decrease in phosphate fertilizers quantities sold.

Rest of the world – the decrease derives mainly from a decrease in the quantities of dairy proteins products sold and a decline in potash sales to an Israeli customer (Haifa Chemicals) facing operational difficulties due to new local regulation.

Financing expenses, net:

The net financing expenses in the third quarter of 2017 amounted to $36 million, compared with $45 million in the corresponding quarter last year – a decrease of $9 million. The decrease includes a decrease of about $28 million deriving mainly from an expense relating to interest on past royalties recognized in the corresponding quarter last year, and from exchange rate differences relating to provisions for employee benefits. On the other hand, there was an increase in the amount of about $19 million, deriving mainly from an increase in the interest expenses relating to provisions for employee benefits and from a decrease of income in respect of changes in the fair value of transactions hedging foreign currency, energy and marine shipping, net, partly offset by revaluation of the net liabilities.

Taxes on income:

The tax expenses in the third quarter of 2017 amounted to $62 million, reflecting an adjusted effective tax rate of about 38%. ICL's higher tax rate in 2017 compared with the corresponding quarter last year is mainly due to an increase in the on-going Israeli effective tax rate on ICL's Israeli operations as well as a relatively higher weight of profits before tax generated in the US, where the corporate tax rate is 39%.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Results of operations for the period January – September 2017

	$ millions		
	Sales	**Expenses**	**Operating income**
YTD 2016 figures	**4,025**	**(4,100)**	**(75)**
Total adjustments YTD 2016 *	–	517	517
Adjusted YTD 2016 figures	**4,025**	**(3,583)**	**442**
Quantity	116	(66)	50
Price	(59)	–	(59)
Exchange rate	(25)	(5)	(30)
Raw materials	–	31	31
Transportation	–	(22)	(22)
Operating and other expenses	–	72	72
Adjusted YTD 2017 figures	**4,057**	**(3,573)**	**484**
Total adjustments YTD 2017 *	–	44	44
YTD 2017 figures	**4,057**	**(3,617)**	**440**

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

Quantity – the increase derives mainly from fire-safety products and acids in ICL Advanced Additives, potash sales (mainly to South America, Asia and North America), bromine-based industrial products and bromine-based flame retardants in ICL Industrial Products, phosphoric acid in ICL Phosphate and specialty agriculture products in ICL Specialty Fertilizers. The increase was partly offset by a decrease in dairy proteins in ICL Food Specialties, together with a decrease in phosphate rock and phosphate fertilizers in ICL Phosphate.

Price – the decrease derives mainly from a decline in the selling prices of phosphate fertilizers, phosphoric acid and specialty agriculture products in ICL Essential Minerals segment together with a decline in acids selling prices in ICL Specialty Solutions segment.

Exchange rate – the decrease derives mainly from devaluation of the Chinese yuan against the dollar which decreased revenues and the upward revaluation of the shekel against the dollar increasing production costs. The euro currency fluctuations had a minor effect on the operating profit.

Raw materials – the increase derives mainly from a decline in commodity fertilizers prices used in ICL Specialty Fertilizers, and a decline in sulfur prices used in ICL Phosphate and ICL Advanced Additives products.

Transportation – the decrease derives mainly from an increase in transportation prices and potash quantities sold.

Operating and other expenses – the increase derives mainly from a capital gain due to the sale of an office building in Israel, a decrease in depreciation expenses as a result of ICL's Capex-reduction, operational cost-saving measures (including G&A reduction) throughout the Company, and a provision resulting from extension of the employment agreement in ICL Dead Sea, recorded in the corresponding period last year.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Results of operations for the period January – September 2017 (Cont.)

The following table sets forth sales by geographical regions based on the location of the customer:

	1–9/2017		1–9/2016	
	$ millions	%	$ millions	%
Europe	**1,453**	**36**	1,476	37
North America	**916**	**23**	879	22
Asia	**946**	**23**	884	22
South America	**506**	**12**	436	11
Rest of the world	**236**	**6**	350	8
Total	**4,057**	**100**	4,025	100

Europe – the decrease derives mainly from a decline in quantities and selling prices of potash, partly offset by an increase in ICL Specialty Solutions segment products, mainly clear brine solutions, bromine-based industrial products and dairy proteins.

North America – the increase derives mainly from an increase in the quantities and selling prices of potash together with an increase in fire-safety products and phosphate fertilizers quantities sold. This increase was partly offset by a decrease in quantities sold of ICL Food Specialties' base-business (single ingredient phosphate additives) products.

Asia – the increase derives mainly from an increase in the quantities sold of potash, phosphoric acid, dairy proteins, acids, bromine-based flame retardants and specialty agriculture products. This increase was partly offset by a decrease in phosphate fertilizers and phosphate rock quantities sold.

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

Rest of the world – the decrease derives mainly from a decrease in the quantities of dairy proteins products sold and a decline in potash sales to an Israeli customer (Haifa Chemicals) facing operational difficulties due to new local regulation.

Financing expenses, net:

The net financing expenses in the nine months ended September 30, 2017 amounted to $99 million, compared with $113 million in the corresponding period last year – a decrease of $14 million. The decrease includes a decline of about $45 million deriving mainly from an expense relating to interest on past royalties recognized in the corresponding period last year and from an increase in income in respect of changes in the fair value of transactions hedging foreign currency, energy and marine shipping, net, partly offset by revaluation of the net liabilities. On the other hand, there was an increase, in the amount of about $31 million, deriving mainly from fees paid with respect to early repayment of long-term loans, from exchange rate differences and interest expenses relating to provisions for employee benefits.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Results of operations for the period January – September 2017 (Cont.)

Taxes on income:

The tax expenses in the nine months ended September 30, 2017 amounted to $145 million reflecting an adjusted effective tax rate of about 39%. ICL's higher tax rate in 2017 compared with the corresponding period last year is mainly due to an increase in the on-going Israeli effective tax rate on ICL's Israeli operations and a relatively higher weight of profits before tax generated in the US, where the corporate tax rate is 39%. In addition the upward revaluation of the shekel against dollar impacted ICL's tax expenses. The relatively low effective tax rate in the corresponding period last year was mainly due to recognition of deferred tax assets in the amount of $27 million.

Main developments and the business environment in ICL:

Specialty Solutions

Industrial Products

– Favorable bromine pricing in China, mainly resulting from stricter environmental regulations, affected local production output, and also led to higher prices for bromine-based compounds.

– Demand for bromine-based flame retardants remains stable. However, ICL Industrial Products is benefitting from lower production of bromine-based flame retardants in China as a result of stricter local environmental regulations, as stated above.

– ICL Industrial Products is continuing its efforts to secure long-term supply agreements for bromine-based flame retardants.

– The higher price level of phosphorous-based flame retardants, which has been maintained since the beginning of the year, contributed to higher sales revenue of the product line compared to the third quarter of 2016.

– Demand for clear brine solutions continues to be soft as a result of the low level of oil prices. Overall 2017 sales are expected to be in line with 2016.[1]

– Stable demand for magnesia products for industrial uses.

[1] The estimates regarding future trends 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 on quotes of the expected prices for 2017 to the best of the knowledge of ICL's management 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 of clear brine solutions, oil prices and input prices 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, the credit situation and the interest costs.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

Specialty Solutions (Cont.)

Advanced Additives

Total Advanced Additives performance was favorable compared to the corresponding quarter last year and was impacted by several factors:

- Global sales of salts and acids increased by 7% compared to the corresponding quarter last year.
  - The business line's performance was driven by higher acid business in Europe, offsetting price pressure from declining market prices versus the third quarter last year. Phosphate salts sales in the region remained stable compared to the corresponding quarter last year.
  - Continued growth of the P_2O_5 business in China is driven by YPH JV's increased local market share for acid and higher salt volumes to the oral care market.
  - Higher sales volumes of acid and salts partially offset the competitive price pressure in the North American market. The South American market continued its favorable performance compared to the corresponding quarter of last year due to stable demand for phosphate salts and higher acid exports from Brazil to other South American countries. This development is expected to continue in the next quarter.[2]
  - Compared to the corresponding quarter last year the average pricing was slightly down in the quarter. However, over the last quarter the average price has constantly increased, as a result of a new pricing policy.
- Higher demand from key customers in North America led to improved P2S5 performance compared to the corresponding quarter last year. During the quarter, the business line accumulated suitable inventories to supply customers during an outage due to plant turnaround which took place in October (the plant has resumed its operations as per schedule). Main competitors in Europe plan to have turnarounds in the fourth quarter as well.
- Strong wildfire activity in North America and Europe during the third quarter positively impacted the Fire Safety sub-business line's performance, resulting in higher sales compared to the same quarter in 2016. The Class B foam business continues to grow in both existing and new regions.

[2] The estimates regarding the continued favorable performance of the South American market in 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, as well as new products, and they may be impacted by changes in regulation and actions taken by governments, particularly in South America manufacturers and consumers.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

Specialty Solutions (Cont.)

Food Specialties

– ICL Food Specialties' dairy business showed a recovering trend in the third quarter as a major customer resumed its orders, placing first orders for significant volumes this year. This, coupled with continued growth of ICL's global customer base, led to improved revenues.

– ICL Food Specialties' phosphates business remained under pressure. ICL Food Specialties' business in Europe continues to be impacted by the transition process to a new distributor in Russia. North America is showing slightly increased volumes due to an improved customer mix with overall pricing remaining firm.

– A growing demand for clean-label food products as well as for vegan food and lactose-free products in the European market has been met by ICL Food Specialties' integrated solutions. Sales volumes of integrated solutions and new products are continuously growing as the business line launches new products globally and is engaged in further research for new solutions.

– After a devaluation in the first half of 2017 compared with the first half of 2016, the strengthening of the euro against the US dollar during the third quarter had a moderate positive impact on ICL Food Specialties' turnover.

Results of operations for the period July – September 2017

Specialty Solutions

	Industrial Products	Advanced Additives	Food Specialties	Setoffs	Total	
			Millions of dollars			
Total sales in Q3 2016	275	256	172	(2)	701	
Quantity	6	43	(15)	(2)	32	⬆
Price	6	(1)	(1)	–	4	⬆
Exchange rate	2	3	4	–	9	⬆
Total sales in Q3 2017	**289**	**301**	**160**	**(4)**	**746**	

Quantity – the increase derives mainly from an increase in quantities sold in the fire safety and acids sub-business lines of ICL Advanced Additives, and from quantities of bromine-based industrial products and bromine-based flame retardants sold in ICL Industrial Products. This increase was partly offset by a decrease in dairy protein quantities sold in ICL Food Specialties.

Price – the increase derives mainly from an increase in the selling prices of bromine-based industrial products and phosphorous-based flame retardants in ICL Industrial Products.

Exchange rate – the increase derives mainly from the upward 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 INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

Specialty Solutions (Cont.)

Analysis of operating income

	$ millions	
Total operating income – 3rd quarter 2016	171	
Quantity	14	⬆
Price	4	⬆
Exchange rate	(1)	⬇
Raw materials	5	⬆
Transportation	(2)	⬇
Operating and other (expenses) income	(1)	⬇
Total operating income – 3rd quarter 2017	**190**	

Quantity – the increase derives mainly from an increase in quantities sold in the fire safety sub-business line in ICL Advanced Additives, and from bromine-based industrial products in ICL Industrial Products. This increase was partly offset by a decrease in the quantities of dairy proteins sold in ICL Food Specialties.

Price – the increase derives mainly from an increase in the selling prices of bromine-based industrial products and phosphorous-based flame retardants in ICL Industrial Products.

Results of operations for the period January – September 2017

	Industrial Products	Advanced Additives	Food Specialties	Setoffs	Total	
	Millions of dollars					
Total sales in YTD 2016	837	625	508	(18)	1,952	
Quantity	55	68	(60)	4	67	⬆
Price	(1)	(11)	(1)	–	(13)	⬇
Exchange rate	(1)	(4)	(2)	–	(7)	⬇
Total sales in YTD 2017	**890**	**678**	**445**	**(14)**	**1,999**	

Quantity – the increase derives mainly from an increase in quantities sold in the fire safety, acids and P_2S_5 sub-business lines of ICL Advanced Additives, and from an increase in the quantities of bromine-based industrial products sold together with bromine-based flame retardants in ICL Industrial Products. This increase was partly offset by the decrease in dairy proteins quantities sold in ICL Food Specialties.

Price – the decrease derives mainly from a decrease in the selling prices of acids in ICL Advanced Additives.

Exchange rate – the decrease derives mainly from the devaluation of the Chinese yuan against the dollar compared to the corresponding period last year.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

Specialty Solutions (Cont.)

Analysis of operating income (Cont.)

	$ millions
Total operating income – January–September 2016	413
Quantity	50
Price	(13)
Exchange rate	(13)
Raw materials	20
Transportation	(2)
Operating and other (expenses) income	(15)
Total operating income – January– September 2017	**440**

Quantity – the increase derives mainly from an increase in products sold in the fire safety, acids and P_2S_5 sub-business lines in ICL Advanced Additives, and the quantities of bromine-based industrial products and bromine-based flame retardants in ICL Industrial Products. This increase was partly offset by a decrease in the quantities of dairy proteins sold in ICL Food Specialties.

Price – the decrease derives mainly from a decrease in the selling prices of acids in ICL Advanced Additives.

Exchange rate – the decrease derives mainly from devaluation of the Chinese yuan against the dollar which decreased revenues and the upward revaluation of the shekel against the dollar increasing production costs.

Raw materials – the increase derives mainly from a decrease in sulfur prices used for products of ICL Advanced Additives.

Operating and other (expenses) income – the decrease derives from, among other things, an increase in royalties paid as a result of the increase in sales, and from expenses related to extension of a work agreement in ICL Industrial Products.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

Essential Minerals

Review of the business environment

– Global economic activity is strengthening, with global growth projected to rise to 3.6% in 2017 and 3.7% in 2018 (according to World Economic Outlook, October 2017). Recovery is supported by increases in investments, trade, and industrial production, coupled with stronger business and consumer confidence.[3]

– Grain prices are at a ten-year low level, adversely affecting farmers' incentive to purchase fertilizers.

– Based on the WASDE report published by the USDA in October 2017, a small decrease is expected in the grain stock-to-use ratio to 24.8% at the end of the 2017/2018 agricultural year, compared to 25.5% at the end of the 2016/2017 agricultural year, and a further decrease from a level of 25.7% in the 2015/2016 agricultural year.[4]

– The forecast of the FAO (Food and Agriculture Organization of the UN) of world cereal production in 2017 rose slightly in October to an estimated 2,612 million tons, 6.8 million tons (0.3%) above the 2016 record. This upward adjustment mostly derives from improved production prospects for coarse grains and wheat, which more than offsets the cut in rice production.[5]

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[3] The estimates regarding future trends in this paragraph constitute "forward-looking" information, and there is no certainty that they will be realized, at what time and at what rate. These estimates may change due to, among other things, 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 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, the credit situation and the interest costs.

[4] The estimates regarding future trends in this paragraph constitute "forward-looking" information, and there is no certainty that they will be realized, at what time and at what rate. These estimates may change due to, among other things, 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 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, the credit situation and the interest costs.

[5] 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 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, the credit situation and the interest costs.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

Essential Minerals (Cont.)

Potash and Magnesium

– Potash prices firmed moderately during the third quarter of 2017, supported by the Chinese and Indian contracts which were signed at a price increase of $11 and $13 per ton, respectively. The average CFR Brazil price for the quarter was $261 per ton, $6 per ton higher than the second quarter of 2017, and $38 per tonne (16%) higher than the third quarter of last year (according to CRU - Fertilizer Week Historical Prices, 9/28/2017).

– ICL recorded strong potash shipments during the quarter following signing of contracts with China and India for quantities of 925 thousand tons and 750 thousand tons (India – including options), respectively. Contract prices increased by about 5% compared to the 2016 contracts.

– According to Customs data, China imported about 5.49 million ton of potash during the first nine months of 2017, an increase of about 27% over the corresponding period last year.

– According to the FAI (Fertilizer Association of India), potash imports during the first nine months of 2017 amounted to 3.9 million tons, an increase of 41% over the corresponding period last year.

– Demand for potash in Brazil was particularly strong. According to ANDA (Brazilian National Fertilizer Association), potash imports into Brazil during the first nine months of 2017 amounted to 6.982 million tons, an increase of 6% over the corresponding period last year.

– Market observers are forecasting price pressure as a result of a new capacity ramp up in the coming months, mainly in Canada and Russia. CRU is predicting the CFR Brazil price to decline from an annual average of $265 per ton in 2017 to $255 per ton in 2018 and a continued decline through 2022, reaching $230 per ton.[6]

[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 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, the credit situation and the interest costs.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

Essential Minerals (Cont.)

Potash and Magnesium (Cont.)

– Two new Greenfield projects are scheduled for commissioning and ramp-up of production currently and in the next few months. The new Bethune (formerly - Legacy Project) solution mining plant of K+S started commercial shipments in October. The plant is expected to reach an annual capacity of 2 million tons by the end of 2017. In Russia, EuroChem's Usolskiy and VolgaKaliy potash mines are scheduled for commissioning by the end of this year and in the beginning of next year, respectively, with an annual capacity of 2.3 million tons each.[7]

– In April 2017, after receiving all the permits for execution of the Salt Harvesting with the Government of Israel, ICL's Board of Directors approved a budget of about $280 million to further proceed with the execution of the Salt Harvesting in the Dead Sea. This budget which is part of the Salt Harvesting project, will be executed over the next 13 years, and constitutes ICL's share (80%) in the cost of performing this part. In October 2017, Dead Sea Works Ltd., an ICL subsidiary, signed an agreement in the amount of $280 million for the first stage of the salt harvesting project, with Holland Shallow Seas Dredging Ltd., a contracting company that will commence building a special dredger designed to execute the salt harvesting. The dredger is expected to be operating in the first half of 2019. By then, the engineering and operational preparations and the extensive infrastructure works that have been underway during the past few years are planned to be completed and the salt harvesting operations are expected to begin.[8] For additional information – see Section 4.3.10.8 of the Annual Report for 2016.

