Israel Corporation Ltd.

Condensed Consolidated Interim Financial Statements

As at March 31, 2020

(UNAUDITED)

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

Contents

Report of the Corporation's Board of Directors

For the Three Months Ended March 31, 2020

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

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

On November 18, 2019, the Corporation's Board of Directors approved the Corporation's strategic plan (for details – see Section A to the Annual Periodic Report) – this being further to the decision of Board of Directors on March 13, 2019 regarding update of the Corporation's business strategy that will include, along with the target of continuing to maximize the value of the Corporation through its holding in ICL and Bazan, also making new investments.

In the upcoming period, advancement and realization of the investment strategy will be subject to the developments with respect to the Coronavirus crisis and the situation existing in the markets (as stated below).

This Directors' Report is submitted as part of the interim financial statements for the period ended March 31, 2020 (hereinafter – "the Date of the Report") (hereinafter – "the Interim Consolidated Financial Statements"). The report was prepared in accordance with the Securities Law (Periodic and Immediate Reports), 1970, and on the assumption that the reader is also in possession of the interim financial statements for the period ended March 31, 2019, and the Periodic Report for 2019.

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

Impact of the Coronavirus

Israel Corporation

As a result of the outbreak of the Coronavirus (COVID-19) in China in December 2019 and the spread thereof in the beginning of 2020 to many additional countries, there has been a decline in economic activity in many global regions, including in Israel. The spread of the virus has caused, among other things, a disruption of the supply chain, a reduction in worldwide transportation, Mobility and employment (business) restrictions announced by the Government of Israel as well as other governments throughout the world, along with a decline in value of financial assets and commodities in the local and international markets. For additional details regarding the possible consequences subsequent to the date of the Report on the Corporation and the investee companies – see Note 1 to the interim consolidated financial statements below (including examination of impairment in value of the investment in Bazan, as stated in Apendix A below).

ICL

In March 2020, the World Health Organization declared the Coronavirus ("COVID-19") a pandemic and recommended containment and mitigation measures worldwide. The pandemic has introduced significant business and economic uncertainty and volatility to the global markets. Accordingly, there has been a significant decline in global economic activity due to, among other things, preventative measures taken by various governmental organizations around the world, the majority of which are still ongoing.

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

Impact of the Coronavirus (Cont.)

ICL (Cont.)

Given these conditions, ICL took measures to ensure the health and safety of its employees, suppliers, business partners and the communities in which it operates, to maintain continuous (uninterrupted) operations throughout its various facilities around the world, and to minimize the potential impact of the virus on its business. As such, in all of ICL's facilities, it has implemented policies and procedures to protect its employees and adopted all the necessary health and safety measures to allow for the required social (personnel) distancing. In addition, ICL's office employees were encouraged to work "remotely".

During the first quarter of 2020, most of ICL's manufacturing facilities around the world continued to operate undisturbed and were deemed to be essential businesses by the relevant local government authorities. In China, ICL's operations maintained production with no major disruptions. In Israel, ICL's facilities continued operating at full production levels, with ICL Dead Sea reaching its best ever first quarter production rate, following the upgrade of facilities in the fourth quarter of 2019. In order to comply with the local authorities' guidelines and to ensure the well-being of its employees, by the end of March 2020, ICL's potash mining operations at its underground mines in Spain were temporarily halted for approximately three weeks but have since then been ramping back up, and currently are at about 60% of capacity. ICL's Polysulphate® mining activities in the UK were also partially reduced and are currently operating at about 70% of capacity. In addition, some of ICL's external contractors declared a *force majeure* that led ICL to suspend a few of its projects, including construction of the new ramp in Spain, the Salt Harvesting Project and the P-9 pumping station in the Dead Sea. The expected financial impact due to the delay of these projects is not material to ICL's business.

Emergence of the COVID-19 pandemic had a slight negative impact on the operations during the quarter but did not have a notable impact on the financial results, as most of ICL's products are contributing to fulfilling essential needs of the world's population. Nevertheless, it is anticipated that results for the second quarter of 2020 will be impacted. ICL believes that in the second quarter there will be a decline in demand for certain flame retardants products of the Industrial Products segment. The significant decline in oil prices, related to COVID-19, is expected to result in decreased demand for clear brine fluids, which are used in oil and gas exploration. The expected impact on ICL's other segments is estimated to be of less significance.

As a result of uncertainties for ICL's business caused by the COVID-19 pandemic, during the quarter ICL took actions to enhance its financial flexibility. ICL believes it has a significant level of available liquidity, including cash and deposits and unused credit facilities. At the beginning of January 2020, ICL issued bonds (Series G) in the amount of approximately $110 million, further enhancing its financial profile. As of the end of March 2020, ICL had $524 million in cash and deposits and $590 million in unused credit facilities. Given ICL's financial strength, it expects to be able to maintain adequate liquidity as it manages through the current challenging world economic environment. ICL believes that its liquidity and capital resources are adequate to fund its operations and activities and there will not be an adverse effect on its ability to comply with its debt covenants. ICL will continue to actively monitor the potential impacts of COVID-19, will continue to seek opportunities, and will take further actions as appropriate.

At this stage, ICL is responding to the current environment, continuing to adjust its business to the pandemic economy and taking appropriate measures to further enhance its operational efficiency to mitigate the impact of the pandemic on its business, including cross-segment cost efficiency initiatives. ICL is unable to accurately assess the impact of the COVID-19 pandemic on its operations, due to, among other factors, the heightened volatility in the markets, the uncertainty regarding the duration of the pandemic, the extent of its impact on the markets in which it operates, and additional countermeasures governments and central banks may take.

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

Impact of the Coronavirus (Cont.)

ICL (Cont.)

The above-mentioned information relating to the impact of a continued spread of the Coronavirus on ICL's activities, including and without detracting from the generality of that stated on the manner of realization of the forecasts provided by ICL as part of its reports with respect to the results of its activities in the upcoming months, constitutes "forward-looking" information, and is based on the information known to ICL as at this time and on estimates of ICL's management accordingly. ICL's said estimates may not materialize, including in such a manner that the disruptions and consequences of the virus, as stated, will have significant negative impacts on ICL's activities and results due to, among other things, factors that are not known to ICL as at the date of this report and are not under its control, including, among others, continuation of the spread of the Coronavirus and the possibility of an additional outbreak ("second wave") of the virus, decisions of the relevant government agencies in and outside of Israel, the force (extent) and duration of the economic slowdown in Israel and overseas, the manufacturing activities, levels of supply and demand, changes in the prices of the end-products and raw materials along with the availability thereof, particularly in the target markets for ICL's products, the situation in the financial markets and credit markets, etc.

Bazan

In January 2020, the Coronavirus broke out in China, which as at the approval date of Bazan's report is continuing to spread throughout the world and to cause considerable uncertainty. In this period, significant fluctuations in the market are discernable and they are characterized by a high level of uncertainty.

In view of the Coronavirus outbreak , there has been a decline in Economic activity in many regions around the world, including in Israel, and there are concerns about further slowing of global and domestic economic activities for the long haul. As part of tackling the outbreak of the virus and in an attempt to curb its spread, many areas worldwide, including in Israel, are taking increasingly stricter measures that significantly restrict mobility and gatherings.

It is noted that that several weeks prior to the approval date of Bazan's report, many countries throughout the world, including Israel, started to allow certain leniencies with the goal of gradually restarting the economic activities. Nonetheless, at this time it is not possible to estimate the pace of allowance of the leniencies and the extent of their impact on the recovery of from the economic crisis.

Business environment

Price of crude oil

In March 2020 and at the beginning of April 2020 there was a sharp increase in the global inventory of crude oil as a result of continued high production rates mainly by the three major producers: Saudi Arabia, Russia and the US. As a result, during this period, the price of oil fell sharply and unusually. This sharp drop was the result of a market surplus of crude oil supply, as stated, with maximum utilization of available storage capacity, on one hand, and a decline in refinery output due to the sharp drop in demand for transportation fuels, on the other hand.

In April 2020, representatives of OPEC+ member states reached agreement to an extreme cutback of output volume compared to the past, although this extreme cut did not compensate the sharp drop in demand due to the COVID-19 pandemic. Commencing from May 2020, due to the aforesaid production cuts and gradual increase in demand for transportation fuels following the gradual lifting of the transport and social distancing restrictions in many countries, there has been an increase and certain a stabilization of crude oil prices.

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

Impact of the Coronavirus (Cont.)

Bazan (Cont.)

Global demand for transportation fuels[1]

Since the beginning of the pandemic outbreak, there has been a drop, among other things, in the scope of global aviation, maritime and land transportation.

The sharp drop in global demand for transportation fuels peaked in April 2020, with forecasted average decrease of about 17 million barrels per day in demand in the second quarter of 2020 and of about 8 million barrels per day for the entire 2020 year. According to the forecasts, demand in 2021 will continue to recover and return to the level thereof prior to the outbreak of COVID-19 in 2022. However, the forecasts will be affected in the event of further waves of outbreak of the virus, depending on their force, location and the ability to cope with them.

The said fall in demand is evident for all types of transportation fuels, with jet fuel experiencing the greatest drop due to the steep fall in international aviation (estimated at 90% as at April 2020). According to the forecasts, the rate of recovery of demand for jet fuel is expected to be linked to the aviation industry recovery rate, which is likely to be slow compared to the other transportation fuels.

Gasoline demand also dropped significantly in April 2020, but unlike jet fuel, the forecasts expect a quick recovery in gasoline demand, which has already begun to rise, given the changes in transport habits of some commuters who may prefer, at least in the short term, to travel in their private vehicles (that allows for social distancing) over public transportation.

Demand for diesel fuel also declined, but to a lesser extent than gasoline, due to the partial continuation in industrial operations. According to the forecasts, the demand for diesel fuel is expected to bounce back to pre-pandemic breakout levels at a more moderate rate compared to gasoline demand.

Utilization of refineries worldwide[2]

In view of the decline in demand for transportation fuels, as described above, refinery utilization worldwide was adjusted to the level of the demand and on average decreased to approximately 65% utilization in the second quarter of 2020, compared with the usual 85% utilization rate. According to the forecasts, utilization is expected to bounce back to pre-COVID-19 crisis rates by early 2021.

Polymers

The end of 2019 was characterized by lower polymer margins compared to previous years, mainly due to excess supply of polypropylene and polyethylene resulting from new production capacity in the U.S. and the East, as well as low production costs in the U.S. (shale oil production), which led to a decrease in the price of polyethylene.

[1] The macroeconomic data set out in this Section are based on various forecasts, including the IHS Markit forecast of May 2020.
[2] The macroeconomic data set out in this section are based on various forecasts, including the IHS Markit forecast of May 2020.

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

Impact of the Coronavirus (Cont.)

Bazan (Cont.)

Polymers (Cont.)

During the first quarter of 2020, following the outbreak of the COVID-19 pandemic, market conditions changed and were mainly characterized by: (1) a sharp drop in the naphtha price as a result of a sharp decline in the demand for naphtha. In view of the sharp drop in the naphtha price, which is mainly due to the sharp drop in the price of crude oil, the relative advantage of polymer production from shale oil, especially in the U.S., was eroded, leaving an advantage for naphtha-based polymer producers; (2) a sharp decline in demand for automotive and furniture polymers, on the one hand, against a rise in demand for polymers in the food packaging, medical equipment and hygiene supplies, on the other hand; (3) a decrease in the forecast of polymer supply globally due to postponement of operation of new facilities, shutting down of other facilities and reduced production rates; and (4) a drop in the economic value of using recycled materials because of the drop in prices of original (non-recycled) materials.

In view of the new market conditions that were created compared to the pre-COVID-19 outbreak period, in March and April 2020 there was an increase in the polymer margins for manufacturers affiliated by a vertical production chain with a refinery.

Impacts of the Coronavirus crisis on Bazan's activities in the first quarter of 2020 and up to shortly before the approval date of Bazan's report:

1. Demand for Bazan's products

   Compared to the fourth quarter of 2019 (excluding periodic and planned maintenance work), since the beginning of the fourth quarter through to date of approval of this Report, there has been no significant decrease in sales of the products in the markets in which the Bazan Group companies operate in Israel, with the exception of sales of jet fuel (it is noted that usual jet fuel output in prior periods is on average 8% of the total output of the Fuels' segment), and regarding which Bazan's product mix is very flexible.

   Compared to the corresponding period last year, in April 2020, there was a significant drop in sales of Bazan's products, mainly in Israel (including in the Palestinian Authority), especially in the sale of jet fuel (about 80%), gasoline (about 30%) and diesel fuel (about 30%) (the gasoline output usually accounts for about 14% of the total output of the Fuels' segment).

   Based on the data with respect to the orders and planned volume of transactions for May 2020, compared to April 2020, there is a significant increase in sales of Bazan's products in Israel (including in the Palestinian Authority), particularly in sales of diesel fuel and gasoline (an increase of about 30%), and compared to the corresponding period last year, the drop in diesel fuel and gasoline sales in Israel is estimated at about 17%.

   It is noted that, as at the approval date of the report, in general there has not been a discernible decline in the scope of demand for other products of the Bazan Group companies in Israel and/or in the export markets in which Bazan operates.

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

Impact of the Coronavirus (Cont.)

Bazan (Cont.)

Impacts of the Coronavirus crisis on Bazan's activities in the first quarter of 2020 and up to shortly before the approval date of Bazan's report: (Cont.)

2. Scope of the production

   In view of that stated above regarding the demand for transportation fuels, Bazan is examining on an ongoing basis the need to adjust production volumes to the demand and to the market margins. Utilization of the refinery facilities in the first quarter of 2020 was about 91% and in April was estimated to be about 85%, and for May up to the approval date of the Report it was estimated at about 85%. Furthermore, Bazan is reducing the volume of gasoline imports, redirecting certain local market sales to its export markets, where necessary, and adjusting its inventory levels.

3. Refining and petrochemical margins

   The Reuters Average Ural and Bloomberg Average Ural and Average Azeri margins for the first quarter of 2020 are about $1.9, about $3.1 and about $3.6 per barrel, respectively. In addition, the average polypropylene and polyethylene margins above naphtha (for the same period) are about $634 and about $578 per ton, respectively. For further information regarding market margins during the period of the report – see the Bazan section below.

   In the period since the beginning of the second quarter of 2020 through the approval date of the report, the Reuters Average Ural and Bloomberg Average Ural and Average Azeri margins are about $2.1, minus about 0.2 and about $0.7 per barrel, respectively. In addition, the average polypropylene and polyethylene margins above naphtha (for the same period) are about $696 and about $667 per ton, respectively.

4. Costs and investments

   Crude oil

   In the first quarter of 2020, the Brent price dropped sharply and its price as at March 31, 2020 was set at about $18 per barrel, and close to the approval date of the report, was trading at about $34 per barrel. In view of the foregoing, an inventory impairment loss was recognized in the period of the report, as noted in Note 5C(5) to the interim consolidated financial statements. It is noted that a low crude oil price over a prolonged period usually has positive impacts on Bazan, in the form of a decrease in certain operating costs (including losses) and reduced working capital costs.

   It is noted that up to now Bazan has not encountered any impairment in the availability of crude oil and intermediate products.

   Fixed costs and investments

   Due to the COVID-19 crisis, Bazan adopted and is continuing to adopt measures for reducing its costs, including: a freeze and/or reduction in investments in property, plant and equipment; postponement of timetables for regulatory projects in collaboration with the applicable regulatory bodies, including with regard to environmental issues. At the same time, Bazan is reviewing the timing and scope of its planned periodic maintenance work on some of its facilities and facilities of Carmel Olefins in 2021. In addition, Bazan is also acting to lower fixed costs that are not essential at this time.

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

Impact of the Coronavirus (Cont.)

Bazan (Cont.)

Impacts of the Coronavirus crisis on Bazan's activities in the first quarter of 2020 and up to shortly before the approval date of Bazan's report: (Cont.)

5. Availability of human resources

   Since the Bazan Group companies are considered to be essential enterprises, the companies continually take measures to adjust their working format in a way that will allow, to the extent possible, availability of the workforce required to carry on their operations. To date, there have been no problems in the availability of local workforce for the routine operation of Bazan's activities.

6. Liquidity and financial strength

   A. As at the approval date of Bazan's report, Bazan had substantial cash and deposit balances of about $490 million, including utilization of secured credit facilities amounting to about $293 million. Furthermore, Bazan has unutilized secured and unsecured credit facilities of about $18 million and about $245 million, respectively, as set out in Note 6B to the consolidated financial statements. In addition, as a rule Bazan does not have pledged assets (other than Ducor's assets), in accordance with its negative pledge undertakings to its credit providers.

   B. Bazan has acted in recent years to significantly reduce the scope of its net financial debt and the duration of its long-term liabilities, and its repayment schedules are appropriate for its needs. As at March 31, 2020, Bazan's net financial debt is about $919 million.

Bazan's forecast for the period from the approval date of its report and up to the end of the second quarter of 2020:

1. Demand for Bazan's products

   Given the significant uncertainty regarding further spreading of the COVID-19 virus, the measures that may be required because of it and the consequences of the economic crisis, it is difficult to assess the short-term demand for transportation fuels in the local market. Nonethless, Bazam estimates, based on orders received for June 2020, domestic market demand for gasoline and diesel fuel is expected to grow compared to May 2020, and to reach almost 90% compared with the corresponding period last year. With regard to jet fuel, Bazan estimates that there will be no significant change in jet fuel consumption in May 2020. With regard to polymer and aromatic products, Bazan estimates that local market demand will not be affected.

   With regard to exports, Bazan estimates that it will not encounter any difficulty in selling its fuel products or polymer and aromatic products to the export markets in which it operates.

2. Margins and refining volume

   Close to date of approval of the Report, the Reuters Average Ural and Bloomberg Average Ural and Average Azeri margins are negative about $3.2, $3.4 and $0.9 per barrel, respectively. In addition, the average polypropylene and polyethylene margins above naphtha are about $593 and about $582 per ton, respectively.

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

Impact of the Coronavirus (Cont.)

Bazan (Cont.)

Bazan's forecast for the period from the approval date of its report and up to the end of the second quarter of 2020: (Cont.)

2. Margins and refining volume (Cont.)

   There is considerable difficulty in estimating refining margins for the rest of the quarter, since they are affected by frequent global changes in crude oil prices, as well as in distillates margins, which are particularly affected at this time by the volume of demand globally. If the benchmark margins remain at their current levels until the end of the second quarter of 2020, Bazan is expected to record negative EBITDA in its Fuels' segment.

   If refining margins remain at their current levels in June, Bazan's refinery facilities utilization rate in the second quarter of 2020 may range from 80% to 85%. Regarding the quantities of polymer and aromatic products sold, no significant change is expected compared with the first quarter of 2020.

3. Liquidity

   3.1 Rescheduling of long–term debt – Bazan intends to reschedule long-term debts in the amount of up to about $150 million during 2020.

   3.2 Credit facilities – Bazan intends to act during 2020 to renew its short-term secured credit facilities for 2021, for at least their current amounts (up to December 31, 2020 – about $311 million).

   3.3 Working capital – due to the sharp drop in the price of crude oil in the first quarter of 2020, as aforesaid, Bazan's balance of receivables, inventory and payables decreased, in part, in the first quarter of 2020 and is expected to decrease, in part, in the second quarter. It is noted that a low crude oil price over a prolonged period usually has a positive effect on Bazan, due to, among other things, reduced working capital costs. However, in the second quarter of 2020, a net negative cash flow is expected in working capital, due to gaps between customer credit days and inventory days to supplier credit days. The trade payables balance (mainly to crude oil suppliers) includes the extension of credit days, which is usually 30 days at market interest rates. As at March 31, 2020, the balance of interest-bearing payables is estimated at about $330 million (as at December 31, 2019 – at about $315 million).

   3.4 Financial covenants – Bazan is subject to financial covenants under its financing agreements with banks and deeds of trust vis-à-vis the holders of its debentures. In view of the sharp decline in adjusted EBITDA in the first quarter of 2020 compared to the corresponding period last year, and in view of the uncertainty surrounding Bazan's adjusted refining margin for the upcoming quarters and the consolidated adjusted EBITDA, among others, there may be a breach of the net financial debt to EBITDA ratio as set in the financing agreements with the banks. If this covenant is breached, Bazan will act to obtain relief from the banks and it believes, based on its preliminary and non-binding negotiations with them, it is expected to obtain such relief.

   3.5 Based on Bazan's forecast of cash flows for the upcoming quarters, which are based on various profitability scenarios and the assumptions set out above, Bazan estimates that it has the financial resources needed to finance all of its needs, including for meeting its existing and anticipated liabilities.

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

Impact of the Coronavirus (Cont.)

Bazan (Cont.)

Bazan's forecast for the period from the approval date of its report and up to the end of the second quarter of 2020: (Cont.)

3. Liquidity (Cont.)

The foregoing reference regarding Bazan's assessments of the effects of future developments in the global and local economic environments on its financial position and liquidity and its assessment that it has the financial resources needed to finance all of its needs, including its assessment for obtaining relief from the banks, constitute "forward-looking" information as defined in the section 32A of the Securities Law. These developments and implications are not under Bazan's exclusive control, are uncertain and are based on the information that Bazan has as at the approval date of the report and on various scenarios and assumptions as described above. If the global crisis intensifies and continues for a prolonged period and if there will be a material deviation from the assumptions underlying Bazan's estimates, including the with regard to receiving relief from the bank as set out above, this could result in a significant deterioration in the results of Bazan's operations, including its financial capacity to cope with the crisis.

Bazan's forecast for the second half of 2020 and thereafter:

Given the significant uncertainty regarding further spreading of the COVID-19 virus and the measures that may be required because of it, and given the financial crisis, it is difficult to assess the projected local market demand for diesel fuel, gasoline and jet fuel. However, Bazan estimates that without another wave breaking out which could have a material adverse effect on the demand forecast, local market demand for gasoline and diesel fuel in the second half of 2020 will continue to rise gradually.

With regard to the refining margin forecast for the second half of 2020, Bazan estimates, based on crude oil and distillates price forecasts of the HIS consulting company (for more information see the Report of the Board of Directors in the Bazan section regarding examination of an impairment in value of the assets of the Fuels' segment), Bazan's adjusted refining margin in the second half of 2020 is expected to be about $5.7 per barrel.

If there will be a decline in local market demand for diesel fuel, gasoline and jet fuel, Bazan will examine the need to divert its sales to export markets and/or to decrease its gasoline imports if relevant, however there is no certainty with regard to the demand for Bazan's products in its export markets.

Moreover, if the spread of the COVID-19 pandemic worldwide and/or in Israel continues and stricter measures will be reinstated so that the decline in economic activities will continue and/or intensify, the adverse effect on demand for fuel and/or petrochemicals will increase, and thus, the adverse effect on refining and/or petrochemical margins will increase.

The Bazan companies are preparing to adopt measures for adjusting inventory and production volumes, including reduction of output in the event that the foregoing decline in the scope of economic activity continues and/or intensifies, and/or if demand and/or market margins decrease. It should be noted that a reduction in Bazan's production output may also affect the production output of the subsidiaries.

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

Impact of the Coronavirus (Cont.)

Bazan (Cont.)

<u>Bazan's forecast for the second half of 2020 and thereafter</u>: (Cont.)

Since the Bazan companies are considered to be essential enterprises, the companies take measures to adjust their working format at any given time, in a way that will allow, to the extent possible, availability of the workforce required to sustain their operations. Nonetheless, the supply chain and availability of equipment and experts may lead to delays, which could delay completion of certain projects, including with regard to environmental issues. If necessary, in light of the circumstances, Bazan will continue to act in order to receive postponement of the project completion timetables from the Ministry of the Environment.

If the foregoing adverse effects materialize, they may further significantly impair Bazan's operating results and cash flows from the its ongoing operations, erode its equity and adversely affect (and under certain circumstances to even breach) certain financial covenants applicable to Bazan under its financing agreements with the banks and its debentures.

As at the approval date of the report, Bazan is unable to estimate the duration and/or possible effects of the outbreak of another wave of COVID-19 on the results of its activities.

The reference in this section to Bazan's assessments of future developments in the global and local economic environment, as well as to the possible implications of these developments on its operations, is "forward-looking" information as defined in section 32A of the Securities Law. Such developments and implications are not under Bazan's control, are uncertain and are based on the information Bazan has as at the approval date of the report. If the global crisis deepens and continues over time, this could lead to a significant deterioration in the results of Bazan's operations, including its financial ability to cope with the event.

Additional information

1. On January 12, 2020, the Supreme Court in Jerusalem rejected the appeal of V-Cars of the District Court in Tel-Aviv dated June 3, 2018, which rejected in its entirety the claim of V-Cars against the Corporation. In addition, the Supreme Court rejected the counterclaim filed by the Corporation against the non-charging of V-Cars for expenses. For additional details – see Note 18B(1)(a) to the consolidated financial statements for 2019.

2. On March 9, 2020, the Corporation's Audit Committee and Board of Directors approved adoption of an options' plan for employees and officers under the Capital Track (with a trustee) as provided in Section 102 of the Income Tax Ordinance (New Version), in accordance with the remuneration policy. For additional details – see the Description of the Corporation's Business section in the Periodic Report – Miscellaneous Section 10.4.

3. Subsequent to the date of the report, on April 2, 2020, revisions to the Corporation's financing agreements with banks entered into effect, such that if the price of ICL's shares drops below $1.97 per share (in place of $2.4 as stated in Note 14 to the annual consolidated financial statements) the lenders under any of the relevant agreements will be permitted to call the credit, in the aggregate amount of $250 million, for immediate repayment (the price of an ICL share as at the date of the report was $3.16). The revisions include additional arrangements, including with respect to adding collaterals. For additional details – see Note 5A(2) to the interim consolidated financial statements.

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

Additional information (Cont.)

4. Subsequent to the date of the report, on April 7, 2020, the Corporation completed, as part of a private offering to classified investors, expansion of the debentures (Series 14) in the amount of NIS 345 million par value. The proceeds of the issuance net of the issuance costs amounted to about NIS 300 million (about $83 million). For additional details – see Note 5A(1) to the interim consolidated financial statements.

5. For details regarding the Corporation's liabilities – see the Immediate Report regarding the total liabilities based on repayment date that was published on May 26, 2020 (Reference No. 2020-01-053157). The information included therein is presented in this Report by means of references.