– 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 from Russian, Kazakh and Turkish producers to the U.S. On a positive note, Alcoa recently announced it will re-start 136 thousand tons of primary aluminum capacity at its facility in Warrick, Indiana. This is the first announcement of an increase in US production in the past decades.

[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, changes in the start dates of the sales as a result of operational and/or engineering problems as well as possible impacts of the business environment due to fluctuations in the world agricultural markets and changes in the levels of supply and demand, prices of products, commodities and grains, prices of inputs, transportation and energy costs, and may be impacted by actions taken by governments, and manufacturers and consumers. There is also a possible impact on the production capacity due to the quality of the material mined.

[8] The estimates regarding the start date of the marine dredging work, the completion date of the preparations and the commencement date of the harvesting as part of the salt harvesting project 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, changes in the site conditions, delay in the progress of operations and/or infrastructure and/or engineering work in the advanced stages of the salt harvesting project, legal disputes and/or delays relating to subcontractors in the project, as well as actions taken by the government and various regulators.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

Essential Minerals (Cont.)

Potash and Magnesium (Cont.)

– During the third quarter of 2017, Dead Sea Works Ltd. notified the executing contractor of the new power station in Sodom (the Spanish company Abengoa) of cancellation of the construction agreement (EPC) due to a series of violations of the agreement by the executing contractor, which is experiencing financial difficulties. Dead Sea Works Ltd. plans to complete construction of the power station and to bring it to full operation during the first half of 2018.[9] For additional information – see Note 6.B.7 to the condensed consolidated interim financial statements as at September 30, 2017.

– During the third quarter of 2017, the Board of Directors approved an investment of $249 million in building the new P-9 pumping station that will replace the current P-88 pumping station. The investment is scheduled to be carried out until 2020.[10] The building permits were obtained and construction has commenced. For additional information – see Section 4.3.10.8 of the Annual Report for 2016.

Phosphate

– The phosphate market is experiencing a challenging period as the increased supply in low production cost regions surpassed demand, which resulted in pressure on prices. Following the quarter, some stability and recovery in phosphate prices was recorded, following an increase in the price of raw materials (mainly sulfur and ammonia).

– DAP average price for the third quarter of 2017 was $352 per ton FOB Morocco, a decrease of 5.8% and 2.1% over the second quarter of 2017 and the third quarter of 2016 (according to CRU – Fertilizer Week Historical Prices, 9/28/2017), respectively. Towards the end of the quarter, prices stabilized and some increases were recorded, mainly attributable to the increase in the price of raw materials such as ammonia and sulfur.

– The average price of phosphate rock (68–72% BPL) during the third quarter of 2017 was $86 per ton FOB Morocco, a decrease of 8.2% and 23% over the second quarter of 2017 and the third quarter of 2016 (according to CRU – Fertilizer Week Historical Prices, 9/28/2017), respectively.

[9] The estimates regarding the completion date of construction of the power station and commencement of its operation 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, due to delays in the progress of the work, engineering problems and/or failures in the power station, legal disputes with the executing contractor, as well as actions taken by the government and various regulators.

[10] The estimates regarding the future investment in the new pumping station 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, due to delays in the progress of the operating work, and/or the infrastructure work and/or the engineering work, legal disputes and/or delays relating to the subcontractors in the project, as well as actions taken by the government and various regulators. The could also be a possible impact from the situation in the capital markets, including changes in the currency exchange rates, credit situation and interest costs.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

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

Phosphate (Cont.)

– Phosphoric acid (100% P_2O_5) contract price with India was concluded for the second half of 2017 at \$567 per ton CFR. The new price represents a \$23 per ton decrease over the second quarter of 2017 price of \$590 per ton CFR and \$39 per ton decrease over the third quarter of 2016 price of \$606 per ton CFR.

– OCP, the Moroccan producer, added its third (out of 4) one million ton per year finished product. Ma'aden, the Saudi Arabian producer, is in the process of commissioning its Wa'ad Al Shamal facility, with a finished product capacity of 3 million tons per year.

– Export of phosphates (DAP, MAP and TSP) from China increased by 27% during January to September 2017 to 7.558 million tons, despite lower Indian imports and low margins.

– Chinese producers are experiencing continued pressure by Chinese environmental authorities, which has resulted in some plant closures and additional expenses.

– Market observers such as CRU and FertEcon are forecasting a moderate global price recovery starting next year due to lower exports from China and higher imports to India.[11]

– Phosphate imports to Brazil (DAP, MAP, TSP, SSP) in January to September 2017 increased by 14.3% to 4.29 million tons.

– DAP imports into India declined significantly in 2017, having a significant adverse effect on the global market. According to the FAI (Fertilizer Association of India), DAP imports in January to September 2017 decreased by 17% to 3.077 million tons.

– Demand in the US was stable to firm. DAP imports in January to August 2017 increased by 15% to 0.641 million tons. MAP imports increased by 33% to 0.921 million tons.

– Sulfur prices rallied during the third quarter due to increased demand and limited supply. The average price was \$95 per ton FOB Vancouver, an increase of 22% over the second quarter of 2017, and a significant increase of 34% over the third quarter of 2016 (according to CRU – Fertilizer Week Historical Prices, 9/28/2017).

[11] 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, the level of government subsidies, fluctuations in the world commodities markets, particularly in the target markets for ICL's products, including, among other things, changes in the levels of supply and demand and competition, regulatory changes and changes in the weather, and may also be impacted by 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, the credit situation and the interest costs.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

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

Phosphate (Cont.)

– Despite market conditions, the YPH JV's results continued to improve in the third quarter of 2017, driven by a shift to specialty and higher margin products as well as the implementation of efficiency and cost reduction measures.

– ICL Rotem management is working on implementing additional efficiency measures in order to cope with the market conditions.

– ICL Rotem Zin plant was shut down during the third quarter of 2017, as a result of decreased phosphate rock sales due to lower prices. The plant is expected to return to activity during the fourth quarter of 2017.[12]

– On June 30, 2017, there was a partial collapse of the dyke in Pond 3 in the plants of Rotem Amfert Israel, which is used for accumulation of phosphogypsum water that is created as a by-product of the production processes. ICL ceased immediately use of the active phosphogypsum ponds. On July 3, 2017, ICL returned to production at full capacity under a temporary approval to activate Pond 4 by the Ministry of Environmental Protection. ICL was instructed by the Ministry of Environmental Protection to submit a plan within the next few months relating to the future operation of the phosphogypsum water ponds. The Ministry of Environmental Protection and additional Israeli authorities have commenced examinations for investigation of the event.

  ICL is taking action to explore solutions for, among other things, restoration of the ponds in the short-term and long-term and rectification of any environmental impacts caused, to the extent required. ICL's actions are being carried out in full coordination and close cooperation with the Israeli environmental authorities, including the Ministry of Environmental Protection and the Nature and National Parks Authority. ICL is committed to the matter of environmental protection, and for years has worked closely with the Israeli environmental protection authorities to maintain the Negev's natural reserves in the area of its facilities.

  In light of the preliminary stages of the process of estimating the costs relating to restoration of the stream and obtaining the permanent permits for operating the gypsum pond or other ponds, and taking into account the complexity of the process and the uncertainty regarding the final restoration plans and the terms of the building permits to be determined by the relevant authorities, ICL is unable at this stage to estimate the expected costs of the restoration work and obtaining the permits, as stated. ICL is in contact with its insurance carriers with reference to the relevant insurance policies regarding the matters described above. For further information, see Note 6.B.1 and 2 to the condensed consolidated interim financial statements as at September 30, 2017.

[12] The estimates regarding the date of resumption of the activities in the Zin facility of ICL Rotem 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, the world prices of phosphate rock, fluctuations in the world commodities markets, particularly in the target markets for ICL's products, including, among other things, changes in the levels of supply and demand and competition, regulatory changes and changes in the weather, and may also be impacted by actions taken by governments, manufacturers and consumers, as well as labor agreements.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

Essential Minerals (Cont.)

Specialty Fertilizers

- ICL Specialty Fertilizers demonstrated improved performance compared to the third quarter of 2016, mainly supported by an increase in volumes and strong demand in Europe and APAC.

- Increased sales quantities in Europe, especially in the ornamental horticulture market. Sales in Spain benefitted from an increase in traded products sales, as plant protection volumes were stronger due to the weather conditions which resulted in higher plant disease pressure.

- Higher controlled release fertilizers (CRF) sales in APAC supported by the recovery in the palm oil market, as well as higher sales quantities in China.

- Third quarter straight fertilizers (MAP/MKP) results were higher compared to the corresponding quarter in 2016.

- Continued competitive market conditions coupled with negative weather conditions (hurricanes) resulted in a weak quarter in North America. This impact is expected to continue in the short term.[13]

- Results in Israel were negatively impacted by the continued local shortage of ammonia.

[13] 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, weather conditions, fluctuations in the world commodities markets, particularly in the target markets for ICL's products, including, among other things, changes in the levels of supply and demand and competition, regulatory changes, and may also be impacted by 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, the credit situation and the interest costs.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

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

Results of operations for the period July – September 2017

	Potash and Magnesium	Phosphate	Specialty Fertilizers	Eliminations	Total
	Millions of dollars				
Total sales in Q3 2016	351	282	147	(32)	748
Quantity	(2)	(32)	7	15	(12)
Price	18	(1)	(3)	(5)	9
Exchange rate	5	5	3	–	13
Total sales in Q3 2017	**372**	**254**	**154**	**(22)**	**758**

<u>Quantity</u> – the decrease derives mainly from a decline in phosphate fertilizers and phosphate rock quantities sold, which was partly offset by an increase in phosphoric acid and specialty agriculture products quantities sold.

<u>Price</u> – the increase derives mainly from an increase in potash selling prices.

<u>Exchange rate</u> – the increase derives mainly from the upward 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 INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

Essential Minerals (Cont.)

Analysis of operating income

	$ millions
Total operating income – 3rd quarter 2016	89
Quantity	(4)
Price	9
Exchange rate	(9)
Raw materials	(6)
Transportation	3
Operating and other (expenses) income	6
Total operating income – 3rd quarter 2017	**88**

Quantity – the decrease derives mainly from a decrease in phosphate fertilizers and phosphate rock quantities sold. This decrease was partly offset by an increase in phosphoric acid and specialty agriculture products quantities sold.

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

Exchange rate – the decrease derives mainly from the upward revaluation of the shekel against the dollar, which increased production costs.

Raw materials – the decrease derives mainly from an increase in sulfur prices (used in the green phosphoric acid production in ICL Phosphate).

Transportation – the increase derives mainly from product-mix and selling destination variations in ICL Phosphate, partly offset by higher marine transportation prices.

Operating and other (expenses) income – the increase derives mainly from an increase in insurance income in Israel compared to the corresponding quarter last year.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

Essential Minerals (Cont.)

Results of operations for the period January – September 2017

	Potash and Magnesium	**Phosphate**	**Specialty Fertilizers**	**Eliminations**	**Total**
	Millions of dollars				
Total sales Jan.–Sept. 2016	923	900	524	(111)	2,236
Quantity	42	(34)	29	23	60
Price	10	(47)	(14)	–	(51)
Exchange rate	(6)	(9)	(3)	1	(17)
Total sales Jan.–Sept. 2017	**969**	**810**	**536**	**(87)**	**2,228**

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

Price – the decrease derives mainly from a decline in phosphate fertilizers and phosphoric acid selling prices and from lower specialty agriculture product prices, which was partly offset by an increase in potash selling prices.

Exchange rate – the decrease derives mainly from the devaluation of the Chinese yuan, euro and pound against the dollar compared to the corresponding period last year.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

Essential Minerals (Cont.)

Analysis of operating income

	$ millions	
Total operating income – January–September 2016	295	
Quantity	7	⬆
Price	(51)	⬇
Exchange rate	(18)	⬇
Raw materials	16	⬆
Transportation	(19)	⬇
Operating and other (expenses) income	5	⬆
Total operating income – January–sept 2017	**235**	

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

Price – the decrease derives mainly from a decline in phosphate fertilizers and phosphoric acid selling prices and from lower specialty agriculture product prices, which was partly offset by an increase in potash selling prices.

Exchange rate – the decrease derives mainly from the upward revaluation of the shekel against the dollar, which increased production costs.

Raw materials – the increase derives mainly from a decline in commodity fertilizers prices (used for products of ICL Specialty Fertilizers) and a decline in sulfur prices (used in the green phosphoric acid production in ICL Phosphate).

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

Operating and other (expenses) income – the increase derives mainly from a provision recorded in the corresponding period last year resulting from extension of the employment agreement in ICL Dead Sea and a capital gain due to the sale of an office building. This increase was partly offset by a decrease in insurance income in Israel compared to the corresponding period last year.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

Essential Minerals (Cont.)

Additional Information – Essential Minerals

	7–9/2017	7–9/2016	1–9/2017	1–9/2016	2016
	Thousands of Tons				
Phosphate rock					
Production of rock	**1,096**	1,549	**3,779**	4,443	5,744
Sales*	**116**	318	**358**	875	1,032
Phosphate rock used for internal purposes	**1,085**	1,178	**3,269**	3,045	4,099
Fertilizers					
Production of rock	**490**	876	**1,539**	2,034	2,725
Sales*	**564**	677	**1,790**	1,895	2,645

* To external customers.

July – September 2017

Production of phosphate rock – in the third quarter of 2017, production of phosphate rock was lower by 453 thousand tons than in the corresponding quarter last year. The decrease derives mainly from adjusting production volumes to the business environment at ICL Rotem, which included a shutdown of the Zin plant during the third quarter of 2017. The plant is expected to return to activity during the fourth quarter of 2017[14].

Sales of phosphate rock – the quantity of phosphate rock sold in the third quarter of 2017 was 202 thousand tons lower than in the corresponding quarter last year, due to challenging market environment and unattractive prices.

Production of phosphate fertilizers – in the third quarter of 2017, production of phosphate fertilizers was lower by 386 thousand tons than in the corresponding quarter last year, mainly due to decreased production in YPH as a result of the shift to specialty products.

Sales of phosphate fertilizers – the quantity of phosphate fertilizers sold in the third quarter of 2017 was 113 thousand tons lower than in the corresponding quarter last year, mainly due to a decrease in sales to Asia.

[14] The estimates regarding the date of resumption of the activities in the Zin facility of ICL Rotem 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, the world prices of phosphate rock, fluctuations in the world commodities markets, particularly in the target markets for ICL's products, including, among other things, changes in the levels of supply and demand and competition, regulatory changes and changes in the weather, and may also be impacted by actions taken by governments, manufacturers and consumers, as well as labor agreements.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

Essential Minerals (Cont.)

Additional Information – Essential Minerals (Cont.)

January – September 2017

Production of phosphate rock – in the nine months ended on September 30, 2017, production of phosphate rock was lower by 664 thousand tons than in the corresponding period last year, mainly due to adjusting production volumes to the business environment at ICL Rotem, which included a shutdown of the Zin plant during the third quarter of 2017. The plant is expected to return to activity during the fourth quarter of 2017. In addition, the production of phosphate rock decreased due to a production optimization process in YPH[15].

Sales of phosphate rock – the quantity of phosphate rock sold in the nine months ended on September 30, 2017 was 517 thousand tons lower than in the corresponding period last year, due to challenging market environment and unattractive prices.

Production of phosphate fertilizers – in the nine months ended on September 30, 2017, production of phosphate fertilizers was lower by 495 thousand tons than in the corresponding period last year, mainly due to decreased production in YPH as a result of the shift to specialty products.

Sales of phosphate fertilizers – the quantity of phosphate fertilizers sold in the nine months ended on September 30, 2017 was 105 thousand tons lower than in the corresponding period last year, mainly due to a decrease in sales to Asia.

[15] The estimates regarding the date of resumption of the activities in the Zin facility of ICL Rotem 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, the world prices of phosphate rock, fluctuations in the world commodities markets, particularly in the target markets for ICL's products, including, among other things, changes in the levels of supply and demand and competition, regulatory changes and changes in the weather, and may also be impacted by actions taken by governments, manufacturers and consumers, as well as labor agreements.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

Potash – Significant Data

	7–9/2017	7–9/2016	1–9/2017	1–9/2016	2016
	Millions of Dollars				
Sales to external customers	**328**	302	**820**	765	1,134
Sales to internal customers*	**32**	34	**109**	117	151
Total sales	**360**	336	**929**	882	1,285
Gross profit	**148**	146	**357**	346	513
Operating income attributable to potash business	**73**	81	**179**	197	291
Capital expenses	**40**	74	**142**	239	305
Depreciation and amortization	**29**	35	**86**	92	119
Average potash selling price – FOB (in $)	**217**	199	**216**	215	211

* 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.

Potash – Production and Sales

	7–9/2017	7–9/2016	1–9/2017	1–9/2016	2016
	Thousands of Tons				
Production	**1,181**	1,265	**3,470**	3,976	5,279
Sales to external customers	**1,319**	1,293	**3,312**	3,186	4,818
Sales to internal customers	**75**	107	**227**	255	347
Total sales (including internal sales)	**1,394**	1,400	**3,539**	3,441	5,165
Closing inventory	**597**	1,087	**597**	1,087	666

July – September 2017

Production – production of potash in the third quarter of 2017 was 84 thousand tons lower than in the corresponding quarter last year, due to decreased production at ICL UK as a result of transition from extracting and producing potash to producing Polysulphate, decreased production in Spain as a result of lower ore grade in the current mining area and decreased production at ICL Dead Sea as a result of maintenance operations at the plant in Sodom.

Sales to external customers – the quantity of potash sold to external customers in the third quarter of 2017, was 26 thousand tons higher than in the corresponding quarter last year, mainly due to an increase in sales to South America.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

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

Potash – Significant Data (Cont.)

Potash – Production and Sales (Cont.)