For additional information in connection with claims filed against the Corporation – see 6A to the Interim Consolidated Financial Statements and Note 18B(1) to the annual consolidated financial statements for 2019.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

– The total sales for the three-month period ended March 31, 2020 amounted to about $1,319 million, compared with about $1,415 million in the corresponding period last year.

– The total net loss attributable to the owners of the Corporation for the three-month period ended March 31, 2020 amounted to about $42 million, compared with net income attributable to the owners of the Corporation of about $65 million in the corresponding period last year.

– The total assets, as at March 31, 2020, amounted to about $10,834 million, compared with about $10,276 million, as at March 31, 2019, and compared with about $10,634 million, as at December 31, 2019.

– The current assets net of current liabilities, as at March 31, 2020 amounted to about $1,348 million, compared with about $830 million as at March 31, 2019, and compared with about $1,117 million, as at December 31, 2019.

– The balance of the non-current assets, as at March 31, 2020 amounted to about $7,185 million, compared with about $7,199 million as at March 31, 2019, and compared with about $7,348 million, as at December 31, 2019.

– The non-current liabilities, as at March 31, 2020, amounted to about $4,776 million, compared with about $4,240 million, as at March 31, 2019, and compared with about $4,582 million, as at December 31, 2019.

– The total equity as at March 31, 2020 amounted to about $3,757 million and the total equity attributable to the owners of the Corporation amounted to about $1,440 million, compared with equity of $3,789 million and total equity attributable to the owners of the Corporation of $1,493 million as at March 31, 2019, and compared with total equity of about $3,883 and total equity attributable to the owners of the Corporation of about $1,550 million as at December 31, 2019.

Set forth below are the results of the Group companies in the period January–March 2020:

– ICL finished the period of the report with income of about $60 million, compared with income of about $139 million in the corresponding period last year.

– Bazan finished the period of the report with a loss of about $146 million, compared with income of about $63 million in the corresponding period last year.

FINANCIAL POSITION AND RESULTS OF OPERATIONS (Cont.)

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

	Three months ended March 31	
	2020	2019
	$ Millions	
Composition of the Corporation's results attributable to the owners:		
ICL	**28**	65
Bazan	**(48)**	21
Amortization of excess cost	**(2)**	(3)
Financing, administrative, general and other expenses of the Corporation's headquarters	**(19)**	(19)
Tax benefit (taxes on income) of the Corporation's headquarters	**(1)**	1
Net income (loss) attributable to the owners of the Corporation	**(42)**	65

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

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

As at the date of the report, the total financial liabilities of the Corporation and of the wholly owned and controlled headquarters companies (hereinafter – "the Headquarters Companies") amounted to about $1,501 million. The balance of the fair value of the options in the currency and interest SWAP transactions economically increases the liabilities by about $23 million.

As at the date of the report, the balance of the liquid assets of the Corporation and of the Headquarters Companies amounted to about $510 million, of which about $109 million thereof serves as collaterals (as at May 25, 2020 the balance was $98 million). For details – see Note 5A(4) to the Interim Consolidated Financial Statements.

The net financial liabilities of the Corporation and of the Headquarters Companies as at the date of the report was about $1,014 million, compared with net debt balances of about $1,064 million and about $981 million as at March 31, 2019 and as at December 31, 2019, respectively. As at the date of the report, the net financial liabilities of the Headquarters Companies standing alone amounted to about $143 million.

In the period of the report, the Corporation and the Headquarters Companies refinanced long-term loans in the amount of $150 million, and the Corporation took out long-term loans by means of utilization of credit frameworks, in the amount of $95 million. For additional details – see Note 5A(3) to the interim consolidated financial statements.

Subsequent to the date of the report, in April 2020, the Corporation completed as part of a private offering to classified investors expansion of the debentures (Series 14) in the amount of NIS 345 million par value. The proceeds of the issuance net of the issuance costs amounted to about NIS 300 million (about $83 million). For additional details – see Note 5A(1) to the interim consolidated financial statements.

In the period of the report, the Corporation and the Headquarters Companies repaid liabilities in the amount of $157 million, in respect of payment of current maturities of the debentures (Series 7) (net of hedging transactions).

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

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

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 2.7 years.

During the period of the report, the Corporation and the Headquarters Companies received a dividend, net of tax, from ICL, in the amount of about $9 million.

Corporation's credit ratings

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

On December 2, 2019, S&P Maalot gave notice of granting of a rating of ilA for issuance of a new series of debentures in the amount of up to NIS 400 million par value.

On December 16, 2019, S&P Maalot gave notice of granting of a rating of ilA for issuance of a new series of debentures in the amount of up to NIS 750 million par value.

Subsequent to the date of the report, on April 7, 2020, S&P Maalot gave notice of granting of a rating of ilA for expansion of the debentures (Series 14) in an amount of up to NIS 350 million par value.

Set forth below is a condensed explanation of the financial results of the investee companies:

ICL GROUP LTD. (hereinafter – "ICL") (formerly: Israel Chemicals Ltd.)

For details regarding the impact of the Coronavirus on ICL – see also the section "Various Events in the Period of the Report and Thereafter" above.

Main financial results of ICL

	1–3/2020		**1–3/2019**		**1–12/2019**	
	$ millions	**% of sales**	**$ millions**	**% of sales**	**$ millions**	**% of sales**
Sales	**1,319**	**–**	1,415	–	5,271	–
Gross profit	**400**	**30**	501	35	1,817	34
Operating income	**132**	**10**	227	16	756	14
Adjusted operating income (1)	**132**	**10**	241	17	760	14
Net income attributable to ICL's shareholders	**60**	**5**	139	10	475	9
Adjusted net income attributable to ICL's shareholders (1)	**60**	**5**	150	11	479	9
Diluted earnings per share (in dollars)	**0.05**	**–**	0.11	–	0.37	–
Adjusted diluted earnings per share (in dollars) (1)	**0.05**	**–**	0.12	–	0.37	–
Adjusted EBITDA (2)	**250**	**19**	350	25	1,198	23
Cash flows from operating activities	**166**	**–**	173	–	992	–
Cash flows used for acquisition of property, plant and equipment and other assets	**139**	**–**	131	–	576	–

(1) See table "adjustments to the operating income and the reported net income (Non-GAAP)" below.
(2) See table "adjusted consolidated EBITDA and adjusted diluted consolidated earnings per share" below.

ICL GROUP LTD. (Cont.)

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

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

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

ICL GROUP LTD. (Cont.)

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

	1–3/2020	1–3/2019	2019
		$ millions	
Operating income	**132**	227	756
Reversal of impairment losses on property, plant and equipment (1)	–	–	(10)
Provision for legal claims (2)	–	14	7
Provision for prior periods waste removal and site closure costs (3)	–	–	7
Total adjustments to operating income	–	14	4
Total adjusted operating income	**132**	241	760
Net income attributable to the shareholders of ICL	**60**	139	475
Total adjustments to operating income	–	14	4
Total tax impact of the above operating income and financing expenses adjustments	–	(3)	–
Total adjusted net income attributable to the shareholders of ICL	**60**	150	479

(1) In 2019, due to an agreement for the sale of assets, a partial reversal of an impairment loss related to assets in Germany which was incurred in 2015.
(2) In 2019, an increase of the provision in connection with the finalization of the royalties' arbitration in Israel relating to prior periods, which was partly offset by a decrease in the provision relating to legal claims in Spain.
(3) In 2019, an increase of the provision for the Sallent site closure costs as part of the restoration solution, together with an increase of the provision for the removal of prior periods waste in bromine production facilities in Israel.

Calculation of the adjusted EBITDA is made as follows:

	1–3/2020	1–3/2019	2019
		$ millions	
Net income attributable to ICL's shareholders	**60**	139	475
Depreciation and amortization	**118**	111	443
Financing expenses, net	**52**	35	129
Taxes on income	**20**	51	147
Adjustments*	–	14	4
Total adjusted EBITDA	**250**	350	1,198

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

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

	1–3/2020	1–3/2019	2019
		$ millions	
Net income attributable to ICL's shareholders	**60**	139	475
Adjustments*	–	14	4
Total tax impact of the adjustments to the operating income and the financing expenses	–	(3)	–
Adjusted net income to ICL's shareholders	**60**	150	479
Weighted-average number of diluted ordinary shares outstanding (in thousands)	**1,280,168**	1,282,689	1,282,056
Adjusted diluted earnings per share (in dollars)**	**0.05**	0.12	0.37

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

ICL GROUP LTD. (Cont.)

Results of operations for the period January – March 2020

	$ millions		
	Sales	**Expenses**	**Operating income**
January – March 2019	**1,415**	**(1,188)**	**227**
Total adjustments January – March 2019*	–	14	14
Adjusted January – March 2019 figures	**1,415**	**(1,174)**	**241**
Quantity	16	(11)	5
Price	(96)	–	(96)
Exchange rate	(16)	4	(12)
Raw materials	–	31	31
Energy	–	–	–
Transportation	–	3	3
Operating and other expenses	–	(40)	(40)
Adjusted January – March 2020 figures	**1,319**	**(1,187)**	**132**
Total adjustments January – March 2020*	–	–	–
January – March 2020	**1,319**	**(1,187)**	**132**

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

Quantity – the positive impact on operating income was primarily related to an increase in the quantities sold of phosphate fertilizers, clear brine fluids, phosphorus-based flame retardants and acids. This was partially offset by a decrease in the quantities sold of phosphate rock and dairy proteins.

Price – the negative impact on operating income was primarily related to a $44 decrease in the average realized price per ton of potash compared to the same quarter last year, the downward price adjustment with respect to certain potash quantities sold during 2019, in line with the recent supply contracts in China and a decrease in the selling prices of phosphate fertilizers and green phosphoric acid.

Exchange rate – the negative impact on operating income was primarily related to the appreciation of the average exchange rate of the shekel against the dollar, which increased operational costs. In addition, the devaluation of the average exchange rate of the euro against the dollar, decreased revenues by more than it contributed to operational cost-savings.

Raw materials – the positive impact of raw materials prices on operating income was primarily related to lower prices of sulphur consumed during the quarter.

Operating and other expenses – the negative impact on operating income was primarily related to capital gains recorded in the same quarter last year due to the sale and leaseback of office buildings in Israel, higher depreciation expenses and inventory write-offs, as well as higher operational costs in Spain and the UK due to reduced production as a result of COVID-19 pandemic disruption.

ICL GROUP LTD. (Cont.)

Results of operations for the period January – March 2020

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

	1–3/2020		1–3/2019	
	$ millions	**%**	**$ millions**	**%**
Europe	**560**	**42**	576	41
Asia	**308**	**23**	368	26
North America	**249**	**19**	262	19
South America	**112**	**8**	117	8
Rest of the world	**90**	**8**	92	6
Total	**1,319**	**100**	1,415	100

Europe – the decrease primarily relates to a decrease in the selling prices of phosphate fertilizers, potash and green phosphoric acid, a decrease in the quantities of phosphate rock sold, together with the negative impact of the devaluation of the average exchange rate of the euro against the dollar. The decrease was partly offset by higher sales volumes of potash, green phosphoric acid, clear brine fluids and acids.

Asia – the decrease primarily relates to a decrease in the selling prices and quantities of potash sold, a decrease in the selling prices of phosphate fertilizers, together with a decrease in quantities sold of green phosphoric acid, dairy proteins and phosphate rock. The decrease was partly offset by an increase in the quantities of phosphate fertilizers sold.

North America – the decrease primarily relates to a decrease in the quantities sold of potash and magnesium, partly offset by an increase in the quantities sold of phosphorus-based flame retardants and clear brine fluids.

South America – the decrease primarily relates to a decrease in the selling prices of potash and a decrease in the quantities of phosphate fertilizers sold. The decrease was partly offset by an increase in the quantities of potash sold.

Rest of the world – the decrease primarily relates to a decrease in the quantities of dairy proteins sold.

Financing expenses, net

The net financing expenses in the first quarter of 2020 amounted to $52 million, compared to $35 million in the same quarter last year, an increase of $17 million.

The increase relates mainly to losses from hedging transactions in the amount of $46 million, affected by the volatile business environment during the quarter, which includes a sharp decrease in energy and dry bulk shipping prices, a decrease in the U.S. dollar interest rate curve and exchange rate fluctuations.

On the other hand, expenses related to long-term employee benefits provisions and long-term lease revaluation according to IFRS16 decreased by $25 million, mainly due to the shekel depreciation against the dollar at the end of the quarter. In addition, interest expenses decreased by $5 million due to a decrease in the average debt balance and the average interest rate.

Tax expenses

The tax expenses in the first quarter of 2020 and in the first quarter of 2019 amounted to $20 million and $51 million, reflecting an effective tax rate of about 25% and 27%, respectively. ICL's tax rate in the first quarter of 2020 was positively affected by the devaluation of the shekel against the dollar in the first quarter, while the tax rate in the corresponding quarter last year was negatively affected by the appreciation of the shekel against the dollar.

ICL GROUP LTD. (Cont.)

Industrial Products

ICL's Industrial Products segment produces bromine out of a highly concentrated solution in the Dead Sea, as well as bromine-based compounds at its facilities in Israel, the Netherlands and China. In addition, the segment produces salts, magnesium chloride, magnesia-based products, phosphorus-based flame retardants and functional fluids.