January – September 2017

Production – production of potash in the nine months ended on September 30, 2017 was 506 thousand tons lower than in the corresponding period last year, due to decreased production at ICL UK as a result of an operational breakdown in the mine tailings channel during the first quarter and transition from extracting and producing potash to producing Polysulphate, decreased production in Spain as a result of lower ore grade in the current mining area and decreased production at ICL Dead Sea as a result of maintenance operations at the plant in Sodom.

Sales to external customers – the quantity of potash sold to external customers in the nine months ended on September 30, 2017, was 126 thousand tons higher than in the corresponding period last year, mainly due to an increase in sales to South America, Asia and North America.

Set forth below are the highlights of the changes in the cash flows of ICL in the third quarter of 2017, compared with the corresponding quarter last year:

Net cash provided by operating activities:

In the third quarter of 2017, the cash flows provided by operating activities decreased by $73 million compared with the corresponding quarter last year. This decrease derives from a lower decrease in the working capital, mainly from an increase in sales in ICL Industrial Products and in the fire safety sub-business line in ICL Advanced Additives, along with cash payments made due to retirement of employees in the current quarter.

Net cash used in investing activities:

In the third quarter of 2017, the cash flows used in investing activities decreased compared with the corresponding quarter last year, by $4 million. This decrease derives mainly from a decrease in the cash flows used for investments in property, plant and equipment, and other assets, in the amount of $55 million. The decrease was mostly offset by an increase in deposits.

Net cash used in financing activities:

In the third quarter of 2017, there was a decrease of $101 million in the cash flows used in financing activities compared with the corresponding quarter last year. This decrease derives mainly from repayment of long term loans net of long term loans received, in the amount of $8 million, compared to the amount of $47 million, in the corresponding quarter last year and receipt of short-term credit from banks and others, net, in the amount of $13 million compared to repayment of short-term credit from banks and others, net in the amount of $19 million in the corresponding quarter last year and a decrease in dividend payment in the amount of $28 million, compared with the corresponding quarter last year.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Debt movement:

As at September 30, 2017, the net financial liabilities of ICL amounted to $3,264 million, a decrease of $4 million compared with the balance at the end of 2016. The decrease of the net financial liabilities derives mostly from the operating cash flow generated during the first nine months of 2017, which was partially offset by the dividend payments in the amount of $181 million and from the exchange rate impact.

The total amount of the securitization framework and credit facility deriving therefrom amounts to $350 million. As at September 30, 2017, ICL had used $340 million of the securitization facility.

ICL also has long-term credit facilities of $2,026 million and €60 million, of which $1,297 million was unutilized as at September 30, 2017.

Subsequent to the date of the report, on November 1, 2017, Standard & Poor’s Global Ratings (“S&P”) has reaffirmed ICL’s international corporate credit rating at BBB- with a stable outlook. The local rating by S&P Maalot was also reaffirmed at ilAA with a stable outlook. The above-mentioned ratings also apply to ICL’s debentures.

As 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 the critical accounting estimates during the nine-month period ended September 30, 2017.

Risk factors

In the nine-month period ended September 30, 2017, there were no material changes in ICL’s risk factors previously disclosed in Section 8.23 of the Annual Report.

Legal proceedings

<u>Derivative actions</u>

Pursuant to the resolution of ICL’s Board dated December 15, 2016, ICL appointed a special independent external committee (“the Special Committee”) to examine all aspects arising from the application for certification of a derivative action regarding the annual bonuses paid to office holders for the years 2014-2015 (“the Certification Application”). The Hon. Judge (ret.) Oded Mudrick was appointed to head the Special Committee and the Special Committees’ other members are: Prof. Sharon Hannes and Prof. Haim Assayag, CPA. For purposes of its operations, the Special Committee appointed a legal advisor to accompany its work – Dr. Asaf Eckstein.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Legal proceedings (Cont.)

Derivative actions (Cont.)

On April 18, 2017, the Special Committee submitted its report to the Board of Directors, wherein it determined, among other things, that in its opinion the adjustments to the net profit as approved by ICL's Compensation Committee for the years 2014 and 2015 were duly made and in accordance with ICL's compensation policy. Therefore, ICL does not have a cause of action against the directors who approved the bonus adjustments for the years 2014 and 2015, or against the officers who received the bonuses due to the said adjustments. In light of the foregoing, it would be improper for ICL to demand any restitution or reparation due to the events specified in the Certification Application filed by the Applicant. Accordingly, the Committee recommended that ICL oppose the Application filed with the Court by the Applicant.

On April 26, 2017, ICL's Board resolved to fully adopt the Special Committee's report and the recommendation therein to deny the Applicant's demand in the Certification Application and to instruct ICL to file an objection to the Certification Application.

On May 11, 2017, the Applicant applied to Court, arguing that ICL is not permitted to attach the Special Committee's report to its response. On June 6, 2017 ICL and the remaining respondents submitted their responses to the Certification Application. For cautionary purposes the Special Committee's report was not attached to ICL's response; however as part of ICL's response the Court was requested to allow submission of the Special Committee's report.

Investment treaty claim against Ethiopia

Further to Note 15.B.1 to the annual financial statements, and according to the announcement issued by ICL on May 10, 2017, ICL Europe Coöperatief U.A. ("ICL Europe"), a subsidiary of ICL, filed a claim under the Bilateral Investment Treaty (BIT) against the Federal Democratic Republic of Ethiopia ("Ethiopia") in relation to State violations of the Agreement on Encouragement and Reciprocal Protection of Investments between the Ethiopia and the Netherlands. The violations relate to, inter alia, the State's imposition of an illegal tax assessment against, and its failure to provide infrastructure support to, Allana Potash Afar Plc, a second-tier subsidiary of ICL Europe .ICL Europe filed the claim under the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL), and requested the Permanent Court of Arbitration at The Hague to administer the arbitration proceedings. On June 12, 2017, Ethiopia filed its response to the notice of arbitration. On September 28, 2017, the process of appointing the three arbitrators that will administer the arbitration proceedings was completed.

For further information regarding legal proceedings and other contingencies, see Note 6.B to the condensed consolidated interim financial statements as at September 30, 2017.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Additional information

Enhancement of resources availability for growth initiatives and/or debt leverage reduction

On June 22, 2017, ICL announced that as part of its plan for generating available sources for financing additional investments, as well as to reduce its current leverage level, it is exploring, among other things, various opportunities to divest subsidiaries and/or assets that have a low synergy profile with ICL's mineral chain and/or portfolio, in the amount of about $500 million or more. In the framework of the said plan, ICL signed an agreement for sale of its holdings in IDE Technologies Ltd., constituting 50% of IDE's share capital, in exchange for a consideration of about $178 million subject to possible price adjustments deriving from the occurrence of certain events prior to the closing of the transaction. In addition, ICL is presently carrying on preliminary proceedings regarding the possibility of selling certain assets, among others: Fire-Safety and Oil Additives, which are part of the Advanced Additives Business Unit of the Specialty Solutions Division, as well as its holdings in the affiliated company "Novetide". At this stage, there is no certainty that the sale processes will proceed and there is no certainty that ICL will enter into transactions for sale of the said assets, in whole or in part, and/or for sale of its holdings in Novetide. For additional details – see Note 5.B.4 to the Corporation's condensed consolidated interim financial statements as at September 30, 2017 and ICL's Immediate Report dated October 19, 2017.

Signing of non-binding memorandum of understanding as part of negotiations for purchase of natural gas

On August 8, 2017, ICL gave notice that it signed a non-binding memorandum of understanding (hereinafter – "the MOU") with Energean Israel Limited (hereinafter – "Energean"), a holder of interests in the Karish and Tanin gas fields (hereinafter – the "Gas Field"), further to which the parties will conduct negotiations in contemplation of signing a detailed and binding agreement for supply of natural gas (if signed), under which ICL will purchase natural gas in the quantities and for the periods as will be agreed upon therein, for purposes of running the power plant in Sodom and ICL's other facilities in Israel.

The MOU includes, among others, the following provisions: (A) the total quantity of gas ICL is anticipated to purchase from Energean is about 13 BCM with respect to the entire expected supply period (hereinafter – "the Total Contractual Quantity"); (B) the supply period will commence on the date on which Energean commences operation of the Gas Field, and is expected to end on the earlier of the date on which the Total Contractual Quantity is consumed or after the passage of 15 years from the commencement date of supply of the natural gas to ICL; if the Contractual Quantity is not fully consumed, the parties may extend the period of the supply agreement (to the extent signed) for an additional period, subject to compliance with the terms and targets as will be defined in the supply agreement; (C) a "take or pay" payment mechanism for a minimum annual quantity of natural gas in the amount and according to the mechanism that will be determined (D) the price of the natural gas will be linked to the electricity generation component and will include a minimum price; (E) the total financial scope of the purchase of gas from Energean by ICL, if and to the extent the negotiations are successfully concluded and a detailed supply agreement is signed in accordance with the MOU, may reach about $2 billion and depends, among other things, on the changes in the electricity price to which the gas price is linked, and the total quantities purchased by ICL in actuality during the period of the binding agreement; and (F) the parties to the MOU have agreed that for a period of 180 days after signing the MOU Energean will not engage in negotiations for the sale of gas which would hinder its ability to supply the gas which is the subject of the MOU, while ICL has undertaken not to engage in negotiations which would prevent it from being able to purchase the aforesaid quantity of gas from Energean.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Additional information (Cont.)

Signing of non-binding memorandum of understanding as part of negotiations for purchase of natural gas (Cont.)

The negotiations with Energean were conducted jointly by ICL, Oil Refineries Ltd. (a public company controlled by Israel Corporation Ltd. and OPC Energy Ltd. (a public company that is controlled indirectly by one of ICL's controlling shareholders) (hereinafter – "the Purchasers"), however each of the Purchasers signed a separate memorandum of understanding with Energean. Only a non-binding memorandum of understanding is involved, and signing of an agreement for supply of the gas and the actual supply of the gas in accordance therewith are subject to, among other things, completion of the negotiations, signing a binding agreement, receipt of all the required approvals, and meeting various milestones and preconditions, including arrangement and supply of natural gas to ICL in a case where the Gas Field is ultimately not developed. A binding agreement, if and to the extent signed, will require proper approval by ICL's authorized organs. As at the present time, there is no certainty regarding ICL's undertaking in a binding agreement or the terms of such binding agreement, to the extent signed.

Merger of PotashCorp And Agrium

Further to ICL's report on September 8, 2017 regarding the proposed merger of Potash Corporation of Saskatchewan Inc., (hereinafter – "PotashCorp") (which holds shares of ICL), and Agrium Inc. (hereinafter – "Agrium"), during the third quarter the above-mentioned companies issued a press release wherein they announced that India has approved their proposed merger transaction. The press release further stated that the approval will be conditioned on the parties' commitment to divest PotashCorp's minority shareholdings in a number of companies, including ICL, within a period of 18 months from October 18, 2017. In addition, the press release indicated that the companies are permitted to consummate the merger prior to the divestments and that they have already received unconditional clearance for the merger in Canada, Brazil and Russia, and while the regulatory review and approval process is continuing in the U.S. and China the parties expect to close the transaction by the end of the fourth quarter of 2017. Subsequent to the date of the report, the two companies issued a press release whereby the Chinese authorities approved the above-mentioned merger transaction, where such approval is contingent on, among other things, an undertaking by PotashCorp to sell its minority holdings in ICL within a period of 9 months from the date of the financial closing.

Significant events during the period of the report and thereafter

Legal proceedings and regulation:

A. Demand to repay grant under environmental restoration plan in ICL Iberia – for details regarding a demand to repay an environmental restoration grant in accordance with the decision of the European Commission – see Note 6.B.4 to the consolidated interim financial statements.

B. Legal claim of the National Roads Company in Israel against Dead Sea Works – for details see Note 6.B.6 to the consolidated interim financial statements.

C. Royalties arbitration in Israel – for details royalties arbitration in Israel – see Note 6.B.3 to the consolidated interim financial statements.

D. Petition against the Electricity Authority in Israel – for details see Note 6.B.5 to the consolidated interim financial statements.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Significant events during the period of the report and thereafter (Cont.)

Legal proceedings and regulation: (Cont.)

E. Permit to pile up salt at the Sallent site – for details regarding extension of the validity of the permit to pile up sale – see Note 6.B.10 to the consolidated interim financial statements.

F. Tax assessment in Israel – for details regarding the tax assessment in Israel received for the years 2012-2014 – see Note 6.B.11 to the consolidated interim financial statements.

G. Legal claim of Great Lakes Chemicals against Dead Sea Works – for details see Note 6.B.13 to the consolidated interim financial statements.

H. Developments in connection with the mining plan in Barir Field – for details see Note 6.B.14 to the consolidated interim financial statements.

I. ICL's intention to file a treaty claim against Ethiopia for breach of contract – for details see the "Legal Proceedings" section in the Report of the Board of Directors (ICL section) above.

J. A derivative claim in connection with the annual bonus paid to officers of ICL for 2014 and 2015 – for details see the "Legal Proceedings" section in the Report of the Board of Directors (ICL section) above.

K. Provision of equity remuneration – for details regarding provision of equity remuneration – see Note 5B to the consolidated interim financial statements.

Financing:

A. A short-term loan from Israel Corporation – for details regarding receipt of a short-term loan, in the amount of $150 million, for ICL's controlling shareholder – see "Additional Information" in the interim separate-company financial statements.

B. ICL's credit rating – for details regarding ICL's international credit rating to BBB– with a stable rating outlook, see Note 5.B.3 to the consolidated interim financial statements.

Other:

A. Acquisition of natural gas – for details regarding signing of a non-binding memorandum of understanding as part of negotiations for purchase of natural gas – see the "Additional information" section in the Report of the Board of Directors (ICL section) above.

B. Merger of PotashCorp and Agrium – for details regarding the merger process of the two companies – see the "Additional information" section in the Report of the Board of Directors (ICL section) above.

C. P–9 pumping station in Sodom – for details regarding an approval of ICL's Board of Directors in connection with an investment for purposes of construction of the pumping station – see the "Main developments and the business environment in ICL: – Potash and Magnesium" section in the Report of the Board of Directors (ICL section) above.

D. New power station in Sodom – for details regarding construction of the new power station in Sodom – see Note 6.B.7 to the consolidated interim financial statements.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

ISRAEL CHEMICALS LTD. (Cont.)

Significant events during the period of the report and thereafter (Cont.)

Other: (Cont.)

E. Plan of ICL's management in connection with development of the mining area in Spain – for details regarding the decision of ICL's management and recording of a provision for impairment in value in respect of assets in the said mining area – see Note 6.B.9 to the consolidated interim financial statements.

F. Extension of the labor agreement in Bromine Compounds for details regarding an agreement of understandings for extension of the labor agreement in Bromine Compounds – see Note 6.B.8 to the consolidated interim financial statements.

G. Partial collapse of the dyke in the evaporation pond of Rotem Amfert Israel – for details regarding the event and requests for class action claims regarding the matter – see Note 6.B.1 and Note 6.B.2 to the consolidated interim financial statements.

H. Salt harvesting – for details regarding approval of ICL's Board of Directors with respect to a budget for purposes of progressing with execution of the salt harvesting at the Dead Sea – see the "Main developments and the business environment in ICL: – Potash and Magnesium" section in the Report of the Board of Directors (ICL section) above.

I. Enhancement of resources availability for growth initiatives and/or debt leverage reduction – for details regarding signing of an agreement for sale of all of ICL's holdings (50%) in IDE and advanced stages of processes for sale of certain assets, including, Fire Safety and Oil Additives belonging to the Advanced Additives business unit of the Specialty Solutions division, as well as all of ICL's holdings in Novatide – see Note 5.B.4 to the consolidated interim financial statements and the "Additional information" section in the Report of the Board of Directors (ICL section) above.

J. Collective bargaining labor agreement in Rotem – for details regarding signing of a collective bargaining agreement in Rotem Israel for a period of 5 years – see Note 6.B.12 to the consolidated interim financial statements.

OIL REFINERIES LTD.

In the period of the report, the trend that began in December last year of increase in the average Brent crude oil price continued and was affected by the decision of OPEC member countries to limit production. The Brent price, which was traded in the period of the report at $50 – $60 per barrel, is attributed to the balancing of oil production as a result of OPEC production limits, on one hand, and increased output of non-OPEC countries and the U.S., on the other. Towards the end of September 2017, the Brent price rose so that its price as at the date of the report was set at $57 per barrel for the following main reasons: forecasts of increased demand for oil coupled with refining facilities returning to normal production following Hurricane Harvey, continuing OPEC and Russian commitment to the program to reduce output and export of Kurdish oil from northern Iraq, which has been continuing, also after the period of the report.

In the period of the report, the price of Ural crude oil, which is heavy crude oil, weakened compared to Brent prices (which is light crude oil), with a disparity of $1.1 per barrel, compared with $1.7 per barrel in the corresponding period last year. The difference in the price of heavy crude compared with light crude was extremely volatile, ranging between $0 and $2 per barrel, due to increase in the supply of Ural crude oil substitutes from outside the Mediterranean region.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

OIL REFINERIES LTD. (Cont.)

In the period of the report, the futures market for crude oil continued to be “contango” at average rate of $0.2 per barrel per month. In the third quarter of 2017, there was a change in the futures market trend and started backwardation.

The Ural margin strengthened in the period of the report compared with the corresponding period last year. The main factors contributing to this strengthening are the planned and unplanned shutdowns of refining facilities together with an increase in demand for distillates. At the beginning of September 2017, Hurricane Harvey caused production at the refineries in the Gulf of Mexico and in the United States to stop. As a result, the Ural margin reached $10.8 per barrel, a record high since the end of 2008. By the end of September, refining capacity in the affected area had returned to normal, and Ural margins declined to between $5 –$6 per barrel.

Raw material prices, used for the polymers activity, 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 and polyethylene prices decreased in the period of the report compared to the corresponding period last year. The difference in the behavior of the polymer prices can be explained by the difference in the prices of raw materials used for the production of each of these polymers in Europe (propylene and ethylene). 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 occurred, while the foregoing volatility of the polypropylene and polyethylene prices are affected, among other things, by the prices of the raw materials for the production of polymers in Europe (propylene and ethylene), and due to the increase in the naphtha price. In September 2017 Hurricane Harvey, that hit the Gulf of Mexico in the U.S., led to shutting down of polymer facilities in the area and to an increase in polymer margins during this period.

Results of operations

ORL applies after making early adoption, the provisions of IFRS 9 (2013). The Corporation has not made early adoption of the said Standards, and it makes reconciliations to the books of ORL in its financial statements. The data below includes impacts from early adoption of the Standards, as stated.

ORL completed the nine-month and three-month periods ended September 30, 2017, with income of about $183 million and about $92 million, respectively, compared with income of about $116 million and about $1 million, respectively, in the corresponding periods last year.

Without the impact of IFRS 9 (2013), ORL completed the nine-month and three-month periods ended September 30, 2017, with income of about $169 million and about $72 million, respectively, compared with income of about $126 million and about $2 million, respectively, in the corresponding periods last year.

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 Ural margin, the accounting effects in the fuel segment are adjusted and presented in a way that allows a better comparison of the performance of the Fuels’ segment to the Ural margin. 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.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

OIL REFINERIES LTD. (Cont.)

Results of operations (Cont.)

Set forth below is a breakdown of selected figures from the reported consolidated statements of income after adjustment for accounting effects for the six-month and three-month periods (USE millions)

	7-9.2017	7-9.2016	1-9.2017	1-9.2016
Revenue	**1,446**	1,012	**4,030**	3,069
EBITDA	**169**	87	**455**	354
Depreciation	**(36)**	(33)	**(108)**	(94)
Other expenses, net	**(3)**	(13)	**(9)**	(19)
Operating income	**130**	41	**338**	241
Financing expenses, net	**(19)**	(36)	**(102)**	(98)
Income tax	**(19)**	(4)	**(52)**	(27)
Net income	**92**	1	**183**	116
Fuel segment adjustments*	**13**	(17)	**(42)**	(48)
Adjusted EBITDA	**182**	70	**413**	306
Adjusted operating income	**143**	24	**297**	193
Net adjusted income (loss)	**105**	(16)	**142**	68

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

In the first quarter of 2017, ORL carried out planned periodic maintenance work on part of its downstream facilities, in particular the CCR plant, due to which part of the refining facilities were also shut down. In addition, all of Gadiv's plants were shut down to carry out planned periodic maintenance work. The Group estimates that the projected total loss of earnings caused due to these shutdowns, as reflected in the results of the period, amount to approximately $69 million ($61 million in the Fuels segment, $4 million in the Aromatics segment and $4 million in the Polymers Carmel Olefins segment, due to derivative effects).

During the second and third quarters of 2016, all of Carmel Olefins plants and ORL's primary crude refining facility (CDU 4), as well as part of ORL's downstream plants, were shut down for planned periodic maintenance work. According to the Group's assessment, the estimated total loss of profits caused to the Group due to this shutdown, as reflected in the results of the period, amounts to $80 million ($35 million in the fuels segment and $45 million in the polymer segment – Carmel Olefins, mainly in the second quarter).

Results of operations for the period July – September 2017

<u>Breakdown of sales turnover by operating segment (including inter-segment sales)</u>

Fuels segment sales amounted to $1,266 million in the third quarter of 2017, compared to $862 million in the corresponding period last year. The average price per ton of the Mediterranean region product index, similar to ORL's product index, amounted to $453 in the third quarter of 2017, compared to $422 in the corresponding period last year. The increase in the average price of the product index is mainly due to the increase in energy prices, together with the increase in raw material prices. The increase in sales is also due to the periodic maintenance work carried out on part of ORL's facilities in the third quarter of 2016.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

OIL REFINERIES LTD. (Cont.)

Results of operations for the period July – September 2017 (Cont.)

Breakdown of sales turnover by operating segment (including inter-segment sales) (Cont.)

Domestic consumption of distillates (transportation, industrial and heating fuels) rose by 3% in the third quarter of 2017 compared to the corresponding period last year. There was an increase of 1% in consumption of transportation fuels (gasoline, diesel and kerosene) compared to the corresponding period last year.

Total sales in the polymers segment – Carmel Olefins sales amounted to $172 million in the third quarter of 2017, compared to $138 million in the corresponding period last year, an increase of $34 million. This increase is mainly due to an increase of $30 million in sales volume and an increase in selling prices in the amount of $4 million. The average price of the product mix was $1,245 per ton compared to $1,201 per ton in the corresponding period last year.

Sales of the Polymers segment – Ducor amounted to $60 million in the third quarter of 2017, compared to $47 million in the corresponding period last year. The increase of $13 million is mainly due to a price increase amounting to $9 million and an increase in sales volume of $4 million. The average price of the product mix was $1,326 per ton compared to $1,108 per ton in the corresponding period last year.

Sales of the Aromatics segment – Gadiv amounted to $104 million in the third quarter of 2017, compared to $102 million in the corresponding period last year. The increase of $2 million is mainly due to an increase of $5 million in selling prices and an increase in other revenues of $2 million, offset by a decrease in selling volume of $5 million. The average price of the product mix was $686 per ton compared to $663 per ton in the corresponding period last year.

Set forth below is a breakdown of the adjustment components in the Fuels segment and their effect on the EBITDA (US$ millions):

	July–September	
	2017	**2016**
	$ millions	
Increase (decrease) in the accounting income		
Income from timing differences (1)	**(14)**	–
Expenses (income) from adjustment of value of inventory to market value, net (2)	**23**	(4)
Effect of changes in fair value of derivatives and realizations (3)	**4**	(13)
Total adjustments in the fuels' segment	**13**	(17)

(1) Expenses (income) arising from changes in the value of unhedged inventory. In accordance with ORL's policy, it does not engage in hedging contracts for inventory of up to 730 thousand tons, other than the inventories under the available inventory transaction. As at September 30, 2017, the volume of unhedged inventories is about 480 thousand tons.

(2) Expenses (income) arising from changes in the accounting provision for adjustment of 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) Expenses (income) arising from reevaluation of the fair value of open positions that do not relate to 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.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

OIL REFINERIES LTD. (Cont.)

Results of operations for the period July – September 2017 (Cont.)

Set forth below is a comparison of ORL's refining margins with the Ural margin.

	7-9.2017	7-9.2016
Accounting margin (USD/ton)	**62.8**	42.6
Adjustments in the Fuels segment (USD/ton)	**4.9**	(10.7)
Adjusted margin (USD/ton)	**67.7**	31.9
Adjusted margin (USD/barrel)	**9.3**	4.4
Ural margin (USD/barrel)	**6.4**	3.8

In the third quarter of 2016, ORL carried out significant periodic maintenance work on its plants, particularly CDU 4. The shutdown of the facilities reduced refining capacity to 53%, adversely affecting the refining margin. Consequently, comparative analysis of the quarter's results compared with the corresponding quarter last year is not presented.

It is noted that there are differences in a number of parameters between ORL's refining margin and the Ural margin. These include composition of crude oil (ORL also refines crude oil types that are not Ural), composition and quality of products produced by the refineries, the energy source used for refining, and the difference generated due to the fact that the quote takes into account purchase and sale on the same day, while in practice, there is a gap between the purchase date of the crude and the selling date of distillates produced from the crude oil. Comparison to the Ural margin could provide insight in relation to development trends of ORL's refining margin, and does not constitute a precise parameter for estimating ORL's refining margin in the short term.

Results of operations for the period January – September 2017

Breakdown of sales turnover by operating segment (including inter-segment sales)

Fuels Segment sales amounted to $3,492 million in the period of the report, compared to $2,604 million in the corresponding period last year. The average price per ton of the product index in the Mediterranean area, similar to the ORL's product index, amounted to $459 in the period of the report, compared to $370 in the corresponding period last year. The increase in the average price of the product index is mainly due to the increase in energy prices, together with the increase in raw material prices. Part of the increase in sales volume is due to income from insurance indemnification for loss of profits of $7 million.

Domestic consumption of distillates (transportation, industrial and heating fuels) rose by 2% compared to the corresponding period last year. Similarly, there was an increase of 2% in consumption of transportation fuels (gasoline, diesel and kerosene) compared to the corresponding period last year.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

OIL REFINERIES LTD. (Cont.)

Results of operations for the period January – September 2017 (Cont.)

Breakdown of sales turnover by operating segment (including inter-segment sales) (Cont.)

Sales in the polymers segment – Carmel Olefins amounted to $518 million in the period of the report, compared to $388 million in the corresponding period last year, an increase of $130 million. The increase is mainly due to an increase in sales volume of $111 million following the periodic maintenance work carried out on Carmel Olefins facilities in the corresponding period last year, a selling price increase of $9 million and income from insurance indemnification in respect for loss of profits of $10 million. The average price of the product mix was $1,253 per ton compared to $1,218 per ton in the corresponding period last year.

Sales in the polymers segment – Ducor amounted to $172 million in the period of the report, compared to $145 million in the corresponding period last year. The increase of $27 million is mainly due to the price increase of $24 million and the increase in sales volume of $3 million. The average price of the product mix was $1,279 per ton compared to $1,093 per ton in the corresponding period last year.

Sales in the aromatics segment – Gadiv amounted to USD $244 million in the period of the report, compared to $299 million in the corresponding period last year. The $55 decrease is mainly the result of a decrease sales volume of $77 million due to the periodic maintenance work carried out on all of Gadiv's facilities in the first quarter of 2017, offsetting a selling price increase in the amount of $22 million. The average price of the product mix was $706 per ton compared to $637 per ton in the corresponding period last year.

Set forth below is a breakdown of the adjustment components in the Fuels segment and their effect on the EBITDA (US$ millions):

	January–September	
	2017	**2016**
	$ millions	
Increase (decrease) in the accounting income		
Income from timing differences (1)	**(3)**	(17)
Expenses (income) from adjustment of value of inventory to market value, net (2)	**(4)**	15
Effect of changes in fair value of derivatives and realizations (3)	**(35)**	(46)
Total adjustments in the fuels' segment	**(42)**	(48)

(1) Expenses (income) arising from changes in the value of unhedged inventory. In accordance with ORL's policy, it does not engage in hedging contracts for inventory of up to 730 thousand tons, other than the inventories under the available inventory transaction as set out in Note 5.C.2 to the consolidated interim financial statements. As at September 30, 2017, the volume of unhedged inventories is about 480 thousand tons.

(2) Expenses (income) arising from changes in the accounting provision for adjustment of 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) Expenses (income) arising from re-evaluation of the fair value of open positions that do not relate to hedged inventory (hedging transactions on future cash flow exposure for base inventory purchase and hedging of refining margins). The cumulative profit or loss with regard to these positions, which are non-cash, will be attributed to the adjusted EBITDA when disposed. In the first nine months of 2017, most of this amount is due to non-cash disposal of the loss in positions relating to the purchase of basic inventories due to the termination of the available inventory transaction (as set out in Note 9.C.7 to the annual financial statements) in the second quarter.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

OIL REFINERIES LTD. (Cont.)

Results of operations for the period January – September 2017 (Cont.)

Set forth below is table summarizing the comparison of ORL's refining margins to the Ural margin:

	January–September		
	2017	**2017 Proforma***	**2016**
Accounting margin – dollar per ton	**59.2**	**63.9**	51.1
Adjustments in the fuels' segment – dollar per ton	**(5.8)**	**(5.4)**	(7.6)
Adjusted margin – dollar per ton	**53.4**	**58.5**	43.5
Adjusted margin – dollar per barrel	**7.3**	**8.0**	6.0
Ural margin – dollar per barrel	**5.8**	**5.8**	3.6

* The proforma margins for the period of the report shown in the table above were calculated in the following manner:

1. The estimate of the lost profits, in the amount of $61 million was added to ORL's actual refining margin in the period of the report, which is about $449 million (hereinafter – "the Adjusted Margin").
2. The Adjusted Margin was divided by the total number of barrels for the period of the report of 56.1 million barrels (the median number of barrels of crude oil and intermediate materials of 17.5 million barrels processed per quarter plus the actual number of barrels processed in the second and third quarters of 2017).

It is noted that there are differences in a number of parameters between ORL's refining margin and the Ural margin. These include composition of crude oil (ORL also refines crude oil types that are not Ural), composition and quality of products produced by the refineries, the energy source used for refining, and the difference generated due to the fact that the quote takes into account purchase and sale on the same day, while in practice, there is a gap between the purchase date of the crude and the selling date of distillates produced from the crude oil. Comparison to the Ural margin could provide insight in relation to development trends of the Company's refining margin, and does not constitute a precise parameter for estimating ORL's refining margin in the short term.

Other developments in the period of the report and thereafter

1. Further to that stated in Section 9.15.8 of the Periodic Report for 2016, regarding licenses held by companies in the ORL Group, the temporary permits held by the ORL Group that were issued by Haifa Municipality were extended until December 31, 2017.

2. Further to that stated in Section 9.12.4 of the Periodic Report for 2016, regarding decision of the National Council for Planning and Building (hereinafter – "the National Council") to hold an additional hearing in connection with the site plan for the site on which the facilities of companies in the ORL Group are situated, on June 8, 2017, ORL received the decision of the National Council, which approved the plan with the revisions provided in the decision, primarily, reduction of the additional construction permitted on the site to 5% of the presently existing construction on the site. In the period of the report, administrative appeals were filed against the decision of the National Council.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

OIL REFINERIES LTD. (Cont.)

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

3. Further to that stated in Section 9.12.4 of the Periodic Report for 2016, during the period of the report the Ministry of Environmental Protection notified ORL that at certain monitoring stations in the Haifa Bay area higher pollution levels were recorded for ORL than in the past and that it was considering adopting measures including the issue of a temporary injunction and an order to reduce air emissions pursuant to the Clean Air Law, which will include a requirement to map and treat suspected sources of benzene emissions, reducing time schedules for implementing emission reduction measures in benzene containing facilities and other measures. ORL takes measures to monitor, find and reduce benzene emissions at the facilities of the Group companies, and has submitted its mapping plan to the Ministry as required. Subsequent to the period of the report, the Ministry of Environmental Protection issued administrative orders under Section 45 of the Clean Air Law, 2008, to ORL and its subsidiaries, Carmel Olefins and Gadiv, instructing them to submit a plan and to adopt measures in order to lower benzene emissions from their facilities. The companies are preparing for compliance with the provisions of the order and are in contact with the Ministry in this regard. ORL estimates that the measures that the companies have adopted to reduce the benzene emissions will enable them to comply with the provisions of the order without having to make changes or reduce operations. ORL’s estimates in this regard constitute forward looking information that is dependent, among other things, on the results that will actually be achieved due to the measures the companies have adopted for reducing the benzene emissions from their facilities, and materialize differently if these results differ from the current estimate.

4. Further to that stated in Section 9.6.14.6 of the Periodic Report for 2016, regarding the dates of the planned periodic maintenance work on ORL’s plants, periodic maintenance work was carried out in the period of the report on part of ORL’s plants and on Gadiv’s plants. ORL also decided that the periodic maintenance work on the crude refining plant 3 and related facilities planned for 2017 will be carried out in 2018.

5. Further to that stated in Section 9.2.6 of the Periodic Report for 2016, on August 8, 2017 ORL and Energean Israel Ltd. (“Energean”) the holder of the leases in the Karish and Tanin gas reservoirs (the “Gas Reservoir”), signed a non-binding memorandum of understanding (“MOU”) based on which the parties are negotiation for signing a specific and binding agreement for the supply of natural gas (if it will be signed) (the “Supply Agreement”), under which ORL will purchase natural gas in volumes and for periods that will be agreed upon in the Supply Agreement. This for the purpose of operating the Haifa Bay facilities of ORL and its subsidiaries. The main provisions of the MOU are as follows:

   A. The total volume of gas that the Company is expected to purchase from Energean is 17 BCM with respect to the entire expected supply period.

   B. The supply period will commence from the date on which Energean begins conveying gas from the Gas Reservoir and is expected to end on the date on which the entire contractual quantity has been consumed or after 15 years from the start of supply of natural gas to ORL, whichever occurs first; in the event that the entire volume has not been consumed, the parties may extend the term of the supply agreement (if it is signed) for a further period, subject to compliance with terms and conditions that will be defined under the Supply Agreement.

FOLLOWING IS A BRIEF SUMMARY OF THE FINANCIAL RESULTS OF THE INVESTEES COMPANIES: (Cont.)

OIL REFINERIES LTD. (Cont.)

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

5. (Cont.)

   C. A "take or pay" payment mechanism will be set up for a minimum annual volume of natural gas and in accordance with the mechanism to be determined.

   D. The price of the natural gas will be linked to the electricity generation component and will include a minimum price.

   The parties to the MOU have agreed that for a period of 180 days from signing of the MOU, Energean will not engage in negotiations for the sale of gas that could hinder its ability to supply the gas under the MOU, and ORL has undertaken not to engage in negotiations that would prevent it from purchasing the foregoing volume of gas from Energean. The negotiations with Energean were conducted by ORL, Israel Chemicals Ltd.[16] and OPC Energy Ltd.[17] (the "Buyers") together in order to leverage the combined buying power of the Buyers to receive preferential purchase terms from Energean.

   The MOU was signed by each of the Buyers separately and if the Supply Agreement will be signed, it too will be signed by each of the Buyers separately.

   It is hereby clarified that engaging in an agreement for the supply of gas and the actual supply of gas thereunder is subject, among other things, to completing the negotiations, the signing of a binding Supply Agreement and compliance with various milestones and other contingent conditions. The binding Supply Agreement, if it will be signed, will be approved as required by the competent organs of ORL.

   Forward-looking information: The foregoing information concerning the negotiations for a supply agreement, including the conclusion thereof and its terms and conditions, constitute forward-looking information, as defined in the Securities Law, and is contingent and dependent on a number of factors. The foregoing information may not materialize or could materialize in a manner materially different from that stated above due to various factors, including the failure of the parties to reach agreement or failure to obtain the required approvals with respect to the supply agreement.