Segment sales in the first quarter of 2020 increased year-over-year by 4%, driven by strong sales in most product lines, including record sales of clear brine fluids. Operating income reached a quarterly record of $103 million, with an operating margin of 28%. Despite the year over year decrease in bromine prices in China, the segment's strategic shift to long-term contracts, its diverse portfolio and an increase in the selling prices of specialty minerals to the food and pharma markets led to a $3 million contribution from prices, adding to the $10 million contribution from sales volumes compared to the corresponding quarter last year.

Significant highlights and business environment

– During the first quarter of 2020, market prices of elemental bromine in China remained flat sequentially and were lower compared to the corresponding quarter last year, during which prices were significantly high.

– Sales of elemental bromine remained at the same level of the first quarter of 2019.

– Global demand for bromine-based flame retardants remained stable during the first quarter of 2020 and ICL's sales of bromine-based flame retardants remained at the same level as the corresponding quarter last year.

– Sales of clear brine fluids increased in the first quarter of 2020 compared to the corresponding quarter last year, driven by higher activity in the Gulf of Mexico, the North Sea and Guyana. The recent drop in oil prices, in part due to the COVID-19 pandemic, is expected to reduce drilling operations, which, in turn, could negatively impact demand for clear brine fluids[3].

– Sales of phosphorus-based flame retardants were higher compared to the corresponding quarter last year, partially due to a decrease in supply from China, following shutdown of chemical plants as a result of the COVID-19 pandemic.

– Higher sales prices and volumes resulted in an increase of specialty minerals sales compared to the corresponding quarter, mainly due to strong demand in the food and pharma markets.

– Due to the ongoing impact of the COVID-19 pandemic, sales in the second quarter of 2020 are expected to decrease, mainly due to substantially lower expected demand for clear brine fluids (due to the decrease in oil prices) and certain flame retardants to the automotive, building and construction industries, as well as uncertainty regarding demand for consumer products[4].

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[3] The estimates regarding future trends in this Section constitute "forward-looking" information and there is no certainty that they will be realized, at what time and at what rate, and they may change as a result of, among other things, continuation of spread of the Coronavirus and the consequences thereof, including on the oil prices and drilling activities, as well as due to additional factors, as stated in the "Impacts of the Coronavirus" section above.

[4] The estimates regarding future trends in this Section constitute "forward-looking" information and there is no certainty that they will be realized, at what time and at what rate, and they may change as a result of, among other things, continuation of spread of the Coronavirus and the consequences thereof to the level of demand for the relevant products, as well as due to additional factors, as stated in the "Impacts of the Coronavirus" section above.

ICL GROUP LTD. (Cont.)

Industrial Products (Cont.)

Results of operations for the period January – March 2020

	1–3/2020	1–3/2019	2019
	$ millions		
Total sales	**364**	350	1,318
Sales to external customers	**361**	347	1,307
Sales to internal customers	**3**	3	11
Segment income	**103**	97	338
Depreciation and amortization	**17**	16	67
Capital investments	**21**	19	74

Results of operations for the period January – March 2020

	$ millions			
	Sales	Expenses	Operating income	
Q1 2019 figures	350	(253)	97	
Quantity	**14**	**(4)**	**10**	⬆
Price	**3**	–	**3**	⬆
Exchange rate	**(3)**	–	**(3)**	⬇
Raw materials	–	**(2)**	**(2)**	⬇
Energy	–	**1**	**1**	⬆
Transportation	–	**(1)**	**(1)**	⬇
Operating and other expenses	–	**(2)**	**(2)**	⬇
Q1 2020 figures	**364**	**(261)**	**103**	

Quantity – the positive impact on the segment's operating income was primarily related to an increase in the quantities sold of phosphorus-based flame retardants and bromine-based industrial solutions (mainly clear brine fluids).

Price – the positive impact on the segment's operating income was primarily related to an increase in the selling prices of specialty minerals.

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

ICL GROUP LTD. (Cont.)

Potash

ICL's Potash segment produces and sells mainly potash, using an evaporation process to extract potash from the Dead Sea in Israel and conventional mining from an underground mine in Spain. The segment also produces and sells Polysulphate® from its Boulby mine in the UK as well as salt and magnesium produced in the Dead Sea in Israel.

The Potash segment's sales decreased by 18% and operating income decreased by 82% in the first quarter of 2020 compared to the same period in the prior year. Business performance was negatively impacted mainly by a $44 decrease in the average potash realized price per ton, as well as the downward price adjustment of $12 million with respect to certain quantities of potash sold during 2019, subject to an open price condition, in line with the recent potash supply contracts in China and higher operational costs, mostly due to production challenges related to the COVID-19 pandemic. The increased production in Israel was offset by lower production at ICL Iberia, mainly due to disruption of operations due to the COVID-19 pandemic. Potash sales quantities were 18 thousand tons lower than in the same quarter last year, primarily due to a decrease in potash sales to China and US, mostly offset by increased sales to Europe, Brazil and India. In addition, some projects, including the Ramp (access tunnel) project in Spain, were temporarily halted following a *force majeure* notice issued by external contractors due to the COVID-19 pandemic.

Significant highlights and business environment

– Despite operational and logistical constraints related to the ongoing spread of the COVID-19 pandemic, that impacted most global sectors, the segment's operations were not disrupted during most of the quarter. Furthermore, most governmental organizations deemed the agriculture market to be a provider of essential services. Towards the end of the quarter, the segment experienced a temporary suspension of operations in Spain, so as to maintain the health and safety of the employees, as well as delays in some projects due to reasons related to the external contractors. At this stage, it is estimated that the impact of COVID-19 on the segment's business performance in the second quarter will be between $10 to $20 million, until all of the production facilities in Spain and the UK will fully ramp up[5].

[5] The estimates regarding future financial results in this Section constitute "forward-looking" information and there is no certainty that they will be realized, at what time and at what rate, and they may change as a result of, among other things, continuation of spread of the Coronavirus and the consequences thereof to the manufacturing activities, as well as due to additional factors, as stated in the "Impacts of the Coronavirus" section above.

ICL GROUP LTD. (Cont.)

Potash (Cont.)

Significant highlights and business environment (Cont.)

– The Grain Price Index was stable in the first quarter of 2020, as corn and soybean prices decreased, while wheat and rice prices increased. Corn prices decreased due to higher than expected planting area, as well as due to the COVID-19 related sharp decrease in oil prices, which reduced the demand for Ethanol. Soybean prices decreased due to high production and large expected export volume from Brazil in light of the devaluation of the Brazilian real against the US dollar. Wheat prices increased as a result of increased consumption due to the drought in Australia. The price of rice increased due to stocking in India in light of the drought in Thailand. In the USDA's WASDE (World Agricultural Supply and Demand Estimates) report published in April 2020, the estimated grains stock-to-use ratio for the 2019/2020 agricultural year decreased to 30.39%, compared to 31.44% for 2017/2018, but increased slightly compared to 30.35% for 2018/2019[6].

– Potash spot prices continued to decrease during the first quarter of 2020 across global markets, due to high availability and due to the delay in the signing of new contracts in China and India. In late April 2020, a potash supply contract with Chinese customers was signed, at $220/ton, a $70/ton decline compared to the previous contract signed in September 2018. During May 2020, ICL signed contracts with its customers in China, to supply 910 thousand tons of potash (with additional 490 thousand tons optional quantities) by the end of 2020, at a price of $70/ton below the previous contracts. Accordingly, in the first quarter of 2020, ICL updated the price related to certain of its 2019 potash sales subject to an open price condition, resulting in a $12 million downward adjustment. Subsequent to the date of the report, on May 18, 2020, an agreement was signed for supply of potash to a customer in India, in the cumulative amount of 410,000 tons, including reciprocal options for supply of an additional 30,000 tons, up to the end of 2020. The sale price stipulated in the agreement is $50 lower than the sale price in the prior agreement and reflects the prices in the agreements recently signed in India. The new agreement is part of the five-year contract for supply of potash signed with the said customer in December 2018.

– According to CRU (Fertilizer Week Historical Prices, April 2020), the average price of granular potash imported to Brazil was $245 per ton (CFR spot) in the first quarter of 2020, a decrease of 16.5% sequentially and 30.3% year-over-year. According to Brazil's Customs' data, potash imports to Brazil reached about 1.6 million tons in the first quarter of 2020, a decrease of approximately 16% compared to the same quarter last year.

– According to CRU (Fertilizer Week Historical Prices, April 2020), the average price of standard potash imported to Southeast Asia was $258 per ton (CFR spot) in the first quarter of 2020, a decrease of 7% sequentially and 14.6% year-over-year.

– According to CRU (Fertilizer Week Historical Prices, April 2020), the average price of granular potash imported to Northwest Europe was €255 per ton (CIF spot/contract) in the first quarter of 2020, a decrease of 6.5% sequentially and 13.5% year-over-year.

[6] The estimates regarding future trends in this Section constitute "forward-looking" information and there is no certainty that they will be realized, at what time and at what rate, and they may change as a result of, among other things, volatility in the agricultural markets, in the financial markets, in the global commodity and labor markets and the prices and availability of the raw materials, particularly in the target markets for ICL's products including, among other things, changes in the level of supply and demand, extreme changes in the weather, changes in the prices of the products, commodities and grains, the input prices, and the transportation and energy costs. In addition, they may be impacted by the continued spread of the Coronavirus and the consequences thereof, as stated in the "Impacts of the Coronavirus" section above.

ICL GROUP LTD. (Cont.)

Potash (Cont.)

Significant highlights and business environment (Cont.)

– According to Chinese customs data, potash imports to China in the first quarter of 2020 amounted to 2.07 million tons, a decrease of about 30% over the same quarter last year.

– According to the FAI (Fertilizer Association of India), potash imports to India amounted to 0.7 million tons in the first quarter of 2020, a decrease of 36% compared to the same quarter last year.

– Market conditions led several major manufacturers, including Nutrien (Canada) and Mosaic (USA), to continue idling some of their production sites.

Israel

– Following the upgrade of ICL's Dead Sea facilities in the fourth quarter of 2019, ICL Dead Sea reached its best ever first quarter production.

– Further to details provided in the annual financial statements regarding the Salt Harvesting Project, during the first quarter of 2020, all the necessary infrastructures were completed. Due to the COVID-19 pandemic, towards the end of the quarter the contracting company (Holland Shallow Seas Dredging Ltd.) issued a *force majeure* notice, which led to a delay in the harvester (dredger) operation. ICL expects to start the operation in the second half of the year[7].

– Further to details provided in the annual financial statements regarding the P-9 pumping station, towards the end of the quarter, due to the Covid-19 pandemic, the supplier of the pumps issued a notice regarding *force majeure* resulting in an expected delay of a few months regarding the pumping station's completion. The P-9 pumping station is expected to start commissioning towards the end of 2020 and commence its operation during the first half of 2021[8]. Nevertheless, ICL expects no impact on its operations due to the current sea water level enabling the current pumping station (P-88) to operate until the beginning of 2022.

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[7] The estimates regarding the operation date of the harvester (dredger) in this Section constitute "forward-looking" information, and there is no certainty that they will be realized, at what time and at what rate, and they may change as a result of, among other things, operational, logistical and engineering problems with, among others, ICL's subcontractors. In addition, they may be impacted by the continued spread of the Coronavirus and the consequences thereof, as stated in the "Impacts of the Coronavirus" section above.

[8] The estimates regarding the start of the testing of the P-9 pumping station and commencement date of its activities in this Section constitute "forward-looking" information, and there is no certainty that they will be realized, at what time and at what rate, and they may change as a result of, among other things, operational, logistical and engineering problems with, among others, ICL's subcontractors. In addition, they may be impacted by the continued spread of the Coronavirus and the consequences thereof, as stated in the "Impacts of the Coronavirus" section above.

ICL GROUP LTD. (Cont.)

Potash (Cont.)

Significant highlights and business environment (Cont.)

Spain

– Due to the COVID-19 pandemic and out of concern for the health and well-being of the employees, starting in the last week of March, the production operations of ICL Iberia were temporarily halted. ICL renewed its operations at about 60% production capacity and plans to continue to gradually increase production while maintaining the health and safety of its employees[9].

– Due to the COVID-19 pandemic, towards the end of the first quarter, construction of the new ramp in Spain was halted due to a *force majeure* notice issued by the external contractor. As a result, site consolidation completion was rescheduled to the beginning of 2021[10].

– Further to the disclosure provided in the annual financial statements, the new designated facility in the Barcelona port started operations during the first quarter and the first vessel was loaded in February 2020.

United Kingdom

– Production of Polysulphate® increased by 34% to 177 thousand tons and sales increased by 3% to 136 thousand tons compared to the first quarter of 2019. Due to the COVID-19 pandemic and out of concern for the health and the well-being of ICL's employees, logistical and operational restrictions were implemented in ICL Boulby in the UK, starting in the last week of March, lowering production to about 70% of capacity.

Magnesium

– The global magnesium market was negatively impacted by the COVID-19 pandemic, mostly affecting the automotive and the titanium industries. The major impact of the pandemic is the high magnesium inventories held by most large US and EU customers since the end of 2019, significant reductions in sales and curtailed operations of global producers. In China, as a result of the COVID-19 pandemic, towards the end of February 2020, the magnesium price reached $1,900 per ton FOB. The price has remained stable since mid-March.