6. On November 19, 2017, ORL's CEO, Mr. Avner Mimon, gave notice of his resignation. Mr. Mimon's resignation will take effect on the date that will be agreed to between ORL's Board of Directors and ORL's CEO, but not later than February 28, 2018.

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[16] A public company under the control of Israel Corporation Ltd., the controlling shareholder of orl.

[17] As ORL was informed, a company controlled by Kenon Holdings Ltd. ("Kenon") Kenon is an affiliate company of ORL's controlling shareholders in Israel, whose shares are double listed for trading on the New York Stock Exchange (NYSE) and the Tel Aviv Stock Exchange Ltd. (TASE).

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 2016 on March 29, 2017 and up to the publication date of this report[18]:

To Section 1 of Paragraph A of the Periodic Report – Description of general developments of the Corporation's business – transactions of the Corporation and description of its business development and to Section 9 of Paragraph A of the Periodic Report – Description of the Corporation's business based on activity areas – Oil Refineries Ltd. (ORL)

Regarding sale of 128 million shares of ORL by the Corporation in exchange for a gross consideration of about NIS 200 million – see the Corporation's Immediate Report dated June 19, 2017 (Ref. No. 2017-01-062472).

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

A. Regarding a claim filed in the United States against a subsidiary of ICL alleging breach of a supply agreement from 2003 – see the Corporation's Immediate Report dated April 3, 2017 (Ref. No. 2017-01-036315).

B. Regarding negotiations being carried on for sale of ICL's share in IDE Technologies Ltd (50%) – see the Corporation's Immediate Report dated April 25, 2017 (Ref. No. 2017-01-042738).

C. For details regarding an independent committee appointed by ICL in connection with a request for certification of a derivative claim with respect to annual bonuses paid to officers of ICL in the years 2014–2015 – see the Corporation's Immediate Report dated April 27, 2017 (Ref. No. 2017-01-043476).

D. For details regarding a claim filed by a subsidiary of ICL against Ethiopia in connection with violations of the Agreement for Encouragement and Reciprocal Protection of Investments treaty – see the Corporation's Immediate Report dated May 11, 2017 (Ref. No. 2017-01-047580).

E. For the financial statements of ICL as at March 31, 2017 and a slide presentation for investors published by ICL further thereto – see the Corporation's Immediate Reports dated May 11, 2017 (Ref. Nos. 2017-01-047574 and 2017-01-047577, respectively).

F. For a report regarding the Report of the Board of Directors of ICL for the first quarter of 2017 – see the Corporation's Immediate Report dated May 14, 2017 (Ref. No. 2017-01-048363).

G. Regarding sale of ICL's share in IDE Technologies Ltd (50%) – see the Corporation's Immediate Report dated June 8, 2017 (Ref. No. 2017-01-058380).

H. Regarding a conference for investors held by ICL for the Israel Capital Market and the representations made at the said conference – see the Corporation's Immediate Report dated June 22, 2017 (Ref. No. 2017-01-064203).

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[18] 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 2016 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 2016, which was published on March 29, 2017 (Ref. No. 2017-01-032967) (hereinafter – "the Periodic Report"). Every reference to an Immediate Report includes as part of this document all the information included in the Immediate Report as stated.

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

To Section 8 of Paragraph A of the Periodic Report – Description of the Corporation's business based on activity areas – Israel Chemicals Ltd. (hereinafter – "ICL") (Cont.)

I. On July 2, 2017, the Corporation published ICL's notification regarding a partial collapse of a dyke in a plant of a subsidiary of ICL. For details regarding collapse of the dyke, the cooperation between ICL and the government and the Israeli authorities in order to restore the damages caused by collapse of the dyke, and two requests for certification of class actions claims filed against ICL's subsidiary alleging contamination as a result of collapse of the dyke – see the Corporation's Immediate Reports dated July 2, 2017 (Ref. No. 2017-01-068190), July 5, 2017 (Ref. No. 2017-01-069870) and July 10, 2017 (Ref. No. 2017-01-072045).

J. Regarding ICL's notification with respect to negotiations with Energean Israel Limited to formulate a non-binding memorandum of understanding relating to supply of natural gas – see the Corporation's Immediate Report dated July 16, 2017 (Ref. No. 2017-01-073692).

K. Regarding the signing by ICL of supply contracts with its customers in China for supply of potash covering a quantity of 925,000 tons – see the Corporation's Immediate Report dated July 30, 2017 (Ref. No. 2017-01-077967).

L. Regarding ICL's financial statements as at June 30, 2017 and the presentation to investors published by ICL as a result thereof – see the Corporation's Immediate Reports dated August 3, 2017 (Ref. Nos. 2017-01-079560 and 2017-01-079563).

M. Regarding ICL's notification of signing a memorandum of understandings with Energean in connection with supply of natural gas – see the Corporation's Immediate Report dated August 9, 2017 (Ref. No. 2017-01-068548).

N. Regarding the signing by ICL of supply contracts to its customers in India for supply of potash in the aggregate amount of 750,000 tons, including options – see the Corporation's Immediate Report dated August 13, 2017 (Ref. No. 2017-01-069610).

O. Regarding ICL's notification with reference to an additional request for certification of a class action claim against ICL, a subsidiary of ICL, and officers of ICL and a former and present subsidiary, in connection with partial collapse of a dyke in the subsidiary's plant – see the Corporation's Immediate Report dated August 20, 2017 (Ref. No. 2017-01-071935).

P. Regarding ICL's notification with reference to an update with respect to the merger between a shareholder of ICL and the Canadian Company Agrium Inc. – see the Corporation's Immediate Report dated September 10, 2017 (Ref. No. 2017-01-080017).

Q. Regarding ICL's notification with reference to examination of possibilities of sale of certain assets and holding of ICL – see the Corporation's Immediate Report dated October 19, 2017 (Ref. No. 2017-01-091963).

R. Regarding ICL's notification with reference to confirmation of ICL's international and local credit rating, with a stable rating outlook, by Standard & Poor's Global Ratings – see the Corporation's Immediate Report dated November 2, 2017 (Ref. No. 2017-01-096103).

S. With respect to the financial statements of ICL as at September 30, 2017 and a presentation to investors published by ICL further thereto – see the Corporation's Immediate Reports dated November 8, 2017 (Ref. Nos. 2017-01-097834 and 2017-01-097837, respectively).

For additional details regarding ICL's business developments – see the Report of the Corporation's Board of Directors as at September 30, 2017.

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

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

A. Regarding ORL's notification with respect to negotiations with Energean Israel Limited to formulate a non-binding memorandum of understanding relating to supply of natural gas – see the Immediate Report dated July 16, 2017 (Ref. No. 2017-01-073692), and regarding ORL's notification with respect to signing a memorandum of understandings in connection with supply of natural gas – see the Corporation's Immediate Report dated August 9, 2017 (Ref. No. 2017-01-068548).

B. Regarding the decision of ORL's Board of Directors to distribute an interim dividend, in the aggregate amount of $65 million, subject to the decision of the General Meeting of ORL's shareholders – see ORL's Immediate Report dated November 16, 2017 (Ref. No. 2017-01-106959).

C. Regarding the notification of Mr. Avner Mimon with respect to conclusion of his service as CEO – see ORL's Immediate Report dated November 19, 2017 (Ref. No. 2017-01-107427).

For additional details regarding ORL's business developments – see the Report of the Corporation's Board of Directors as at September 30, 2017.

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

A. For details regarding Dr. Joshua Rosensweig, who commenced serving as an external director of the Corporation on May 8, 2017 – see the Corporation's Immediate Reports dated March 29, 2017 and May 9, 2017 (Ref. Nos. 2017-01-032589, 2017-01-046698, 2017-01-046701 and 2017-01-046776).

B. Regarding conclusion of the service of Mr. Michael Bricker as an independent director of the Corporation on May 8,2017– see the Corporation's Immediate Report dated May 9, 2017 (Ref. No. 2017-01-046713).

C. The Remunerations Committee and the Board of Directors approved, at their meetings held on May 22, 2017 and May 24, 2017, respectively, in accordance with the Corporation's remuneration policy, granting of bonuses in respect of 2016, in the amount of NIS 180 thousand, to each of the two Deputy CEOs serving in the Corporation.

To Section 12 of Paragraph D of the Periodic Report – Financing

A. For reports of the trustees of the Corporation's debentures – see the Corporation's Immediate Reports dated June 19, 2017 (Ref. Nos. 2017-01-06267 and 2017-01-062688) and June 20, 2017 (Ref. Nos. 2017-01-063042 and 2017-01-063048).

B. For additional details regarding closing of the financial transaction with respect to shares of ICL, as stated in Sections 12.2 and 15.2 of the Periodic Report – see Note 5.A.2 to the Corporation's consolidated interim financial statements as at June 30, 2017.

To Section 16 of the Periodic Report – Legal Proceedings

Regarding certification of a request for filing a derivate claim against the Corporation's controlling shareholders and officers, regarding bonuses paid to the officers by the controlling shareholders in respect of completion of the distribution transaction that is the subject of the Corporation's Transaction Report dated December 23, 2014 (Ref. No. 2014-01-229086) – see the Corporation's Immediate Report dated May 1, 2017 (Ref. No. 2017-01-044589).

For details regarding legal proceedings to which the Corporation is a party – see Note 6.A to the Corporation's consolidated interim financial statements as at September 30, 2017.

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

To Section 22 of Part D of the Periodic Report – Additional details regarding the Corporation

On August 17, 2017, the Corporation published an Immediate Report regarding renewal of the undertaking to acquire an insurance policy covering officers presently serving in the Corporation and that will serve in the Corporation from time to time (including the CEO). For details – see the Corporation's Immediate Report dated August 17, 2017 (Ref. No. 2017-01-071473).

To Section 24A of Part D of the Periodic Report – Additional details regarding the Corporation

For details regarding holdings of interested parties in the Corporation – see the Corporation's Immediate Reports dated April 9, 2017 (Ref. No. 2017-01-039108), May 28, 2017 (Ref. Nos. 2017-01-054075, 2017-01-054084), July 18, 2017 (Ref. Nos. 2017-01-074460 and 2017-01-074466) and October 19, 2017 (Ref. Nos. 2017-01-091639 and 2017-01-091645).

To Section 24A of Part D of the Periodic Report – Additional details regarding the Corporation

For details regarding changes in the Corporation's capital subsequent to the publication date of the Periodic Report – see the Corporation's Immediate Report dated May 28, 2017 (Ref. No. 2017-01-054135).

To Section 24B of Part D of the Periodic Report – Additional details regarding the Corporation

For details regarding changes in the Corporation's shareholders register subsequent to the publication date of the Periodic Report – see the Corporation's Immediate Reports dated May 28, 2017 (Ref. No. 2017-01-054135) and July 12, 2017 (Ref. No. 2017-01-072762).

To Section 26 of Part D of the Periodic Report – Additional details regarding the Corporation

For details regarding Dr. Joshua Rosensweig, who commenced serving as an external director of the Corporation on May 8, 2017 – see the Corporation's Immediate Reports dated March 29, 2017 and May 9, 2017 (Ref. Nos. 2017-01-032589, 2017-01-046698, 2017-01-046701 and 2017-01-046776).

To Section 29B of Part D of the Periodic Report – Additional details regarding the Corporation

On May 8, 2017, An Extraordinary General Meeting of the Corporation's shareholders was held whereat the appointment of Dr. Joshua Rosensweig as an external director of the Corporation was approved, commencing from May 8, 2017. For additional details regarding the General Meeting and its results – see the Corporation's Immediate Reports dated March 29, 2017 and May 9, 2017 (Ref. Nos. 2017-01-032589 and 2017-01-046698, 2017-01-046701, 2017-01-046776).

ADDITIONAL INFORMATION INCLUDED IN THE AUDITORS' REVIEW REPORT

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

Without qualifying our opinion as stated above, we direct attention to that stated in Note 6.C.3–8 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**

November 22, 2017

Israel Corporation Ltd.

Condensed Consolidated Interim Financial Statements

As at September 30, 2017

(Unaudited)

In Millions of U.S. Dollars

Israel Corporation Ltd.
Condensed Consolidated Interim Financial Statements
At September 30, 2017
Unaudited

Contents

Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
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Review Report of the Independent Auditors to the Shareholders of Israel Corporation Ltd.

We have reviewed the accompanying financial information of Israel Corporation Ltd. and its subsidiaries including the condensed consolidated interim statement of financial position as at September 30, 2017 and the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine-months and three-months periods then ended. The Board of Directors and Management are responsible for preparation and presentation of the financial information for these interim periods in accordance with IAS 34 "*Financial Reporting for Interim Periods*", 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 the interim financial information for these interim periods based on our review.

Scope of the Review

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

Conclusion

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

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

Without qualifying our above-mentioned conclusion, we direct attention to that stated in Note 6.C.3–8 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.)

November 22, 2017

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Financial Position

	At September 30		At December 31
	2017	2016	2016
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Assets			
Cash and cash equivalents	**229**	291	211
Short-term investments and deposits	**607**	729	651
Trade receivables	**1,056**	1,117	966
Inventories	**1,208**	1,351	1,267
Assets held for sale	**122**	–	–
Other receivables and debit balances, including derivative instruments	**225**	262	251
Total current assets	**3,447**	3,750	3,346
Non-Current Assets			
Investments in associated companies accounted for using the equity method of accounting	**553**	710	714
Financial assets available for sale	**253**	235	253
Loan to related company	**236**	219	223
Derivative instruments	**115**	73	59
Deferred tax assets	**139**	173	150
Property, plant and equipment	**4,509**	4,374	4,363
Intangible assets	**1,039**	1,064	1,026
Other non-current assets	**303**	305	289
Total non-current assets	**7,147**	7,153	7,077
Total assets	**10,594**	10,903	10,423

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 September 30		At December 31
	2017	2016	2016
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Liabilities			
Credit from banks and others	**994**	822	946
Trade payables	**694**	801	644
Provisions	**83**	90	83
Other current liabilities, including derivative instruments	**728**	766	760
Total current liabilities	**2,499**	2,479	2,433
Non-Current Liabilities			
Debentures and long-term loans	**4,468**	5,083	4,633
Derivative instruments and other non-current liabilities	**10**	25	14
Provisions	**180**	123	185
Deferred tax liabilities	**289**	217	319
Long-term provisions for employee benefits	**623**	669	578
Total non-current liabilities	**5,570**	6,117	5,729
Total liabilities	**8,069**	8,596	8,162
Equity			
Share capital and premium	**326**	322	322
Capital reserves	**(110)**	(144)	(168)
Capital reserve in respect of transactions with controlling shareholder	**190**	190	190
Retained earnings	**528**	423	460
Total equity attributable to the owners of the Corporation	**934**	791	804
Holders of non-controlling interests	**1,591**	1,516	1,457
Total equity	**2,525**	2,307	2,261
Total liabilities and equity	**10,594**	10,903	10,423

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

Approval date of the financial statements: November 22, 2017

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Income

	For the				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2017	2016	2017	2016	2016
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Sales	**4,057**	4,025	**1,440**	1,383	5,363
Cost of sales	**2,819**	2,782	**972**	922	3,705
Gross profit	**1,238**	1,243	**468**	461	1,658
Research and development expenses	**40**	54	**12**	18	73
Selling, transportation and marketing expenses	**557**	531	**194**	197	722
Administrative and general expenses	**195**	247	**62**	82	329
Other expenses	**70**	549	**35**	526	623
Other income	**(37)**	(59)	**(16)**	(26)	(71)
Operating income (loss)	**413**	(79)	**181**	(336)	(18)
Financing expenses	**301**	230	**97**	136	271
Financing income	**(134)**	(39)	**(40)**	(61)	(41)
Financing expenses, net	**167**	191	**57**	75	230
Share in income of associated companies accounted for using the equity method of accounting	**55**	57	**22**	6	70
Income (loss) before taxes on income	**301**	(213)	**146**	(405)	(178)
Taxes on income (tax benefit)	**149**	7	**62**	(16)	50
Income (loss) for the period	**152**	(220)	**84**	(389)	(228)
Attributable to:					
Owners of the Corporation	**54**	(119)	**42**	(209)	(116)
Holders of non-controlling interests	**98**	(101)	**42**	(180)	(112)
Income (loss) for the period	**152**	(220)	**84**	(389)	(228)
Income (loss) per share attributable to the owners of the Corporation: (in dollars)					
Basic and diluted income (loss) per share	**6.97**	(15.64)	**5.77**	(27.41)	(15.34)

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Comprehensive Income

	For the Nine Months Ended September 30		For the Three Months Ended September 30		Year Ended December 31
	2017	2016	2017	2016	2016
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Income (loss) for the period	**152**	(220)	**84**	(389)	(228)
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	**129**	(4)	**39**	(4)	(90)
Net change in fair value of cash flow hedges transferred to the statement of income	**(14)**	(6)	**3**	(5)	(1)
Group's share in other comprehensive income (loss) of companies accounted for using the equity method of accounting	**1**	(1)	**5**	(2)	1
Effective portion of the change in fair value of cash flow hedges	**15**	4	**(3)**	6	–
Net change in fair value of financial assets available for sale	**(11)**	(11)	**40**	(19)	17
Taxes on income in respect of other components of other comprehensive income	**4**	3	**(1)**	5	(2)
Total	**124**	(15)	**83**	(19)	(75)
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	**(4)**	(102)	**5**	(56)	(48)
Taxes on income in respect of other components of other comprehensive income (loss)	**–**	20	**(2)**	11	10
Total	**(4)**	(82)	**3**	(45)	(38)
Other comprehensive (income) loss for the period, net of tax	**120**	(97)	**86**	(64)	(113)
Comprehensive income (loss) for the period	**272**	(317)	**170**	(453)	(341)
Attributable to:					
Owners of the Corporation	**111**	(164)	**84**	(237)	(165)
Holders of rights non-controlling interests	**161**	(153)	**86**	(216)	(176)
Comprehensive income (loss) for the period	**272**	(317)	**170**	(453)	(341)

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

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

	Attributable to the owners of the Corporation						Non-controlling interests	Total equity
	Share capital and premium	Translation reserve for foreign activities	Capital reserves	Capital reserve for transactions with controlling shareholder	Retained earnings	Total		
	(Unaudited)							
	$ millions							
For the nine months ended September 30, 2017								
Balance at January 1, 2017 (audited)	**322**	**(231)**	**63**	**190**	**460**	**804**	**1,457**	**2,261**
Share-based payments in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**13**	**13**
Expiration of options granted to Corporation employees	**4**	**–**	**(4)**	**–**	**–**	**–**	**–**	**–**
Dividend to holders of non-controlling interests in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(62)**	**(62)**
Sale of shares of subsidiary while retaining control	**–**	**3**	**–**	**–**	**16**	**19**	**22**	**41**
Income for the period	**–**	**–**	**–**	**–**	**54**	**54**	**98**	**152**
Other comprehensive income (loss) for the period, net of tax	**–**	**61**	**(2)**	**–**	**(2)**	**57**	**63**	**120**
Balance at September 30, 2017	**326**	**(167)**	**57**	**190**	**528**	**934**	**1,591**	**2,525**
For the nine months ended September 30, 2016								
Balance at January 1, 2016 (audited)	318	(196)	61	190	588	961	1,761	2,722
Share-based payments in a subsidiary	–	–	–	–	–	–	12	12
Expiration of options granted to Corporation employees	4	–	(4)	–	–	–	–	–
Share-based payments in the Corporation	–	–	*–	–	–	*–	–	*–
Dividend to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	(85)	(85)
Non-controlling interests in business combinations from prior periods	–	–	–	–	–	–	(12)	(12)
Sale of shares of subsidiary while retaining control	–	–	–	–	1	1	1	2
Change in equity of investee companies accounted for using the equity method of accounting	–	–	–	–	(7)	(7)	(8)	(15)
Loss for the period	–	–	–	–	(119)	(119)	(101)	(220)
Other comprehensive income (loss) for the period, net of tax	–	4	(9)	–	(40)	(45)	(52)	(97)
Balance at September 30, 2016	322	(192)	48	190	423	791	1,516	2,307

* Amount less than $1 million.

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

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

	Attributable to the owners of the Corporation						Non-controlling interests	Total equity
	Share capital and premium	Translation reserve for foreign activities	Capital reserves	Capital reserve for transactions with controlling shareholder	Retained earnings	Total		
	(Unaudited)							
	$ millions							
For the three months ended September 30, 2017								
Balance at July 1, 2017 (unaudited)	**326**	**(185)**	**33**	**190**	**480**	**844**	**1,510**	**2,354**
Share-based payments in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**2**	**2**
Dividend to holders of non-controlling interests in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(17)**	**(17)**
Sale of shares of subsidiary while retaining control	**–**	**1**	**–**	**–**	**5**	**6**	**10**	**16**
Income for the period	**–**	**–**	**–**	**–**	**42**	**42**	**42**	**84**
Other comprehensive income for the period, net of tax	**–**	**17**	**24**	**–**	**1**	**42**	**44**	**86**
Balance at September 30, 2017	**326**	**(167)**	**57**	**190**	**528**	**934**	**1,591**	**2,525**
For the three months ended September 30, 2016								
Balance at July 1, 2016 (unaudited)	321	(194)	57	190	653	1,027	1,760	2,787
Share-based payments in a subsidiary	–	–	–	–	–	–	4	4
Expiration of options granted to Corporation employees	1	–	(1)	–	–	–	–	–
Dividend to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	(33)	(33)
Sale of shares of subsidiary while retaining control	–	–	–	–	1	1	1	2
Loss for the period	–	–	–	–	(209)	(209)	(180)	(389)
Other comprehensive income (loss) for the period, net of tax	–	2	(8)	–	(22)	(28)	(36)	(64)
Balance at September 30, 2016	322	(192)	48	190	423	791	1,516	2,307

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 capital
	Share capital and premium	Translation reserve for foreign activities	Capital reserves	Capital reserve for transactions with controlling shareholder	Retained earnings	Total		
	(Audited)							
	$ millions							
For the year ended December 31, 2016								
Balance at January 1, 2016	318	(196)	61	190	588	961	1,761	2,722
Share-based payments in a subsidiary	–	–	–	–	–	–	15	15
Expiration of options granted to employees of a subsidiary	–	–	–	–	12	12	(12)	–
Expiration of options granted to Corporation employees	4	–	(4)	–	–	–	–	–
Share-based payments in the Corporation	–	–	*–	–	–	*–	–	*–
Dividends to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	(116)	(116)
Non-controlling interests in respect of business combinations in prior periods	–	–	–	–	–	–	(12)	(12)
Sale of shares of a subsidiary while retaining control	–	1	–	–	2	3	5	8
Change in equity of equity-accounted investee companies	–	–	–	–	(7)	(7)	(8)	(15)
Loss for the year	–	–	–	–	(116)	(116)	(112)	(228)
Other comprehensive income (loss) for the year, net of tax	–	(36)	6	–	(19)	(49)	(64)	(113)
Balance at December 31, 2016	322	(231)	63	190	460	804	1,457	2,261

* Less than $1 million.

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Cash Flows

	For the Nine Months Ended September 30		For the Three Months Ended September 30		Year Ended December 31
	2017	2016	2017	2016	2016
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from operating activities					
Income (loss) for the period	**152**	(220)	**84**	(389)	(228)
Adjustments:					
Depreciation and amortization	**305**	313	**113**	114	409
Financing expenses, net	**178**	159	**34**	71	174
Share in income of associated companies accounted for using the equity method of accounting	**(55)**	(57)	**(22)**	(6)	(70)
Other capital losses (gains), net	**(6)**	431	**6**	429	433
Share-based payment transactions	**13**	12	**2**	4	15
Loss (gain) from re-measurement to fair value of collar options	**15**	(3)	**(5)**	3	5
Taxes on income (tax benefit)	**149**	7	**62**	(16)	50
	751	642	**274**	210	788
Change in inventories	**105**	14	**81**	14	70
Change in trade and other receivables	**(40)**	(24)	**(96)**	(73)	150
Change in trade and other payables	**(147)**	158	**(12)**	140	50
Change in provisions and employee benefits	**(10)**	72	**(22)**	35	96
	659	862	**225**	326	1,154
Income taxes received (paid), net	**(63)**	134	**(22)**	(28)	130
Dividends received	**35**	4	**–**	–	12
Net cash provided by operating activities	**631**	1,000	**203**	298	1,296
Cash flows from investing activities					
Investments in securities available for sale	**–**	(250)	**–**	–	(250)
Investments long-term deposits	**(59)**	–	**(21)**	–	–
Proceeds from sale of property, plant and equipment	**12**	–	**–**	–	–
Short-term deposits and investments, net	**144**	(449)	**36**	81	(387)
Proceeds from sale of subsidiaries	**6**	17	**–**	–	17
Net proceeds from sale of shares of companies accounted for using the equity method of accounting	**56**	–	**–**	–	–
Acquisition of property, plant and equipment and intangible assets	**(317)**	(494)	**(98)**	(153)	(632)
Provision of long-term loans to related company	**–**	(90)	**–**	–	(90)
Interest received	**3**	2	**1**	1	5
Other	**–**	–	**–**	1	1
Proceeds from (payments for) derivative transactions not used for hedging, net	**29**	(11)	**(14)**	(36)	(8)
Net cash used in investing activities	**(126)**	(1,275)	**(96)**	(106)	(1,344)

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Cash Flows

	For the				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2017	2016	2017	2016	2016
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from financing activities					
Dividend paid to holders of non-controlling interests	**(94)**	(85)	**(17)**	(33)	(87)
Receipt of long-term loans and issuance of debentures	**1,104**	1,653	**251**	273	1,693
Repayment of long-term loans and debentures*	**(1,311)**	(1,276)	**(264)**	(343)	(1,691)
Short-term credit from banks and others, net	**(21)**	(103)	**13**	(19)	14
Payments for derivative transactions used for hedging, net	**1**	(1)	**–**	–	(1)
Interest paid*	**(164)**	(160)	**(51)**	(60)	(206)
Net cash provided by (used in) financing activities	**(485)**	28	**(68)**	(182)	(278)
Increase (decrease) in cash and cash equivalents	**20**	(247)	**39**	10	(326)
Cash and cash equivalents at beginning of the period	**211**	537	**190**	279	537
Effect of exchange rate fluctuations on balances of cash and cash equivalents	**(2)**	1	**–**	2	–
Cash and cash equivalents at the end of the period	**229**	291	**229**	291	211

* As at December 31, 2016, payments of principal and interest in respect of debentures, in the amount of about $60 million, were postponed in accordance with the trust certificates to January 1, 2017, 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.

Israel Corporation Ltd.
Notes to the Unaudited Condensed Consolidated Interim Financial Statements
At September 30, 2017

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.

On January 7, 2015, the Corporation completed the split-up transaction (hereinafter – "the Transaction" or "the Transaction for Change in the Structure of the Corporation's Holdings"), further to the approval thereof on December 31, 2014 by the General Meeting of the Corporation's Shareholders.

For additional details and more information relating to the Transaction for Change in the Structure of the Corporation's Holdings – see Note 5 to the annual financial statements.

Commencing from the completion date of the Transaction, the Corporation is acting 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 Corporation's and 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, 2016 (hereinafter – "the Annual Financial Statements"). In addition, these financial statements were prepared in accordance with the provisions of Section D of the Securities Regulations (Periodic and Immediate Reports) 1970.

The condensed, consolidated, interim financial statements were approved for publication by the Corporation's Board of Directors on November 22, 2017.

B. Use of estimates and judgment

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

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

Note 3 – Significant Accounting Policies

The Group's accounting policies in these condensed consolidated interim financial statements are the same accounting policies applied in the Annual Financial Statements.

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 leading multi-national company engaged in the area of specialty minerals that operates a unique, integrated business model. ICL is a global manufacturer of products based on specialty minerals that fulfill humanity's essential needs primarily in three markets: agriculture, food and engineered materials, by utilizing a unique, integrated business model. The agricultural products produced by ICL help to feed the world's growing population. The potash and phosphates that it mines and manufactures are used as ingredients in fertilizers and serve as an essential component in the pharmaceutical and food additives industries. ICL's bromine and phosphorous-based applications allow the safe and widespread use of a variety of products and materials, help to create energy that is more efficient and environmentally friendly and prevent the spread of forest fires. The food additives that ICL produces enable people to have greater access to more varied and higher quality food.

   ICL is an Israeli-resident company that was incorporated in Israel and the shares of which are traded on the Tel-Aviv Stock Exchange in Israel and on 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 the shares of which are traded on the Tel-Aviv Stock Exchange in Israel

   ORL is applying, by means of early adoption, the provisions of IFRS 9 (2013). Since Israel Corporation is not applying the said Standards by means of early adoption, the Corporation makes adjustments to ORL's statements in its financial statements. 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 nine months ended September 30, 2017				
Sales to external customers	4,057	4,030	(4,030)	4,057
EBITDA income (2)	783	413	(417)	779
Depreciation and amortization	300	117	(112)	305
Financing income	(82)	(10)	(42)	(134)
Financing expenses	181	112	8	301
Share in income of equity-accounted investees	(2)	–	(53)	(55)
Extraordinary or non-recurring expenses (income) and adjustments	43	(41)	59	61
	440	178	(140)	478
Income before taxes	343	235	(277)	301
Taxes on income	145	52	(48)	149
Income for the period	198	183	(229)	152

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

Note 4 – Information on Activity Segments (Cont.)

B. Information relating to Business Segments (Cont.)

	ICL	ORL	Adjustments (1)	Total
	Unaudited			
	$ millions			
For the nine months ended September 30, 2016				
Sales to external customers	4,025	3,069	(3,069)	4,025
EBITDA income (2)	787	306	(312)	781
Depreciation and amortization	306	102	(100)	308
Financing income	(13)	(24)	(2)	(39)
Financing expenses	126	122	(18)	230
Share in income of equity-accounted investees	(16)	–	(41)	(57)
Extraordinary or non-recurring expenses (income) and adjustments	556	(37)	33	552
	959	163	(128)	994
Income (loss) before taxes	(172)	143	(184)	(213)
Taxes on income	5	27	(25)	7
Income (loss) for the period	(177)	116	(159)	(220)

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

Note 4 – Information on Activity Segments (Cont.)

B. Information relating to Business Segments (Cont.)

	ICL	ORL	Adjustments (1)	Total
	Unaudited			
	$ millions			
For the three months ended September 30, 2017				
Sales to external customers	1,440	1,446	(1,446)	1,440
EBITDA income (2)	314	182	(184)	312
Depreciation and amortization	111	39	(37)	113
Financing income	(25)	(7)	(8)	(40)
Financing expenses	61	26	10	97
Share in income of equity-accounted investees	–	–	(22)	(22)
Extraordinary or non-recurring expenses (income) and adjustments	23	14	(19)	18
	170	72	(76)	166
Income before taxes	144	110	(108)	146
Taxes on income	62	18	(18)	62
Income for the period	82	92	(90)	84

(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.)

B. Information relating to Business Segments (Cont.)

	ICL	ORL	Adjustments (1)	Total
	Unaudited			
	$ millions			
For the three months ended September 30, 2016				
Sales to external customers	1,383	1,012	(1,012)	1,383
EBITDA income (2)	286	70	(72)	284
Depreciation and amortization	108	37	(36)	109
Financing income	(35)	(13)	(13)	(61)
Financing expenses	80	49	7	136
Share in income of equity-accounted investees	(7)	–	1	(6)
Extraordinary or non-recurring expenses (income) and adjustments	509	(8)	10	511
	655	65	(31)	689
Income (loss) before taxes	(369)	5	(41)	(405)
Taxes on income (tax benefit)	(22)	4	2	(16)
Income (loss) for the period	(347)	1	(43)	(389)

(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.)

B. Information relating to Business Segments (Cont.)

	ICL	ORL	Adjustments (1)	Total
	(Audited)			
	$ millions			
2016				
Sales to external customers	5,363	4,321	(4,321)	5,363
EBITDA for the year (2)	1,051	427	(434)	1,044
Depreciation and amortization	401	141	(138)	404
Financing income	(25)	(2)	(14)	(41)
Financing expenses	157	134	(20)	271
Share in income of associated companies	(18)	–	(52)	(70)
Extraordinary or non-recurring expenses (income) and adjustments	653	(44)	49	658
	1,168	229	(175)	1,222
Income (loss) before taxes	(117)	198	(259)	(178)
Taxes on income	55	40	(45)	50
Income (loss) for the year	(172)	158	(214)	(228)

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

Note 5 – Additional Information

A. The Corporation and the Headquarters Companies

1. On January 5, 2017, the Corporation issued, by means of expansion of the debentures (Series 11), NIS 790,170,000 par value debentures (Series 11). The proceeds from the issuance, net of the issuance expenses, amounted to about NIS 804 million (about $208 million – value on the transaction date). Standard & Poor's Maalot gave notice of provision of a rating of ilA for the above-mentioned expansion debentures (the Corporation was rated ilA/stable). For additional details – see Note 16.E.1(a) to the annual consolidated financial statements.

2. Further to that stated in Note 10.C to the annual financial statements, during the period of the report the Corporation continued making a "physical settlement" pursuant to the terms of the Financial Transaction, and as a result, during the period of the report, the number of shares held by the Corporation declined by a total of about 9,147 thousand shares, and as at September 30, 2017, the rate of the Corporation's holdings in ICL's issued share capital was about 47.9%, compared with 48.65% at the beginning of the year. As at the date of the report, the balance of the remaining shares in the financial transaction is about 24.8 million shares and the balance of the period of the financial transaction is two 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 $22 million, and at the same time an increase in the retained earnings, in the amount of about $16 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 November 22, 2017, the financial closing was completed with respect to an additional quantity of about 1,143 thousand shares of ICL through a "physical settlement", and the rate of the Corporation's holdings in ICL's issued share capital as at the aforesaid date was about 47.8%.

3. Further to that stated in Note 16.E to the annual financial statements, in May 2017, the Corporation signed an agreement with a consortium of banks, as noted in the Note, whereby the Corporation made early repayment of about $50 million out of the balance of the loan and signed an extension of the repayment date of the balance of the loan, in the amount of about $193 million, for a period of three years. In addition, deposits were released that had been made as collaterals in favor of the said loans, in the amount of about $60 million. The Corporation has no deposits serving as collateral for the said loan.

4. On June 19, 2017, the Corporation sold 128 million shares of Oil Refineries Ltd. (hereinafter – "ORL") it held, constituting about 4% of ORL's issued share capital, on a fully-diluted basis. The proceeds from the sale, net of selling expenses, amounted to about $56 million (about NIS 199 million). After the said sale, the Corporation holds about 33.08% of ORL's share capital, compared with about 37.08% prior to the sale, and together with partners it controls ORL. As a result of the sale, the Corporation realized a capital loss of about $3 million, which was recorded in the statement of income in the "other expenses" category.

5. Further to that stated in Note 16.C.1 to the annual financial statements, subsequent to the date of the report, the Corporation deposited in Bank C referred to in the said Note, about $23 million as collateral for the loan.

Note 5 – Additional Information (Cont.)

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

1. Non-marketable options

Grant date	Employees entitled	Number of instruments (in thousands)	Issuance details	Instrument terms	Vesting conditions	Expiration date
June 20, 2017. For the Chairman of the BOD of ICL – August 2, 2017 the date of the approval of the General Meeting.	Officers and senior employees of ICL	6,966	An issuance of non-marketable and non-transferrable options, for no consideration, under the 2014 Equity Compensation Plan (amended) to 498 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 ICL.	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.	7 years from the grant date.
	Chairman of ICL's Board of Directors	165				

Additional Information	June 2017 Options Grant
Share price (in $)	4.49
CPI-linked exercise price (in $)	4.29
Expected volatility	31.91%
Expected life of options (in years)	7
Risk-free interest rate	0.38%
Total fair value (in $ millions)	11
Dividend – exercise price	Reduced on the ex-dividend date by the amount of the dividend per share

Note 5 – Additional Information (Cont.)