[9] The estimates regarding the gradual return to full manufacturing activities at ICL's facilities in this Section constitute "forward-looking" information, and there is no certainty that they will be realized, at what time and at what rate, and they may change as a result of, among other things, operational, logistical and engineering problems, and there may be consequences of actions taken by governments, manufacturers and consumers. In addition, they may be impacted by the continued spread of the Coronavirus and the consequences thereof, as stated in the "Impacts of the Coronavirus" section above.

[10] The estimates regarding the consolidation date in of the sites in Spain in this Section constitute "forward-looking" information, and there is no certainty that they will be realized, at what time and at what rate, and they may change as a result of, among other things, operational, logistical and engineering problems with, among others, ICL's subcontractors and there may be consequences of actions taken by governments, manufacturers and consumers. In addition, they may be impacted by the continued spread of the Coronavirus and the consequences thereof, as stated in the "Impacts of the Coronavirus" section above.

ICL GROUP LTD. (Cont.)

Potash (Cont.)

Results of operations – Potash

	1–3/2020	1–3/2019	2019
		$ millions	
Total sales	**314**	384	1,494
Sales to external customers	**226**	275	1,081
Sales to internal customers	**23**	23	100
Other and eliminations*	**65**	86	313
Gross profit	**96**	166	643
Segment income	**14**	79	289
Depreciation and amortization	**39**	39	149
Capital investments	**61**	159	478
Average price (in dollars)**	**250**	294	286

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

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

Potash – production and sales

	1–3/2020	1–3/2019	2019
		Tons, thousands	
Production	**1,145**	1,148	4,159
Total sales (including internal sales)	**996**	1,014	4,130
Closing inventory	**563**	519	414

Production – in the first quarter of 2020, potash production was at the same level of the corresponding quarter last year. The increased production in Israel, was offset by lower production at ICL Iberia, mainly due to the COVID-19 pandemic operations disruption.

Sales – the quantity of potash sold in the first quarter of 2020 was 18 thousand tons lower than in the same quarter last year, primarily due to a decrease in potash sales to China and US, mostly offset by increased sales to Europe, Brazil and India.

ICL GROUP LTD. (Cont.)

Potash (Cont.)

Analysis of the results for January – March 2020

	$ millions		
	Sales	**Expenses**	**Operating income**
Q1 2019 figures	384	(305)	79
Quantity	**(17)**	**15**	**(2)**
Price	**(51)**	–	**(51)**
Exchange rate	**(2)**	**(2)**	**(4)**
Energy	–	**1**	**1**
Transportation	–	**3**	**3**
Operating and other expenses	–	**(12)**	**(12)**
Q1 2020 figures	**314**	**(300)**	**14**

Quantity – the minor negative impact on the segment's operating income was primarily related to a decrease in potash sales volumes to China and US, partly offset by increased sales volumes to Europe, Brazil and India.

Price – the negative impact on the segment's operating income was primarily related to a decrease of $44 in the average realized price per ton of potash compared to the same quarter last year, as well as the downward price adjustment with respect to certain quantities of potash sold during 2019, in line with the recent potash supply contracts in China.

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

Operating and other expenses – the negative impact on the segment's operating income derives primarily from higher labor and depreciation expenses, as well as higher operating costs in Spain and the UK due to reduced production as a result of COVID-19 pandemic disruption.

ICL GROUP LTD. (Cont.)

Phosphate Solutions

ICL's Phosphate Solutions segment operates ICL's phosphate value chain, using phosphate rock and fertilizer-grade phosphoric acid to produce phosphate-based specialty products with higher added value, as well as to produce and sell phosphate-based fertilizers.

The segment's sales and operating income decreased by 7% and 74%, respectively, compared with the corresponding quarter last year, mainly due to a sharp decrease in phosphate commodity market prices, that was partially offset by lower raw materials prices. Operating income was also negatively impacted by higher depreciation expenses and by the unfavorable impact of exchange rates due to the appreciation of the Israeli shekel against the dollar and the devaluation of the euro and the Chinese yuan against the dollar. The resilience of the segment was driven by strong phosphates specialties performance and continuous positive operating profit from the YPH JV in China despite market headwinds and challenges faced during the quarter related to the COVID-19 pandemic.

Sales of phosphate specialties and dairy proteins amounted to $279 million, approximately 2% lower than the first quarter of 2019. The overall decrease in specialty products sales was driven by lower demand for dairy proteins, as well as the devaluation of the euro against the US dollar.

Sales of phosphate commodities amounted to $223 million, approximately 12% lower than the first quarter of 2019, mostly due to a decline of over 25% in market sales prices of phosphate fertilizers, which more than offset the increase in sales volumes of phosphate fertilizers.

<u>Significant highlights and business environment</u>

– Despite the logistical and operational restrictions that were imposed in certain countries due to the ongoing spread of the COVID-19 pandemic, global phosphate specialties and commodities markets were not significantly disrupted during the quarter. Furthermore, these markets were deemed to be essential in most regions. Despite the pandemic spreading in China, ICL's YPH JV joint venture operated throughout the quarter with no major disruptions. The robust and diversified customer portfolio and wide geographic reach of ICL's phosphate specialties business, as well as strong global demand for food products, prevented a material impact on business performance in the first quarter of 2020. At this stage, ICL does not expect a significant impact on the segment's results in the second quarter, though the full effect of the pandemic on the global economy and ICL's business is uncertain and it is difficult to assess and predict[11].

– Revenues from phosphate salts increased moderately compared to the corresponding quarter last year, mainly driven by higher prices of food-grade phosphates in the Americas. Industrial salts' volumes increased in Europe and in China at stable prices.

– Phosphoric acid revenues increased compared to the first quarter last year. Revenues in Europe were higher than in the first quarter last year due to increased volumes. Revenues in South America increased driven by higher sales volumes throughout the continent, primarily to large strategic customers. The competitive business environment in Europe and in North and South America resulted in lower market prices. The acid market in China was impacted by the COVID-19 pandemic, which resulted in tight supply due to manufacturing and logistics restrictions. The pandemic led to lower demand and lower product availability but also to higher market prices.

[11] The estimates regarding future trends in this Section constitute "forward-looking" information and there is no certainty that they will be realized, at what time and at what rate, and they may change as a result of, among other things, due to spread of the Coronavirus and the consequences thereof as stated in the "Impacts of the Coronavirus" section above.

ICL GROUP LTD. (Cont.)

Phosphate Solutions (Cont.)

Significant highlights and business environment (Cont.)

– The new WPA food-grade plant in China is ramping up and is still in the testing mode. The plant is expected to add 70 thousand tons of food-grade acid production capacity once fully ramped up, and is scheduled to begin producing commercial food-grade acid towards the second half of 2020[12].

– Dairy protein revenues were weaker compared to the first quarter last year, driven by decreased customer demand due to the softening of the infant formula market in China. ICL continues to focus on expanding its global leadership position in the organic cow and goat ingredients market for high end applications.

– As part of ICL's strategy to divest low-synergy businesses and non-core business activities, in April 2020, ICL entered into an agreement with Solina Corporate SAS to sell Hagesüd Interspice Gewürzwerke GmbH's, including related real-estate assets. The closing date of the transaction is expected to take place during the second quarter of 2020. As at March 31, 2020, the net book value of the assets is about $36 million. No material impact on ICL's financial statements is expected from the said transaction[13].

– According to CRU (Fertilizer Week Historical Prices, April 2020), the average price of DAP in the first quarter of 2020 (CFR India Spot) amounted to $302/ton, a decrease of 5% compared to the fourth quarter of 2019 and 25% compared to the first quarter of 2019. In the first quarter of 2020, the average price of TSP (CFR Brazil Spot) amounted to $252/ton, a decrease of 6% compared to the fourth quarter of 2019 and 28% compared to first quarter of 2019. In the first quarter of 2020 the average price of SSP (CPT Brazil inland 18-20% P_2O_5 Spot) amounted to $185/ton, a decrease of 10% compared to the fourth quarter of 2019 and 23% compared to the first quarter of 2019.

– The average price of sulphur in the first quarter of 2020 (bulk FOB Adnoc monthly contract) amounted to $44/ton, a decrease of 5% compared to the fourth quarter of 2019 and 62% compared to the first quarter of 2019.

– For information regarding the challenges faced by ICL Rotem phosphate mining and production operations in Israel – see Note 6B(1) to the interim consolidated financial statements.

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[12] The estimates regarding expansion of the annual manufacturing capacity of food-grade phosphoric acid and the date on which production thereof in commercial quantities will commence in this Section constitute "forward-looking" information and there is no certainty that they will be realized, at what time and at what rate, and they may change as a result of, among other things, operational, logistical and engineering problems, the economic feasibility of marketing the acid, due to volatility in the global markets to which the end-products are targeted, particularly the markets for ICL's products, including, among other things changes in the level of the supply and demand, changes in the prices of the end-products for which the acid is designated, the input prices, and the transport and energy costs and there may be consequences of actions taken by governments, manufacturers and consumers. In addition, they may be impacted by the continued spread of the Coronavirus and the consequences thereof, as stated in the "Impacts of the Coronavirus" section above.

[13] The estimates regarding the closing date of the transaction and the future impact thereof on the ICL's financial statements in this Section constitute "forward-looking" information and there is no certainty that they will be realized, and whether they will be realized on the date stated, they may change due to, among other things, volatility in the target markets in which ICL's products are slated to be sold, in the financial markets, in the world commodities' and labor markets and in the prices and availability of the raw materials, particularly in the target markets for ICL's products, including, among other things, changes in the level of the supply and demand, changes in the financial markets, including the availability of financial resources, changes in the currency exchange rates, the credit situation and the interest costs. In addition, they may be impacted by the continued spread of the Coronavirus and the consequences thereof, as stated in the "Impacts of the Coronavirus" section above.

ICL GROUP LTD. (Cont.)

Phosphate Solutions (Cont.)

Results of operations – Phosphate Solutions

	1–3/2020	1–3/2019	2019
		$ millions	
Total sales	**502**	537	1,980
Sales to external customers	**483**	514	1,901
Sales to internal customers	**19**	23	79
Segment income	**9**	35	100
Depreciation and amortization	**49**	43	177
Capital investments	**61**	143	326

Analysis of results for the period January – March 2020

	$ millions		
	Sales	Expenses	Operating income
Q1 2019 figures	**537**	**(502)**	**35**
Quantity	17	(13)	4
Price	(43)	–	(43)
Exchange rate	(9)	6	(3)
Raw materials	–	26	26
Energy	–	(2)	(2)
Transportation	–	–	–
Operating and other expenses	–	(8)	(8)
Q1 2020 figures	**502**	**(493)**	**9**

Quantity – the positive impact on the segment's operating income was primarily related to an increase in sales volumes of phosphate fertilizers and acids, which was partly offset by a decrease in the quantities sold of phosphate rock and dairy proteins.

Price – the negative impact on the segment's operating income was primarily related to a decrease in the selling prices of phosphate fertilizers and green phosphoric acid.

Exchange rate – the unfavorable impact on the segment's operating income was primarily related to the appreciation of the average exchange rate of the shekel against the dollar, which increased operational costs. Additionally, the devaluation of the average exchange rate of the euro and the Chinese yuan against the dollar decreased the segment's revenue more than it contributed to operational cost-savings. The above trend was partly offset by the devaluation of the average exchange rate of the Brazilian real, which contributed to operational cost-savings.

Raw materials – the positive impact of raw material prices on the segment's operating income was primarily related to lower prices of sulphur consumed during the quarter.

Operating and other expenses – the negative impact on the segment's operating income was primarily due to higher depreciation expenses.

ICL GROUP LTD. (Cont.)

Innovative Ag Solutions

ICL's Innovative Ag Solutions (IAS) segment develops, manufactures, markets and sells specialty fertilizers based primarily on nitrogen, potash and phosphate. The segment produces water soluble specialty fertilizers, liquid fertilizers, soluble fertilizers and controlled-release fertilizers in its plants in Israel, Europe and the United States. The segment markets its products worldwide, mainly in Europe, Asia, North America, Brazil and Israel.

The IAS segment's sales decreased by 3% compared with the corresponding quarter last year, driven by lower sales volumes due to unfavorable weather conditions, decreases in demand in the turf and ornamental markets due to the COVID-19 pandemic, lower sales of third-party products and unfavorable dollar-euro exchange rates. However, operating income increased by 8% to $14 million compared with the corresponding quarter last year, due to lower cost of raw materials and internal cost-efficiency initiatives.

Significant highlights and business environment

– Sales of specialty fertilizers in the first quarter of 2020 were lower than in the corresponding quarter last year, mainly due to unfavorable exchange rates and delay in the start of the season.

– Lower costs of raw materials and the successful implementation of efficiency and cost-reduction initiatives contributed to the increase in operating margin compared to the first quarter of 2019.

– Sales to the specialty agriculture market were lower compared to the corresponding quarter last year due to unfavorable dollar-euro exchange rates and adverse weather conditions, mainly in Spain. This was partly offset by higher sales volumes of straight fertilizers, mainly MKP and PeKacid, together with higher sales to emerging markets, including China (high demand since mid-March) and Turkey. Sales in Israel were stable compared to the corresponding quarter last year.

– Sales to the Turf & Ornamental (T&O) market were lower compared to the corresponding quarter last year, mainly due to impacts of the COVID-19 pandemic in March 2020. Sports grounds and garden centers all over Europe are closed, and we expect, at this stage and given the current environment, that it will continue to impact the T&O market in the near term[14].

– As part of ICL's goal to further enhance its digital capabilities and accelerate its global development roadmap, in February 2020, ICL acquired Growers Holdings, Inc., an innovator in the field of process and data-driven farming for a total consideration of $27 million. Growers has developed a platform that processes and analyzes data that is collected manually or through machine-generated farm data into focused plans that enhance decision-making capabilities for farmers, agronomists and other agro-professionals.

[14] The estimates regarding future trends in this Section constitute "forward-looking" information and there is no certainty that they will be realized, at what time and at what rate, and they may change as a result of, among other things, the continued spread of the Coronavirus and the consequences thereof on the scope of the demand in the Turf & Ornamental (T&O) market, as well as by additional factors as stated in the "Impacts of the Coronavirus" section above.

ICL GROUP LTD. (Cont.)

Innovative Ag Solutions (Cont.)

Results of operations – Innovative Ag Solutions

	1–3/2020	1–3/2019	2019
		$ millions	
Total sales	**199**	**205**	717
Sales to external customers	**196**	**199**	699
Sales to internal customers	**3**	**6**	18
Segment income	**14**	**13**	21
Depreciation and amortization	**5**	**5**	21
Capital investments	**3**	**11**	30

Analysis of results for the period January – March 2020

	$ millions		
	Sales	**Expenses**	**Operating income**
Q1 2019 figures	**205**	**(192)**	**13**
Quantity	(3)	1	(2)
Price	(1)	–	(1)
Exchange rate	(2)	2	–
Raw materials	–	3	3
Energy	–	–	–
Transportation	–	–	–
Operating and other expenses	–	1	1
Q1 2020 figures	**199**	**(185)**	**14**

Quantity – the negative impact on the segment's operating income was primarily related to a decrease in sales volumes of turf & ornamental products.

Price – the minor negative impact on the segment's operating income was primarily related to a decrease in the selling prices of specialty agriculture products.

Exchange rate – the devaluation in the average exchange rate of the euro against the dollar and the appreciation in the average exchange rate of the shekel against the dollar offset each other and thereafter had no impact on the segment's operating income.

Raw materials – the positive impact on the segment's operating income was primarily related to a decrease in the costs of NPK fertilizers.

ICL GROUP LTD. (Cont.)

Set forth below are the highlights of the changes in the cash flows in the first quarter of 2020, compared with the corresponding quarter last year:

Net cash provided by operating activities:

In the first quarter of 2020, the cash flows provided by operating activities decreased by $7 million compared to the corresponding quarter last year. This decrease derives mainly from the strong results in the corresponding quarter last year compared with the current quarter, along with lower collection due to relatively low sales level during the fourth quarter of 2019 and lower cash received from derivative transactions in the current quarter. This decrease was partly offset by lower tax payments.

Net cash used in investing activities:

In the first quarter of 2020, net cash flows used in investing activities increased by $71 million compared to the corresponding quarter last year. This increase derives mainly from an acquisition of Growers Inc. in the amount of $27 million in the current quarter and due to cash proceeds from the sale of property, plant and equipment, in the amount of $35 million, in the corresponding quarter last year.

Net cash used in financing activities:

Net cash provided by financing activities in the first quarter of 2020 amounted to $330 million, compared with $109 million used in financing activities in the corresponding quarter last year. This increase derives mainly from issuance of long-term debt and drawing of funds from our long-term credit facilities in the amount of $282 million and from a decrease in repayments of long-term debt in the amount of $127 million compared with the corresponding quarter last year.

Financial Liabilities

As at March 31, 2020, ICL's net financial liabilities amounted to $2,435 million, an increase of $25 million compared to December 31, 2019.

The total amount of the securitization facility framework is $350 million. As at March 31, 2020, ICL had utilized approximately $281 million of the facility's framework. In addition, ICL has long-term credit facilities of $1,100 million, of which $510 million were utilized as at March 31, 2020.

As at March 31, 2020, ICL retained high levels of cash and cash equivalents in the amount of $434 million compared to $95 million on December 31, 2019. The increase of $339 million reflects ICL's intention to increase liquidity due to the COVID-19 pandemic situation.

On January 2, 2020 ICL completed the issuance of series G unsecured debentures in Israel, in the amount of NIS 380 million (approximately $110 million). The principal of series G debentures shall be payable in thirteen consecutive but unequal annual payments, to be paid on December 30 of each of the years 2022 through 2034. The series G debentures carry an annual coupon of 2.4% paid in semi-annual installments on June 30 and December 30 of each year, commencing June 30, 2020. The series G debentures have been rated "ilAA" by Standard & Poor's Maalot rating agency. The interest rate on the series G debentures will increase by 0.25% above the base interest rate for any rating level decrease starting at a rating of "ilA" and reaching a maximum cumulative interest rate increase of 1% upon reaching a rating of "ilBBB".

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

Subsequent to the date of the report, on May 18, 2020, ICL completed an issuance by means of expansion of the debentures (Series G) solely to Israeli investors, in the amount of about NIS 386 million (about $109 million), in exchange for proceeds of about NIS 373 million (about $105 million). For additional details – see Note 5B(2) to the interim consolidated financial statements.

ICL GROUP LTD. (Cont.)

Critical accounting estimates

In the three-month period ended March 31, 2020 there were no material changes in the critical accounting estimates previously disclosed in ICL's Annual Report on Form 20-F for the year ended December 31, 2019.

Updates regarding directors and members of senior management

Subsequent to the date of the report, on April 23, 2020, the General Meeting of Shareholders approved the following:

(1) Election of Yoav Doppelt, Aviad Kaufman, Avisar Paz, Sagi Kabla, Ovadia Eli, Reem Aminoach, Lior Reitblatt and Tzipi Ozer Armon to serve as directors, effective as of the date of the Meeting, until the next annual general meeting of ICL's shareholders or until any of their earlier resignation or removal;

(2) Reappointment of Somekh Chaikin, a Member Firm of KPMG International, as ICL's independent auditor until the next annual general meeting of ICL's shareholders;

(3) Approval of an amendment to ICL's Memorandum of Association and Articles of Association, to facilitate a change in ICL's formal name to "ICL" or to a similar name. Following the required approvals, subsequent to the date of the report, on May 4, 2020, ICL changed its name to ICL GROUP LTD.; and

(4) Approval of the award of equity-based compensation, consisting of restricted shares, to each director (who is not an officer or director of Israel Corporation Ltd.) serving in such capacity immediately following the Meeting, and to each other such director who may be duly appointed subsequent to the Meeting by ICL's Board of Directors in 2020 (if any). For further information regarding the equity compensation grant – see Note 5B to the interim consolidated financial statements.

<u>Management fees to the controlling shareholder</u>

Further to Item 7B – Related (and Interested) Party Transactions – Management Fees to Controlling Shareholder, in ICL's annual financial statements for 2019, published on March 5, 2020, subsequent to the date of the report, on May 7, 2020, ICL's Audit & Accounting Committee examined the management services that were actually rendered in 2019 against the management fees paid in that year and concluded that the fees were reasonable.

<u>Voluntary compensation reductions</u>

In light of the COVID-19 pandemic's impact on the market and economy, and due to their personal commitment and sense of responsibility for ICL's support efforts towards our employees and the communities in which ICL operates, ICL's senior management members, ICL's members of the Board which are entitled to receive compensation for their services as such (including ICL's external and independent directors), and ICL's controlling shareholder, Israel Corporation Ltd., have approached ICL, requesting to voluntarily reduce their pay for a period of 6 consecutive months, as follows: (1) a 10% reduction in the monthly salary of senior management team, including ICL's President & CEO, for the said period; and (2) a 10% reduction in the annual fixed and per meeting compensation paid to the said Board members (3) a 10% reduction in the annual management fees paid to Israel Corporation pursuant to the management agreement therewith, respectively. Subsequent to the date of the report, on May 7, 2020 and May 11, 2020, ICL's HR & Compensation Committee and Board of Directors, respectively, accepted the said requests.

ICL GROUP LTD. (Cont.)

Risk factors

Except that stated below, in the three-month period ended March 31, 2020, there were no material changes in the risk factors previously disclosed in ICL's financial statements for the year ended December 31, 2019.

The COVID-19 outbreak has impacted and could in the future materially and adversely affect ICL's financial condition and results of operations

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in Wuhan, China, resulting in shutdowns of manufacturing and commerce in the months that followed. In March 2020 the World Health Organization declared COVID-19 a pandemic. The COVID-19 has spread worldwide, including the United States and Europe, and has resulted in government authorities implementing numerous measures to prevent the spread, such as travel bans and restrictions, quarantines, shelter-in-place orders and shutdowns, and has led to systemic slowdown in economic activity and depressed commodity prices (including oil prices).

The spread of the COVID-19 pandemic has caused ICL to modify its business practices (including implementing policies and procedures to protect ICL employees and adopting health and safety measures to allow for social distancing, as well as encouraging ICL's office employees to work remotely), and ICL may take further actions as required by government authorities or that it determines are in the best interests of its employees, customers, partners and suppliers. For example, ICL's potash mining operations in Spain were halted for approximately three weeks and has since been ramping back up; Polysulphate® mining activities in the UK were partially reduced; and some of ICL's external contractors declared a *force majeure* that led ICL to suspend a few of our projects. There is no certainty that such measures will be sufficient to mitigate the risks posed by the pandemic. Furthermore, ICL's ability to perform certain functions might be affected if it is required to take additional steps.

The COVID-19 pandemic had impacted ICL's operations during the quarter but did not have a notable impact on its financial results, as most of ICL's products are contributing to fulfill essential needs of the world's population.

Nevertheless, ICL expects a negative effect on its results during the second quarter of 2020, though the full effect of the pandemic on the global economy and its business is uncertain, and it may be difficult to assess or predict. The extent of the impact of the COVID-19 pandemic on ICL's operational and financial performance will depend on future developments, including, but not limited to:

– The duration, severity and spread of the pandemic and the actions required by government authorities and other health organizations to contain the disease or treat its impact.

– The duration and severity of the sustained global recession, and the uncertainty as to when the global economy will fully recover.

– Significant disruption of global financial markets and credit markets, which may reduce ICL's ability to access capital or its customers' ability to pay it for past or future purchases, which could negatively affect its liquidity.

– The possibility of temporary closures of ICL's facilities or the facilities of our suppliers, customers, their contract manufacturers, and the possibility of certain industries shutting down.

– Lower demand and/or pricing for ICL's products and a potential global economic recession could lead to reduced demand in ICL's end markets, particularly bromine compounds. In addition, the significant decline in crude oil prices and the current oil markets ability to absorb excess supplies and rebalance inventory is likely to result in a decreased demand for ICL's clear brine fluids.

ICL GROUP LTD. (Cont.)

The COVID-19 outbreak has impacted and could in the future materially and adversely affect ICL's financial condition and results of operations (Cont.)

– The ability of ICL's suppliers, contractors and third-party providers to meet their obligations to ICL at previously anticipated costs and timelines without significant disruption.

– Our ability to continue to meet the manufacturing and supply arrangements with our customers at previously anticipated costs and timelines without significant disruption.

– The ability to purchase raw materials that ICL uses to produce its products, due to shortages resulting from supply chain disruptions, quarantines, shelter-in-place orders and production shutdowns.

– The possibility of additional outbreaks of the virus, or any possible recurrence of other similar types of pandemics, or any other widespread public health emergencies.

The global pandemic of COVID-19 continues to rapidly evolve, and ICL will continue to monitor the COVID-19 situation closely. The ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. To the extent that the COVID-19 pandemic negatively impacts ICL's business, results of operations, liquidity or financial condition, it may also have the effect of increasing many of the other risks described in the risk factors in ICL's Annual Report for the fiscal year ended December 31, 2019.

Quantitative and qualitative exposures stemming from market risks

Reference is made to "Item 11 – Quantitative and Qualitative Disclosures about Market Risks" in ICL's Annual Report on Form 20-F for the year ended December 31, 2019.

Legal proceedings

Further to that stated in the Corporation's annual financial statements for 2019 in connection with a request of shareholders of ICL for approval to file a derivative claim against former officers of ICL relating to contentions of damages allegedly caused to certain bridges in Israel due to seeping out of potash from trucks that were on their way to the Eilat seaport, subsequent to the date of the report, on May 21, 2020, the District Court in Tel-Aviv rejected the said request and imposed payment of legal expenses on the plaintiff.

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

ICL GROUP LTD. (Cont.)

Update of the Description of the Company's Business in ICL's Periodic Report for 2019 (hereinafter – "the Periodic Report")

This update relates to the section numbers that appeared in ICL's Periodic Report for 2019 that was attached to the Annual Report of Israel Corporation by means of reference to the Immediate Reports. It is noted that the terms in this Section shall have the meaning intended for them in the Annual Report, unless expressly stated otherwise.