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

1. Non-marketable options (Cont.)

The options issued to the employees of ICL in Israel are covered by the provisions of Section 102 of the Israeli Income Tax Ordinance. The issuance will be performed through a trustee under the Capital Gains Track. The fair value of the options was estimated using the Black& Scholes model for pricing options. The exercise price is linked to the CPI that is known as of the date of payment, which is the exercise date. 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, based on the amount thereof in NIS on the effective date. The expected volatility was determined on the basis of the historical volatility of ICL's share prices. The expected life of the options was determined on the basis of Management's estimate of the period the employees will hold the options, taking into consideration their position with ICL and ICL's past experience regarding the turnover of employees. The risk-free interest rate was determined on the basis of the yield to maturity of shekel-denominated Israeli Government debentures, with a remaining life equal to the anticipated life of the options.

The cost of the embedded benefits of the said plans will be recognized in the income statements over the vesting period of each tranche taking into account also ICL's policy relating "Rule75" (accelerated the vesting period for employees where their age plus their years of employment exceed 75).

2. Restricted shares

Grant date	Employees entitled	Number of instruments (in thousands)	Additional information	Instrument terms	Vesting conditions	Fair value on the grant date (in $ millions)
June 20, 2017. For the Chairman of the BOD of ICL – August 2, 2017 the date of the approval of the General Meeting.	Officers and senior employees of ICL	2,233	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 (the date of approval of the BOD/General Meeting).	An issuance for no consideration, under the 2014 Equity Compensation Plan (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.	10
	Chairman of ICL's Board of Directors	53				0.3

Note 5 – Additional Information (Cont.)

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

3. On November 1, 2017, Standard & Poor’s Global Ratings (“S&P”) reaffirmed the Company’s international corporate credit rating at BBB– with a stable rating outlook. The local rating by S&P Maalot was also reaffirmed at ilAA with a stable rating outlook. The above-mentioned ratings also apply to the Company’s debentures. In March 2017, Fitch Ratings lowered the Company’s international corporate credit rating to BBB– with a stable rating outlook. Fitch’s above-mentioned rating also applies to the Company’s debentures.

4. On June 7, 2017, ICL signed an agreement for sale of its entire holdings (50%) in IDE, for a consideration of about $178 million, which is to be paid in cash on the closing date of the transaction, net of transactions costs and subject to possible price adjustments stemming from the occurrence of certain events prior to the closing of the transaction. In ICL’s estimation, the closing date of the transaction is expected to take place in 2017, and it is subject to fulfillment of preconditions, including receipt of approvals from the competent authorities. In light of that stated, during the period of the report, ICL reclassified the amount of about $122 million from the “investments in equity-accounted investees” category to the “assets held for sale” category.

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

1. As at September 30, 2017, ORL and its subsidiaries, Carmel Olefins and Gadiv, are in compliance with the financial covenants provided for them in connection with their liabilities.

2. During March 2017, ORL signed an agreement (hereinafter – “the Agreement”) with respect to availability of raw materials, mainly crude oil (hereinafter – “the Crude Oil”), with an international company. Execution of the Agreement took place in the second quarter of 2017. The Agreement permits ORL, among other things, to reduce during the period of the Agreement the quantities of the inventories of the Crude Oil it would have held in the absence of the inventory availability transaction, and as a result to manage, in the most optimal manner, the balances of its operating inventories, as well as to enjoy the financial advantages deriving from holding smaller inventory quantities, in the total scope of 1.8 million barrels, release of cash, in the amount of about $85 million, and diversification of the financing sources.

3. Subsequent to the date of the report, On November 15, 2017, ORL’s Board of Directors discussed distribution of a dividend on the basis of ORL’s financial statements as at September 30, 2017. At the close of the discussion, ORL’s Board of Directors decided to approve – subject to receipt of approval of the General Meeting of the shareholders with a special majority – distribution of an interim dividend, in the amount of $65 million. ORL will convene a General Meeting of the shareholders as stated. The dividend to be distributed, if distributed, will be out of earnings that are not entitled to benefits under the Law for Encouragement of Capital Investments, 1959.

   Further to that stated in Note 9.C.4 to the annual financial statements, on January 5, 2017, ORL’s General Meeting approved, after approval of ORL’s Board of Directors, distribution of a dividend, in the amount of about $85 million, and on January 22, 2017, the dividend was paid (the share of Israel Corporation in the dividend, after taxes, is about $30 million).

Note 5 – Additional Information (Cont.)

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

4. On April 9, 2017, Standard & Poor's Maalot raised rating of ORL and of ORL's public debentures, from ilBBB+ to ilA–, with a stable rating outlook.

5. On April 26, 2017, ORL issued NIS 625,207,000 par value debentures (Series I), which are linked to the dollar. The proceeds from the issuance, net of the transaction costs, amounted to about $170 million. The debentures (Series I) were rated by Standard & Poor's Maalot at a rating of ilA–, with a stable rating outlook.

ORL applies, after making early adoption, the provisions of Standard IFRS 9 (2013). The Corporation has not made early adoption of the said Standards, and therefore it makes adjustments to the financial statements of ORL in its financial statements. The data below includes impacts from early adoption of the Standards, as stated.

Condensed data regarding associated company – ORL

Condensed data regarding the interim statement of position:

	September 30 2017	September 30 2016	December 31 2016
	(Unaudited)	(Unaudited)	(Audited)
		$ millions	
Main location of activities		ISRAEL	
Rate of ownership rights*	**33.08%**	**37.08%**	**37.08%**
Current assets	**1,501**	1,190	1,309
Non-current assets	**2,372**	2,404	2,359
Current liabilities	**(1,061)**	(998)	(1,124)
Non-current liabilities	**(1,690)**	(1,603)	(1,507)
Total net assets (100%)	**1,122**	993	1,037

* On June 19, 2017, the Corporation sold about 4% of ORL's shares. For details – see Note 5A4 above.

Condensed data regarding the interim statement of income:

	For the Nine Months Ended September 30 2017	For the Nine Months Ended September 30 2016	For the Three Months Ended September 30 2017	For the Three Months Ended September 30 2016	For the year ended December 31 2016
	(Unaudited)		(Unaudited)		(Audited)
			$ millions		
Revenues	**4,030**	3,069	**1,446**	1,012	4,320
Net income	**183**	116	**92**	1	157
Other comprehensive income (loss)	**(14)**	2	**(5)**	3	4
Total comprehensive income	**169**	118	**87**	4	161

Note 6 – Contingent Liabilities, Commitments, Concessions and Other Items

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. The Corporation estimates, based on the opinion of its legal advisors, that the chances the claim will succeed are low and, in any event, it believes, based on the opinion of its legal advisors, that the chance the Corporation will be required to pay the plaintiff a significant amount is remote.

2. On January 16, 2014, a shareholder of ORL filed a claim and a request for its certification as a class action against ORL, the Corporation and others. On March 10, 2016, the Court rejected the request for certification and ruled to award the requesting party for the request expenses, in the total amount of NIS 250,000. On April 18, 2016, the requesting party filed an appeal of the decision in the Supreme Court. On June 19, 2016, ORL, the Corporation and others filed in the Supreme Court a counter-appeal to the Court decision. Subsequent to the date of the report, on July 24, 2017, a hearing was held for oral supplementation of the claim. After the contentions of the parties were heard, the Court recommended to the appellant to withdraw the appeal and, accordingly, the appeal was cancelled with no order for expenses. Regarding the counter appeal filed by the respondents, the Supreme Court accepted it in part and reduced the amount of the expenses awarded to the appellant to only NIS 150,000.

3. 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 is 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. A hearing was scheduled for completion of the oral contentions for December 18, 2017. On July 6, 2017, the appellant filed his summations. Up to November 15, 2017 the respondents filed their summations. The date for submission of the response summations was set at December 4, 2017. 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 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, Concessions and Other Items (Cont.)

A. The Corporation (Cont.)

4. 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 is attached to the Request for Certification. On December 10, 2015, a preliminary hearing was on the request for the approval and thereafter the case was set for hearings of the proofs on June 1, 2016 and on June 9, 2016. 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 December 2017.

   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, Concessions and Other Items (Cont.)

A. The Corporation (Cont.)

5. 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. In the estimation of the Corporation's management, it is not possible to assess the probability that the District Court will reject the Request or will approve it (and will certify the claim as a class action).

6. On July 9, 2015, a request for certification of a claim as a derivative claim (hereinafter – "the Request for Certification") was filed in the District Court in Tel-Aviv–Jaffa (Economics Division) by Ms. Yehudit Langa, who alleges to hold shares of the Corporation (hereinafter – "the Claimant"), against the Corporation, against Mr. Idan Ofer and Millennium Investments Elad Ltd. (hereinafter, both together – "the Controlling Shareholders"), and against the Corporation's form CEO and 3 additional officers (hereinafter – "the Officers"). A copy of the statement of claim was attached to the Request for Certification. On April 30, 2017, the Court accepted the Request for Certification and approved maintaining the claim against the Officers and against the Controlling Shareholders. The Court determined, among other things, that provision of direct remuneration from the Controlling Shareholder to the Officers "breaches the balance" the legislator wished to achieve by means of the provisions enacted as part of Amendment No. 20 to the Companies Law, 1999 ("Amendment No. 20" and "the Companies Law"), and causes a situation wherein the Officers to which remuneration was promised, as stated, are in a position of a conflict of interests. Accordingly, the Court determined that the Corporation was required to bring the bonuses for approval of its competent authorities under the procedure provided in the Companies Law ("as worded in Amendment No. 20") for approval of the Corporation's remuneration policy.

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

A. The Corporation (Cont.)

6. (Cont.)

Therefore, the Court approved maintaining the claim against the Officers, and against the Controlling Shareholders, which respect to whom it was determined that they have a duty to return the bonuses to the Corporation's accounts "jointly and severally" with the Officers. The Court ruled that the Officers and the Controlling Shareholders are to bear the Claimant's expenses in the Request for Certification stage, in the amount of NIS 60,000. In addition, dates were set for commencement of the proceedings on the claim in the name of the Corporation by the Claimant. On May 23, 2017, the representative of the Officers notified the Court that negotiations are being carried on regarding the possibility of settling the dispute that is the subject of the proceeding by means of consent. In light of this, the Court was requested to stay all the dates set in the case. In light of that stated above, it is clear that the above-mentioned decision, which accepts the Request for Certification, would appear to increase the claim's chances of ultimately being accepted. Clearly, the respondents have the right to request a re-hearing with respect to the said decision. In any event, as usual, a derivative claim (even if it is approved as a derivative claim), does not create actual monetary exposure for the Corporation itself (indeed this is the rationale forming the basis for a claim of this type), and this is true in the present case as well.

7. 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 Liquidator 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 liquidator of Better Place. Further that stated above, on May 23, 2016, a claim was filed in the Central District Court of Lod by the liquidator 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. Subsequent to the date of the report, 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, Concessions and Other Items (Cont.)

B. ICL

1. On June 30, 2017, there was a partial collapse of the dyke in Pond 3 in the plants of Rotem Amfert Israel, which is used for accumulation of phosphogypsum water that is created as a by-product of the production processes. ICL ceased immediately use of the active phosphogypsum ponds. On July 3, 2017, ICL returned to production at full capacity under a temporary approval to activate Pond 4 by the Ministry of Environmental Protection. ICL was instructed by the Ministry of Environmental Protection to submit a plan within the next few months relating to the future operation of the phosphogypsum water ponds. The Ministry of Environmental Protection and additional Israeli authorities have commenced examinations for investigation of the event. ICL is taking action to explore solutions for, among other things, restoration of the ponds in the short-term and long-term and rectification of any environmental impacts caused, to the extent required. ICL's actions are being carried out in full coordination and close cooperation with the Israeli environmental authorities, including the Ministry of Environmental Protection and the Nature and National Parks Authority. ICL is committed to the matter of environmental protection, and for years has worked closely with the Israeli environmental protection authorities to maintain the Negev's natural reserves in the area of its facilities.

   In light of the preliminary stages of the process of estimating the costs relating to restoration of the stream and obtaining the permanent permits for operating the gypsum pond or other ponds, and taking into account the complexity of the process and the uncertainty regarding the final restoration plans and the terms of the building permits to be determined by the relevant authorities, ICL is unable at this stage to estimate the expected costs of the restoration work and obtaining the permits, as stated. Nevertheless, ICL recorded a provision, in an immaterial amount, which reflects the expenses that are expected to be incurred in the short term. ICL is in contact with its insurance carriers with reference to the relevant insurance policies regarding the matters described above.

2. In July and August 2017, three applications for certification of claims as class actions were filed against ICL, as a result of a partial collapse of the dyke in the evaporation pond of Rotem Amfert Israel, which caused contamination of the Ashalim Stream and its surrounding area. The requesting parties contend that ICL breached various provisions of the environmental laws, including, the provisions of the Law for Prevention of Environmental Hazards, the Water Law as well as provisions of the Torts Ordinance, breach of a statutory duty and negligence. In the framework of the first application, the Court is requested to instruct ICL to rectify the harm caused as a result of its omissions in order to prevent recurrence of the damage caused as well as to grant a monetary remedy for non-pecuniary damages. The monetary remedy was not defined, however, according to the requesting parties, the amount of the personal claim is NIS 1,000 ($283) for each resident of the State of Israel, which totals approximately 8.68 million persons. In the framework of the second application, the Court is requested to grant a monetary remedy in an amount of not less than NIS 250 million ($71 million), and concurrently to award personal compensation in the amount of NIS 2,000 ($567) for each resident of the State of Israel, this being in respect of non-pecuniary damages. Furthermore, the Court was requested to instruct ICL to comply with the relevant laws and the rules provided thereunder.

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

B. ICL (Cont.)

2. (Cont.)

   As part of the third application, the Court was requested to instruct ICL, among other things, to prepare plans for removal of the pollution, restoration of the Ashalim Stream and its surrounding area, for control and prevention of recurrence of the damage caused, to pay monetary relief to the class of injured parties, in the amount of NIS 202.5 million ($55.9 million), and to provide compensation by means of restoring the natural values impaired and returning the area to its former condition. In light of the very early stage of the proceeding and the limited number of similar court cases, it is difficult, at this stage, to predict the outcome of the applications.

3. Further to Note 20.D.1 to the Annual Financial Statements, with reference to the royalties' arbitration that commenced in 2011 upon filing of a statement of claim by the State, in the amount of about $265 million, in connection with underpayment of royalties in the years 2000–2009, and pursuant to the decisions of the arbitrators, during 2014–2016 ICL paid additional royalties of about $170 million in respect of the years 2000–2014. In October 2017, as part of the said arbitration proceedings, the State submitted a calculation, in the amount of about $120 million (not including interest and linkage differences) relating to the years 2000–2014 reflecting, according to its contention, an additional amount of underpaid royalties. ICL rejects the calculation and in its estimation the chances the State's calculation will be approved by the arbitrators in full are lower than the chances it will be rejected. As at the date of the report, ICL estimates that it has sufficient provisions in its books relating to this matter.

4. Further to Note 20.B.2 to the Annual Financial Statements, on September 1, 2017, the European Commission determined that ICL Iberia is required to repay the amount of about $8 million (including interest), which was granted in the past by the authorities in Spain in respect of subsidies for the Environmental Restoration Programs. In this regard, the European Commission determined that the amount of the guarantees relating to the environmental protection plan is less than the amount required according to the European Commission and pursuant to the national and regional environmental protection laws, and that such guarantees must be in the amount of about $40 million (in place of $2 million). In light of that stated above, in the financial statements for the third quarter of 2017, ICL recorded a provision in the amount of $8 million.

5. Further to Note 20.B.2 to the Annual Financial Statements, during July 2017, the Electricity Authority submitted a response affidavit following which the Supreme Court sitting as the High Court of Justice instructed that negotiations are to be carried on in contemplation of a compromise arrangement. Negotiations, as stated, were carried on, however, since the parties did not succeed in formulating a compromise arrangement, in September 2017, the hearing of the case was returned to the High Court of Justice.

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

B. ICL (Cont.)

6. On September 5, 2017, a decision of the District Court in Beer Sheva was received regarding a dispute between the National Company for Roads in Israel and ICL's subsidiary Dead Sea Works (hereinafter – "DSW") regarding damage caused to bridges as a result of leakage of chemical materials from DSW's trucks during a shipment to the Eilat port, whereby ICL is to participate in restoration of the bridges and bear responsibility for the damage, as stated, and therefore bear a payment of about $6 million. As a result of that stated, during the third quarter of 2017 ICL recorded a provision equal to the above amount, which was recorded in the "other expenses" category in the statement of income. On October 26, 2017, DSW filed an appeal in the Supreme Court of the District Court's decision, as stated.

7. Further to Note 20.C2 to the Annual Financial Statements, in September 2017, DSW notified the executing contractor of the new power station in Sodom (the Spanish company Abengoa) of cancellation of the construction agreement (EPC) due to a series of violations of the agreement by the executing contractor, which is experiencing financial difficulties. DSW plans to complete construction of the power station and to bring it to full operation during the first half of 2018.

8. In September 2017, as part of an agreement of understandings for extension of the labor agreement between ICL's subsidiary Bromine Compounds Ltd. (hereinafter – "Bromine Compounds") and the Workers' Council, Bromine Compounds undertook to pay the employees a one-time payment of about $9 million (to be paid in installments), in exchange for a commitment by the Workers' Council for full and unequivocal "industrial peace" until September 30, 2019. In case of violation of the agreement, the payments not yet made will be cancelled. As a result, in the third quarter of 2017, ICL recorded a provision, in the amount of about $5 million. The remaining obligation will be recognized throughout the period of the agreement, subject to fulfillment of all the required conditions.

9. As at September 30, 2017, as a result of the findings of the geological surveys performed regarding a new potential mining area (Greenfield) that is located adjacent to ICL's facilities in Spain, and in light of the conditions of the potash market, ICL does not intend to continue development of the said area. Accordingly, in the financial statements for the third quarter of 2017, a write down was recorded, in the amount of about $14 million, representing the full value of the asset, against the "other expenses" category in the statement of income.