Section 3D to the Periodic Report – Risk Factors

For additional details regarding the risk factor "Outbreak of the Coronavirus that Impacted and that could Significantly and Unfavorably Impact ICL's Financial Position and Results of Operations in the Future" – see the "Risk Factors" Section above.

Section 4B to the Periodic Report – Business Strategy

For additional details regarding ICL's undertaking with a third party relating to sale of low-synergy businesses and activities that are not part of the core business – see Note 6B to the interim consolidated financial statements.

For additional details regarding the challenges facing Rotem's factory in Israel – see Note 6B to the interim consolidated financial statements.

Section 4B to the Periodic Report – Business Review

For additional details regarding signing of an agreement for supply of potash to ICL customers in China – see the ICL "Potash" Section "Significant Highlights and Business Environment" above.

For additional details regarding progress with respect to the new factory for production of food-grade phosphoric acid in ICL's joint venture in China – see the Report of the Board of Directors, ICL "Phosphate" Section "Significant Highlights and Business Environment" above.

Section 4D to the Periodic Report – Property, Plant and Equipment

For additional details regarding progress with respect to the "salt harvesting" project, construction of the pumping station (P-9) and the "ramp project" in Spain – see the ICL "Potash" Section "Significant Highlights and Business Environment" above.

For additional details regarding an agreement with the State of Israel regarding the manner of approval of capital investments in Dead Sea Works as part of the conditions of the concession – see Note 6B to the interim consolidated financial statements.

For additional details regarding the water pumping arrangement at Dead Sea Works by means of the production (extraction) license – see Note 6B to the interim consolidated financial statements.

Section 5A to the Periodic Report – Results of Operations

For an expansive description in connection with the impact of the Coronavirus – see the "Impacts of the Coronavirus" section above along with additional disclosures in the "Description of the Business Environment" of ICL's various segments in the ICL Section above.

ICL GROUP LTD. (Cont.)

Update of the Description of the Company's Business in ICL's Periodic Report for 2019 (hereinafter – "the Periodic Report") (Cont.)

Section 6A to the Periodic Report – Directors, Senior Management and Employees

For additional details regarding change of the name of ICL to "ICL Group Ltd." – see ICL Section "Updates regarding Directors and Senior Management Members" in the ICL Section above.

Section 8 to the Periodic Report – Legal Proceedings

For additional details regarding a request for approval of a class action claim in respect of alleged exploitation by ICL and two of its subsidiaries of their monopoly status – see Note 6B to the interim consolidated financial statements.

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

For additional details regarding the agreement with Energean for supply of natural gas and its notification of potential delays with respect to supply of the gas due to the impact of the Coronavirus on its production activities – see Note 6B to the interim consolidated financial statements.

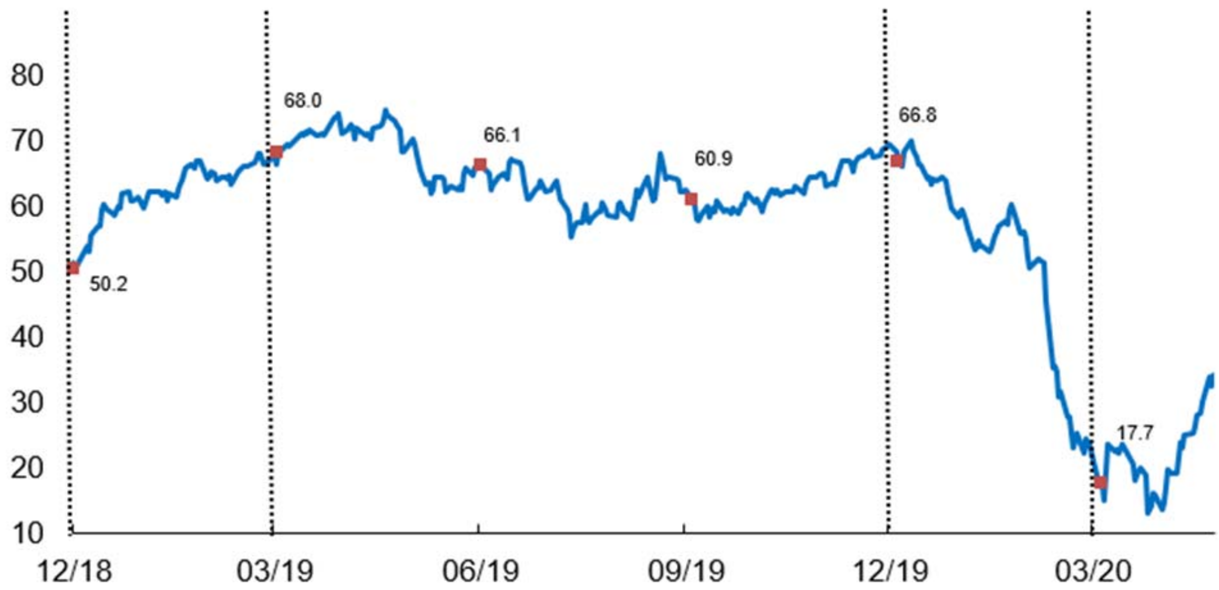
For additional details regarding rejection by the District Court of a request of the shareholders to approve filing of a derivative claim against former officers of ICL in connection with contentions of the alleged causing of damage to certain bridges in Israel due to seeping out of potash from trucks that were on their way to the Eilat seaport – see Legal Proceedings above.

BAZAN LTD. (Associated Company)

For details regarding the impact of the Coronavirus on Bazan – see also "Various Events during the Period of the Report and Thereafter" above.

The Fuels segment

Crude oil price – Brent[1] crude oil prices in 2019–2020 (U.S.$ per barrel)



Source: Reuters
Dated Brent[1]
Average price of Brent crude oil (dollar per barrel)

	1–3/2020	1–3/2019	Change
Average price of Brent crude oil	**50.1**	63.1	(21%)

– In the period of the report, the Brent price fell sharply from $67 to $18 per barrel.

– The main reasons for the drop in the Brent price are the sharp drop in demand for crude oil due to the outbreak of the COVID-19 coronavirus pandemic and the corresponding sharp increase in crude oil supply due to the record production rates resulting from the oil war that broke out between Saudi Arabia and Russia in the wake of disputes regarding significant cuts by OPEC+ to balance the global supply of oil in view of the COVID-19 pandemic.

– Subsequent to the date of the report, the Brent price rose in anticipation of the signing of an agreement between the large oil producers, Russia and Saudi Arabia, and the OPEC+ regarding oil production cuts. After signing of the agreement, which was in proportion to the decline in demand, due to the continuing spread of COVID-19 the Brent price continued to fall. Close to date of publication of the report, the Brent price rallied in view of certain recovery in demand for oil due to the easing of the COVID-19 travel restrictions worldwide and was set at about $34 per barrel.

– In the period of the report, the crude oil futures market curve was in contango at average of about $0.2 per barrel per month compared to the flat market curve in the corresponding period last year.

– Subsequent to the date of the report, the futures market curve continued to be contango with a sharp downward curve, reaching a record low of about $4 per barrel, mainly due to the sharp fall in demand and shortage of crude oil storage space, to an average of about $2.0 per barrel. Close to Reporting Date, the futures market curve flattened somewhat and was set at about $0.3 per barrel.

BAZAN LTD. (Associated Company) (Cont.)

Refining margins

Average benchmark margins (U.S.$ per barrel)

	1–3/2020	1–3/2019	Change
Reuters Ural margin	**1.9**	3.6	(1.7)
Bloomberg Average Ural margin	**3.1**	4.5	(1.4)
Bloomberg Average Azeri margin	**3.6**		

– In the period of the report, the average Ural margins (Reuters and Bloomberg average) were volatile and decreased sharply compared to the average in the corresponding period last year. The decrease is mainly due to weakening demand for distillates, mainly diesel fuel and jet fuel, because of the relatively warm winter in Europe and in North America, and the sharp fall in consumption towards the end of the quarter due to the breakout of the COVID-19 pandemic.

– Towards the end of the quarter, the decline in the Ural margins was mainly due to the weakening of the Ural compared to Brent and the recovery of the diesel fuel and sulfur-rich fuel oil margins and due to a relative drop in the Dated Brent price.

– In the period of the report, the Bloomberg Average Azeri margin weakened somewhat mainly due to the weakening of the low sulfur fuel oil margin because of the decline in demand following the COVID-19 coronavirus outbreak, and in spite of the drop in the price of Ural crude compared with Brent.

– Subsequent to the date of the report and up to the approval date of the report, the Reuters and Average Bloomberg Ural margins were an average price of about $2.1 and minus about $2.0 per barrel, respectively. The Bloomberg Average Azeri margin amounted to an average of about $0.7 per barrel.

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

	1–3/2020	1–3/2019	Change
Diesel [(1)]	**13.5**	17.0	(3.5)
Gasoline [(2)]	**7.0**	4.0	3.0
3.5% fuel oil [(3)]	**(12.3)**	(2.7)	(9.6)
0.5% fuel oil	**15.1**	–	–

(1) The decrease is mainly due to weakening demand because of the relatively warm winter in Europe and in North America and a sharp decline in consumption towards the end of the quarter due to the spread of the Coronavirus.

(2) The increase is mainly due to a significant weakening in the corresponding quarter last year. Towards the end of the quarter there was a decrease in the margin due to a fall in demand as a result of a decrease in consumption owing to the spread of the Coronavirus.

(3) The sharp decline is due to entry of IMO 2020 into effect.

BAZAN LTD. (Associated Company) (Cont.)

Refining margins (Cont.)

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

	1–3/2020	10–12/2019	7–9/2019	4–6/2019	1–3/2019
Transportation fuels (2)	**1,700**	1,885	2,106	1,969	1,872
Other distillates (1)	**727**	566	628	645	708
Total	**2,427**	2,541	2,734	2,614	2,580

Source: Ministry of National Infrastructures

(1) Domestic consumption of distillates (transportation, industrial and heating fuels) fell by 6% compared to the corresponding period last year, mainly due to the spread of the Coronavirus.

(2) Consumption of transportation fuels (gasoline, diesel and kerosene) dropped by 9% in the period of the report compared to the corresponding period last year, mainly due to the spread of the Coronavirus.

Refining volume

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

	1–3/2020	1–3/2019	Change
Utilization of crude oil refining plants	**91%**	95%	(4%)
Refining volume of heavy crude oil	**2,244**	2,299	(55)
Volume of heavy vacuum diesel processed	**190**	281	(91)
Total	**2,434**	2,580	(146)

The decrease in utilization of the refining facilities in the period of the report, compared with the corresponding period last year was mainly a result of adjustment of production due to the drop in demand for distillates towards the end of the quarter, in view of the COVID-19 pandemic crisis.

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

	1–3/2020	% of total	1–3/2019	% of total
Diesel	**967**	**41%**	1,042	42%
Gasoline	**337**	**14%**	333	13%
Kerosene	**163**	**7%**	158	6%
Crude oil 0.5%	**389**	**16%**	–	–
Crude oil 3.5%	**21**	**1%**	465	18%
Petrochemical products (1)	**347**	**14%**	360	14%
Other (2)	**163**	**7%**	177	7%
Total	**2,387**	**100%**	2,535	100%

(1) Primarily includes: raw materials for production of polymers and aromatics.
(2) Primarily includes: LPG and bitumen.

BAZAN LTD. (Associated Company) (Cont.)

Polymers Segment – Carmel Olefins

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

	1–3/2020	**1–3/2019**	**Change**
Naphtha	**411**	517	(21%)
Polypropylene	**1,045**	1,288	(19%)
Polyethylene	**989**	1,115	(11%)

– The price of naphtha fell sharply in the period of the report compared with the corresponding period last year, parallel to the decrease in crude oil prices.

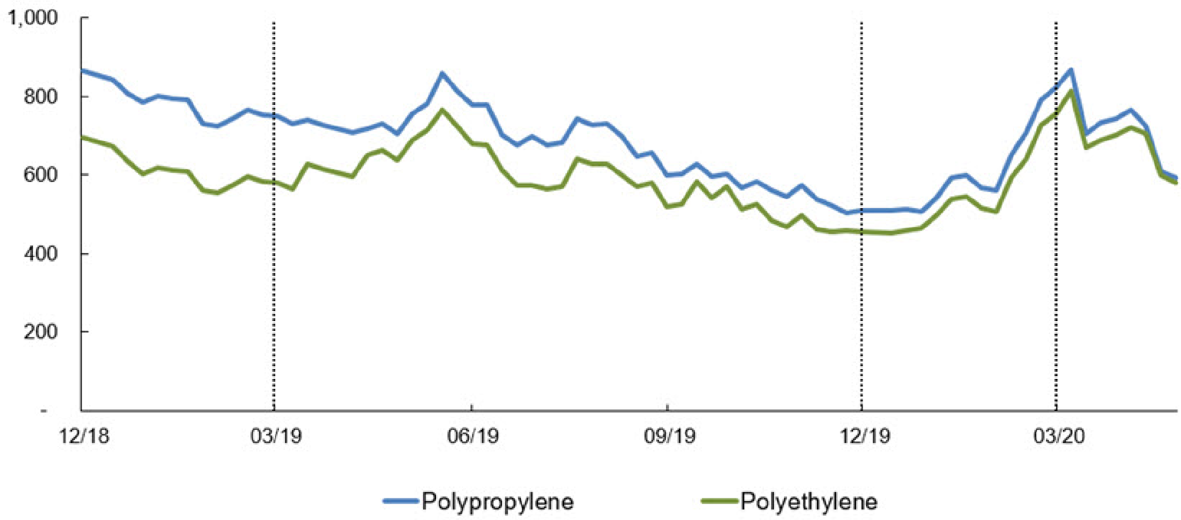
– The prices of the polymer products (polypropylene and polyethylene) decreased in the period of the report compared with the corresponding period last year, mainly due to the drop in raw material and energy prices.