10. Further to Note 20.B.2 to the Annual Financial Statements, on June 30, 2017, the Supreme Court determined that the permit to pile up the salt in Sallent, which includes certain conditions, will be extended by one year, up to June 30, 2018. In addition, the Court determined that before March 31, 2018, ICL will be entitled to request an extension for an additional year, up to June 30, 2019. With respect to the extension for the second year, the Court determined that the competent authorities are permitted to provide conditions for granting an extension as stated.

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

B. ICL (Cont.)

11. In June 2017, ICL received an assessment from the Israeli Tax Authority whereby it is required to pay additional tax in respect of the 2012–2014 tax years, in the amount of about $50 million. ICL disputes the assessment and is considering its further course of action. Based on ICL's estimation, as at the date of the report there is a sufficient provision in the books, in an immaterial amount.

12. During the second quarter of 2017, as part of ICL's efficiency plan, ICL signed a five-year collective labor agreement with the Workers' Union of Rotem Amfert Israel, which includes a plan for early retirement of 30 employees. As a result, in the second quarter of 2017 ICL increased the provision of termination benefits for employees, in the amount of about $15 million, against the "other expenses" category in the statement of income.

13. During March 2017, a claim was filed by Great Lakes Chemicals, a subsidiary of Chemtura Corporation (hereinafter – "Great Lakes"), against Dead Sea Bromine Company Ltd. (hereinafter – "DSB"), in the U.S. District Court for the Southern District of New York, in the United States. As part of the claim, Great Lakes is claiming damages, in an amount of about $27 million, in respect of an alleged breach of an agreement covering supply and sale of bromine and downstream bromine products from 2003 and is requesting issuance of a declaratory order enforcing the agreement from 2003. DSB rejects the damages claimed, including any related responsibility or obligation. The Company estimates that the chances that Great Lakes' alleged claims will be rejected exceed the chances that they will be accepted.

14. Further to Note 20.D to the Annual Financial Statements, in April 2017, the National Council for Planning and Building approved amendments to the National Outline Plan (NOP) 14B, which includes the Barir field and transferred the plan for government approval. In addition, in March 2017, the Supreme Court sitting as the High Court of Justice rejected the petition of residents of Arad, against the approval of the policy document of the National Council for Planning and Building regarding the mining plan in the Barir field.

C. ORL

1. In the period of the report, the Supreme Court handed down a judgment dismissing the plaintiff's appeal of the District Court's judgment, which dismissed a claim in the amount of about NIS 135 million (as at the filing date) and a motion for its certification as a class action, for claims that ORL breached its duty of disclosure, due to the way in which it presented supplier credit and an inventory availability transaction in its financial statements.

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

C. ORL (Cont.)

2. Further to that stated in Note 20.B.3.j to the Annual Financial Statements regarding a claim against ORL in the amount of NIS 753 million (as at the date of its filing), with a motion for its certification as a class action, for the fire that broke out in the intermediate materials storage tank on ORL's premises in December 2016, ORL believes, based on the opinion of its legal counsel representing it in this case, that at this stage, before all the statements of claims have been filed and before the Court rules on the motion for certification as a class action, it is difficult to assess the results of the proceedings or the Company's exposure. However, based on the evidentiary basis of the claim and the results of similar proceedings, it is more likely than not that the motion will be dismissed. ORL submitted an appropriate notice about the claim to the insurers.

3. In the period of the report, Carmel Olefins received a warning for claims of a deviation from the values measured in one of the plant stacks, compared to values set out in the emission permit. Carmel Olefins submitted a detailed response to the warning. At this preliminary stage, Carmel Olefins is unable to estimate the exposure for the warning.

4. In the period of the report, ORL received warnings of alleged violations of its the emission permit for alleged deviation from the maximum emission values and alleged violation of the provisions of the permit referring to the adaptation of two stacks at ORL's plant to the provisions in the Regulation for Testing for Air Pollutants in a Stack set by the Ministry of Environmental Protection. ORL submitted its response to the warning to the Ministry of Environmental Protection. At this very preliminary stage, ORL is unable to estimate the exposure in respect of the warnings.

5. The Ministry of Environmental Protection is investigating alleged violations of the personal orders issued to ORL, Carmel Olefins and Gadiv. At this preliminary stage, ORL is unable to estimate the exposure for the investigation.

6. The Ministry of Environmental Protection gave notice of its intention to impose a financial sanction on Carmel Olefins, in the amount of NIS 2.7 million, for alleged offenses of the emission permit in three technical issues and subsequent to the period of the report, Carmel Olefins received notice of the Ministry's decision to reduce the amount of the financial sanction to about NIS 2 million. ORL has included an appropriate provision that reflects the costs for the demand for financial sanction. At the same time, the Ministry is continuing the investigation of the events underlying the financial sanction. ORL is unable to estimate the results of the investigation.

7. Subsequent to the period of the report, Gadiv received a warning for alleged violations of the provisions of the emission permit, referring to several issues: deviation from the maximum values set for pollutant emission from some of the plant stacks, non-compliance with the dates set in the permit for connecting some of the tanks to the exhaust gas treatment system, and non-compliance with the date set in the permit for connecting the facility to the exhaust gas treatment system. Gadiv is preparing a detailed response to the warning. At this preliminary stage, Gadiv is unable to estimate the exposure for the warning.

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

C. ORL (Cont.)

8. As detailed in Note 22B(3)(a)–(i) to the annual financial statements, there are legal, administrative, and other proceedings against the ORL Group regarding the matter of environmental protection. In ORL's estimation, based on an opinion of its legal advisors and the legal advisors of its subsidiaries, at this stage, it is not possible to assess the effect of the aforesaid on the financial statements as at September 30, 2017, if any, therefore, no provisions regarding these matters were 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, receivables and debit balances, investments and long-term debit balances, short-term credit, payables and credit balances, long-term loans bearing variable interest and other long-term liabilities, as well as derivative financial instruments, correspond to or approximate their fair values.

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

	As at					
	September 30, 2017		September 30, 2016		December 31, 2016	
	Book value	Market value	Book value	Market value	Book value	Market value
	Unaudited		Unaudited		Audited	
	Millions of dollars					
Debentures	**2,815**	**2,936**	2,736	2,781	2,704	2,745
Long-term loans from financial institutions and others	**1,044**	**1,066**	1,196	1,233	1,135	1,153

(2) Hierarchy of fair value

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

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

Note 7 – Financial Instruments (Cont.)

(2) Hierarchy of fair value (Cont.)

	September 30 2017 (Unaudited)	September 30 2016 (Unaudited)	December 31 2016 (Audited)
		Book Value	
		$ millions	
Assets			
Marketable securities held for trade (1)	**–**	14	10
Assets available for sale* (3)	**253**	235	253
Derivatives used for accounting hedge (2)	**27**	10	17
Derivatives used for economic hedge (2)	**77**	22	8
Call (put) options on ICL shares (Collar) (3)	**46**	87	74
	403	368	362
Liabilities			
Derivatives used for accounting hedge (2)	**1**	1	1
Derivatives used for economic hedge (2)	**15**	26	21
	16	27	22

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

(3) Financial instruments measured at fair value at 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 will 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.

The following table presents a reconciliation between the opening balance and the closing balance with respect to financial instruments measured at fair value at Level 3 in the fair value hierarchy:

Note 7 – Financial Instruments (Cont.)

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

	For the Nine Months Ended September 30		For the Three Months Ended September 30		Year Ended December 31
	2017	**2016**	**2017**	**2016**	**2016**
	Unaudited		**Unaudited**		**Audited**
	Millions of Dollars				
Opening balance	**74**	81	**45**	89	81
Settlement in respect of financial transaction*	**(17)**	–	**(5)**	–	(6)
Settlement in respect of dividend adjustment component	**4**	3	**1**	1	4
Total gains (losses) recognized in the statement of income:					
Realized	**(4)**	(4)	**(1)**	(2)	(4)
Unrealized	**(11)**	7	**6**	(1)	(1)
Closing balance	**46**	87	**46**	87	74

* See Note 2.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 deriving from a possible change in one or more of the unobserved assumptions 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 September 30, 2017

(Unaudited)

Israel Corporation Ltd.
Condensed Separate Information provided in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970
As at September 30, 2017
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.

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

Introduction

We have reviewed the separate-company interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970, of Israel Corporation Ltd. (hereinafter – "the Corporation") as at September 30, 2017 and for the nine-months and the three-months periods then ended. The separate-company interim financial information is the responsibility of the Corporation's Board of Directors and Management. Our responsibility is to express a conclusion on the separate-company interim financial information based on our review.

Scope of the Review

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

Conclusion

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

Without qualifying our above-mentioned conclusion, we direct attention to that stated in Note 6.C.3–8 to the Corporation'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.)

November 22, 2017

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at September 30, 2017
Condensed Interim Statements of Financial Position Information

	At September 30		At December 31
	2017	**2016**	**2016**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Assets			
Cash and cash equivalents	**100**	122	97
Short-term deposits	**521**	665	622
Loan to investee company	**150**	–	–
Dividend receivable	**–**	–	15
Other receivables and debit balances	**2**	1	1
Derivative instruments	**26**	29	28
Total current assets	**799**	817	763
Non-Current Assets			
Investments in investee companies	**1,679**	1,660	1,670
Loans to wholly-owned subsidiaries	**127**	119	117
Loan to related company	**236**	219	223
Derivative instruments	**59**	73	56
Total non-current assets	**2,101**	2,071	2,066
Total assets	**2,900**	2,888	2,829

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at September 30, 2017
Condensed Interim Statements of Financial Position Information

	At September 30		At December 31
	2017	**2016**	**2016**
	(Unaudited)		**(Audited)**
	In Millions of U.S. Dollars		
Current Liabilities			
Current maturities in respect of non-current liabilities	**343**	345	358
Other payables and credit balances	**58**	59	64
Derivative instruments	**2**	7	10
Total current liabilities	**403**	411	432
Non-Current Liabilities			
Debentures and long-term loans	**1,561**	1,681	1,587
Derivative instruments	**–**	2	4
Long-term balances	**2**	2	2
Deferred taxes, net	**–**	1	–
Total non-current liabilities	**1,563**	1,686	1,593
Total liabilities	**1,966**	2,097	2,025
Equity			
Share capital and premium	**326**	322	322
Capital reserves	**(110)**	(144)	(168)
Capital reserve for transactions with controlling shareholder	**190**	190	190
Retained earnings	**528**	423	460
Total equity attributable to the owners of the Corporation	**934**	791	804
Total liabilities and equity	**2,900**	2,888	2,829

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

Approval date of the financial statements: November 22, 2017

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at September 30, 2017
Condensed Interim Statements of Income Information

	For the Nine Months Ended September 30		For the Three Months Ended September 30		Year Ended December 31
	2017	2016	2017	2016	2016
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Administrative and general expenses	**(5)**	(6)	**(2)**	(2)	(8)
Other income (expenses)	**(17)**	4	**5**	(2)	(4)
Operating income (loss)	**(22)**	(2)	**3**	(4)	(12)
Financing expenses	**(106)**	(90)	**(34)**	(38)	(103)
Financing income	**53**	26	**14**	13	21
Financing expenses, net	**(53)**	(64)	**(20)**	(25)	(82)
Share in income (losses) of investee companies, net	**136**	(49)	**59**	(174)	(24)
Income (loss) before taxes on income	**61**	(115)	**42**	(203)	(118)
Taxes on income (tax benefit)	**7**	4	**–**	6	(2)
Income (loss) for the period attributable to the owners of the Corporation	**54**	(119)	**42**	(209)	(116)

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at September 30, 2017
Condensed Interim Statements of Comprehensive Income (Loss) Information

	For the				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2017	2016	2017	2016	2016
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Income (loss) for the period attributable to the owners of the Corporation	**54**	(119)	**42**	(209)	(116)
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	**15**	4	**(3)**	6	1
Net change in fair value of cash flow hedges transferred to the statement of income	**(14)**	(7)	**3**	(6)	(1)
Taxes on income in respect of other components of other comprehensive income	**–**	3	**–**	3	3
Other comprehensive loss in respect of investee companies, net	**59**	(7)	**38**	(10)	(35)
Total	**60**	(7)	**38**	(7)	(32)
Components of other comprehensive income (loss) that will not be recognized in future periods in the statement of income					
Taxes on income in respect of other components of other comprehensive income	**–**	1	**–**	1	2
Other comprehensive loss in respect of investee companies, net	**(3)**	(39)	**4**	(22)	(19)
Total	**(3)**	(38)	**4**	(21)	(17)
Other comprehensive loss for the period, net of tax	**57**	(45)	**42**	(28)	(49)
Total comprehensive income (loss) for the period attributable to the owners of the Corporation	**111**	(164)	**84**	(237)	(165)

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at September 30, 2017
Condensed Interim Statements of Cash Flows Information

	For the Nine Months Ended September 30		For the Three Months Ended September 30		Year Ended December 31
	2017	2016	2017	2016	2016
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from operating activities					
Income (loss) for the period attributable to the owners of the Corporation	**54**	(119)	**42**	(209)	(116)
Adjustments:					
Financing expenses, net	**53**	64	**20**	25	82
Share in losses (income) of investee companies, net	**(136)**	49	**(59)**	174	24
Capital loss, net	**3**	–	**–**	–	–
Loss (gain) on re-measurement to fair value of collar options	**15**	(3)	**(5)**	3	5
Taxes on income (tax benefit)	**7**	4	**–**	6	(2)
	(4)	(5)	**(2)**	(1)	(7)
Change in receivables	**1**	(3)	**2**	(3)	(1)
	(3)	(8)	–	(4)	(8)
Income tax received (paid), net	**(4)**	208	**(2)**	–	208
Dividends received	**113**	77	**14**	28	77
Net cash provided by operating activities	**106**	277	**12**	24	277
Cash flows from investing activities					
Short-term deposits, net	**144**	(522)	**36**	41	(494)
Net proceeds from sale of shares of investee company	**56**	–	**–**	–	–
Provision of long-term loan to related company	**–**	(90)	**–**	–	(90)
Collection (provision) of long-term loans from investee companies	**(150)**	78	**–**	–	78
Interest received	**3**	2	**1**	1	3
Payments in respect of settlement of hedging derivatives, net	**(10)**	(4)	**(4)**	(7)	(4)
Net cash provided by (used in) investing activities	**43**	(536)	**33**	35	(507)

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at September 30, 2017
Condensed Interim Statements of Cash Flows Information

	For the				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2017	2016	2017	2016	2016
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from financing activities					
Receipt of long-term loans and issuance of debentures	**208**	365	**–**	60	365
Repayment of long-term loans and debentures*	**(277)**	(283)	**(5)**	(83)	(326)
Interest paid*	**(79)**	(70)	**(26)**	(30)	(82)
Receipt (payment) for settlement of derivatives used for hedging	**1**	(1)	**–**	–	(1)
Net cash provided by (used in) financing financing activities	**(147)**	11	**(31)**	(53)	(44)
Net increase (decrease) in cash and cash equivalents	**2**	(248)	**14**	6	(274)
Cash and cash equivalents at the beginning of the period	**97**	370	**86**	116	370
Effect of exchange rate fluctuations on balances of cash and cash equivalents	**1**	–	**–**	–	1
Cash and cash equivalents at the end of the period	**100**	122	**100**	122	97

* On December 31, 2016, payments of principal and interest in respect of the debentures, in the amount of about $60 million, were postponed in accordance with the trust indentures to January 1, 2017, since the contractual payment date was not a business day.

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at September 30, 2017
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, 2016 and for the year then ended and together with the condensed consolidated financial statements as at December 31, 2016 and as at September 30, 2017.

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. Subsequent to the date of the report, on November 7, 2017, the Board of Directors of ICL decided to distribute a dividend, in the amount of about $57 million, about $0.044 per share. The dividend will be distributed on December 20, 2017. The share of the Corporation's and the headquarters companies – about $27 million.

B. On August 2, 2017, the Board of Directors of ICL decided to distribute a dividend, in the amount of about $32 million, about $0.0245 per share. The dividend was distributed on September 13, 2017. The share of the Corporation's and the headquarters companies – about $15 million.

C. On May 9, 2017, the Board of Directors of ICL decided to distribute a dividend, in the amount of $34 million, about $0.026 per share. The dividend was distributed on June 20, 2017. The share of the Corporation's and the headquarters companies – about $16 million.

D. On February 14, 2017, the Board of Directors of ICL decided to distribute a dividend, in the amount of $57 million, about $0.044 per share. The dividend was distributed on April 4, 2017. The share of the Corporation's and the headquarters companies – about $25 million.

E. Further to that stated in Note 4.C.2 to the annual financial statements – separate-company information as at December 31, 2016, in the second quarter of 2017, the Corporation provided short-term loans, in the aggregate amount of $150 million, to ICL. The loans are for a period of up to nine months and they bear weighted interest at an annual rate of 1.51%–1.88%. Subsequent to the date of the report, expansion of the credit framework that will be provided to ICL, in the amount of up to $250 million, was approved. As at September 30, 2017, the balance of the short term loans that provided to ICL is $150 million

Israel Corporation Ltd.

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

As at September 30, 2017

(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, 2016 (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, 2016, 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 September 30, 2017 (hereinafter – "the Statements").

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

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

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

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

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

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

(a) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, which are designed to ensure that significant information relating to the Corporation, including its subsidiaries as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, to the extent it is relevant to the financial statements and the other information presented in the Statements is brought to my attention by others in the Corporation and the subsidiaries, particularly during the period of preparation of the Statements; and –

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

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

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

November 22, 2017

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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 September 30, 2017 (hereinafter – "the Statements").

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

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

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

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

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

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

(a) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, which are designed to ensure that significant information relating to the Corporation, including its subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 2010, to the extent it is relevant to the financial statements and the other information presented in the Statements is brought to my attention by others in the Corporation and the subsidiaries, particularly during the period of preparation of the Statements; and –

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

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

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

November 22, 2017

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Sagi Kabla, CFO