BAZAN LTD. (Associated Company) (Cont.)

Polymers Segment – Carmel Olefins (Cont.)

Margins

Difference between Polymers and Naphtha prices in 2019–2020 (U.S.$ per ton)



Source: ICIS

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

	1–3/2020	1–3/2019	Change
Polypropylene	**634**	771	(137)
Polyethylene	**578**	598	(20)

– In the period of the report, there was a decrease in the difference between the average price of polypropylene and the average price of naphtha compared with the corresponding period last year that derived mainly from surplus supply due to the establishment of new production facilities, mainly in the East and an increase in the import of polypropylene into Europe.

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

– Towards the end of the quarter, the differences between the average prices of polypropylene and polyethylene compared with the average price of naphtha rose sharply, mainly due to the decline in the price of naphtha, which was affected by the decrease in the Brent price, and the decrease in global supply of polymers due to postponement of new facilities becoming operational, the closure of facilities and reduction in production rates.

Polymers Production Volume (thousands of tons)

	1–3/2020	1–3/2019	Change
Polymers	**135**	139	(4)

BAZAN LTD. (Associated Company) (Cont.)

Results of operations

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

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

	1–3/2020	**1–3/2019**	**Change**
Sales	**1,416**	1,574	(10%)
Reported EBITDA (1)	**(108)**	148	(173%)
Depreciation expenses	**(49)**	(42)	17%
Other expenses, net (2)	**(6)**	(4)	50%
Operating income (loss)	**(163)**	102	(260%)
Financing expenses, net	**(8)**	(29)	(72%)
Taxes on income	**25**	(10)	(350%)
Net income (loss)	**(146)**	63	(332%)
Fuel segment adjustments*	**108**	5	
Adjusted EBITDA	**–**	153	(100%)
Adjusted operating income (loss)	**(55)**	107	(151%)
Net adjusted income (loss)	**(38)**	68	(156%)

* See below for details regarding the components of the adjustments in the fuel segment.
(1) For details regarding a provision for impairment in value of inventory – see Note 5C(5) to the interim consolidated financial statements.
(2) Includes amortization of excess cost.

Refining margin (US dollar per barrel)

	1–3/2020	**10–12/2019**	**7–9/2019**	**4–6/2019**	**1–3/2019**
Bazan's adjusted refining margin	***0.5**	**4.8	6.3	3.8	7.7
Bloomberg Average Ural refining margin	**3.1**	1.2	4.6	3.4	4.5
Reuters Ural refining margin	**1.9**	(1.8)	3.3	1.7	3.6
Arzei Ural refining margin	**3.6**	4.1			

Source: Ministry of National Infrastructures

* For details regarding Bazan's adjustment components in the fuels' sector in the period of the report – see below.
** Bazan's adjusted proforma refining margin – $5.1 per barrel.

BAZAN LTD. (Associated Company) (Cont.)

Results of operations for the period January – March 2020

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

Turnover of sales to external customers, by operating segment:

	Revenues (US$ millions)				Average price of product mix (US$ per ton)	
	1–3/2020	**1–3/2019**	**Change**	**Change**	**1–3/2020**	**1–3/2019**
Fuels (1)	**1,116**	1,201	79%	76%	**501**	527
Carmel Olefins (2)	**152**	189	11%	12%	**1,084**	1,237
Ducor	**50**	59	3%	4%	**1,169**	1,367
Gadiv (3)	**80**	112	6%	7%	**687**	744
Adjustments and others	**18**	13	1%	1%		
Total consolidated income	**1,416**	1,574	100%	100%		

(1) Mainly due to a decrease in the price of distillates parallel to the decrease in the price of crude oil.
(2) Mainly due to a decrease in polymer prices parallel to the decrease in the price of crude oil.
(3) The decrease in sales volume is mainly due to the completion of planned maintenance work that began in the fourth quarter of 2019.

BAZAN LTD. (Associated Company) (Cont.)

Results of operations for the period January – March 2020 (Cont.)

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

	January–March	
	2020	2019
	$ millions	
Reported EBITDA in the fuels' sector	**(150)**	88
Impacts of timing differences (1)	**83**	(5)
Impacts of adjustment of value of inventory to market value, net	**16**	10
Impacts of changes in fair value of derivatives and realizations	**9**	–
Total adjustments in the fuels' segment (2)	**108**	5
Adjusted EBITDA	**(42)**	93
Bazan's refining margin – adjusted margin (US$ per barrel)	**0.5**	7.7
Benchmark margins:		
Reuters Ural margin (US$ per barrel)	**1.9**	3.6
Bloomberg Average Ural (US$ per barrel)	**3.1**	4.5
Bloomberg Average Azeri (US$ per barrel)	**3.6**	

(1) As at the date of the report, the volume of inventory that is not hedged with contracts is about 480 thousand tons.
(2) As defined in the Report of the Company's Board of Directors' for 2019.

Due to the spread of the COVID-19 pandemic during the period of the report and its significant impact on the economic activity around the world and in Israel in general, and in the refining industry in particular, as described in the "Outbreak of the Coronavirus" section above, in the first quarter of 2020 the markets experienced extreme volatility and extraordinary changes that were caused by, among other things, the following: (a) a sharp fall in the DTD Brent price of about $50 per barrel; (b) extreme difference between the DTD Brent price (the price on which the actual trading is based) and the first line ICE Brent price as traded on the stock exchange at minus $5 per barrel at March 31, 2020, compared with a multi-annual average difference that was less than minus $1 per barrel, due to the significant global surplus in oil supply and shortage of storage facilities created as a result; and (c) extreme volatility of the distillate margins (the difference between the prices of various distillates such as diesel fuel, gasoline, etc. over the DTD Brent) mainly due to the decline in demand and drop in the DTT Brent price. For its reported adjusted EBITDA, Bazan routinely adjusts the following: (a) the effects of changes in crude oil prices on the value of unhedged inventory; (b) timing differences arising from discrepancies between the method of measuring hedged inventory and how the hedging (futures) transactions are measured; and (c) changes in the fair value of other derivatives that do not relate to the hedged inventory (such as hedging of refining margin) ("the Adjustment Components"). For further information, see the "Bazan" section in the Corporation's Report of the Board of Directors for 2019. The purpose of presenting the adjusted EBITDA is to provide the reader of the report: proximate information regarding the cash-based profit of the Fuels' segment; the ability to make a better analysis compared with various benchmarks (such as: Reuters Ural, Bloomberg Average Ural and Bloomberg Average Azeri), which are calculated on the assumption that there are no inventory balances and accordingly no hedging transactions for it (i.e., purchase of crude oil and immediate sale of distillates); and the ability to gain a better understanding of the business performance over time "Economic Basis Presentation").

BAZAN LTD. (Associated Company) (Cont.)

Results of operations for the period January – March 2020 (Cont.)

For this purpose, the adjustment model is applied using a consistent method based on simplified, objective and consistent assumptions and, therefore, for the most part, provides a good economic basis approximation for the results of the Fuels' segment. As a result of the volatility and extreme forces of the market changes in the first quarter as described above, and due to the assumptions of the foregoing adjustment model, the adjustment model in this quarter does not provide a good economic basis approximation for presenting the results of the Fuels' segment (adjusted refining margin and adjusted EBITDA). The data presented in the foregoing table is the outcome of consistent application of the adjustment model for previous periods. Bazan estimates that under the extraordinary circumstances of the first quarter, as described above, the application of individual assumptions for the key components (instead of consistent application of the simplified assumptions as described above) would have provided results closer to the economic basis presentation of the results of the Fuels' segment, as follows: Bazan's adjusted refining margin would have been about $2 per barrel and, accordingly, the consolidated adjusted EBITDA would have amounted to about $27 million. It is noted that Bazan's cash flows from current operating activities (net of a change in the discounts and interest-bearing trade payables) for the quarter amounted to about $75 million.

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

Net income for the period 1–3/2019	63
Decrease in adjusted EBITDA	(153)
Change in adjustments	(103)
Increase in depreciation expenses	(7)
Decrease in financing expenses, net	21
Decrease in tax expenses	35
Other	(2)
Net loss for the period 1–3/2020	**(146)**

Additional information

An opinion ordered by Bazan's management was attached to Bazan's financial statements as at March 31, 2020, the purpose of which was to estimate the recoverable amount of the assets of the Group's Fuels' segment (hereinafter – "the Valuation"), in accordance with the provisions of IAS 36. The results of the Valuation did not give rise to a change in the value of the assets of the Fuels' segment. For details – see Note 5C(8) to the interim consolidated financial statements.

UPDATE REGARDING DESCRIPTION OF THE CORPORATION'S BUSINESS

Set forth below are significant updates and/or changes in the Corporation's business that occurred from the signing date of the of the Corporation's Periodic Report for 2019 on March 26, 2020 and up to the publication date of this report[15]:

To Section 7 of Paragraph A of the Periodic Report – Description of the Corporation's Business based on Activity Segments – ICL Group Ltd. ("ICL") (formerly: Israel Chemicals Ltd. ("ICL"))

A. Regarding the notification of ICL that the Appeals Court in Antwerp rejected that appeal of the Belgium Tax Authority – see the Corporation's Immediate Report dated March 31, 2020 (Ref. No. 2020-01-033339).

B. Regarding the notification of change in the name of ICL to ICL Group Ltd., change of the Corporate Memorandum and change of the Articles of Association – see the Corporation's Immediate Reports dated May 10, 2020 (Ref. Nos. 2020-01-045633, 2020-01-045636 and 2020-01-045642, as applicable).

C. Regarding the notification of ICL regarding contracts for sale of potash to customers in China – see the Corporation's Immediate Report dated May 10, 2020 (Ref. No. 2020-01-045651).

D. For the financial statements of ICL as at March 31, 2020 and a slide presentation published by ICL further thereto – see the Corporation's Immediate Reports dated May 10, 2020 and May 12, 2020 (Ref. Nos. 2020-01-045645, 2020-01-046701 and 2020-01-046716, as applicable). In addition, on May 19, 2020, the Corporation published the financial statements and Report of the Board of Directors of ICL as at March 31, 2020 in Hebrew. See the Corporation's Immediate Reports dated May 19, 2020 (Ref. Nos. 2020-01-049938 and 2020-01-049947, respectively).

[15] 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 2019 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 2019, which was published on March 26, 2020 (Ref. No. 2020-01-030654) (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 7 of Paragraph A of the Periodic Report – Description of the Corporation's Business based on Activity Segments – ICL Group Ltd. ("ICL") (formerly: Israel Chemicals Ltd. ("ICL")) (Cont.)

E. Subsequent to the date of the report, on May 13, 2020, ICL reported that it is examining the possibility of issuing debentures solely to the public in Israel, by means of expansion of ICL's debentures (Series G) – for details see ICL's Immediate Report dated May 13, 2020 (Ref. No. 2020-02-047226). Further to that stated, subsequent to the date of the report, on May 13, 2020 ICL reported with respect to granting of a rating of "ilAA" for issuance of debentures in the amount of NIS 250 million par value by S&P Maalot Global Ratings Ltd. For details – see the Immediate Report of the rating company dated May 13, 2020 (Ref. No. 2020-15-042688). Subsequent to the date of the report, on May 14, 2020 ICL reported with respect to the results of a tender to classified investors in connection with issuance of debentures whereby advance commitments were received for acquisition of NIS 386,370 thousand par value in an aggregate monetary scope (gross) of about NIS 375 million. In light of the scope of the demand received, as stated, ICL requested from S&P Maalot Global Ratings Ltd. to update the scope of the rating it granted to a rating of "ilAA/Stable" for debentures in an amount of up to NIS 390 million par value – see ICL's Immediate Report dated May 14, 2020 (Ref. No. 2020-02-043018) – and accordingly on May 14, 2020 ICL reported with respect to granting of a rating of "ilAA" for an issuance of debentures in an amount of up to NIS 390 million par value by S&P Maalot Global Ratings Ltd. For details – see the Immediate Report of the rating company dated May 14, 2020 (Ref. No. 2020-15-047853). Subsequent to the date of the report, on May 14, 2020, ICL published a Shelf Offer Report with respect to expansion of the debentures (Series G). For details – see ICL's Immediate Report dated May 14, 2020 (Ref. No. 2020-02-043276). Further to that stated, subsequent to the date of the report, on May 18, 2020, ICL reported regarding the results of the offer to the public to expand the debentures (Series G) pursuant to the Shelf Offer Report, as stated, whereby commitments were received in a monetary scope of about NIS 372.8 million, bearing fixed interest at the annual rate of 2.4%. For details – see ICL's Immediate Report dated May 18, 2020 (Ref. No. 2020-02-043912).

F. Regarding the notification of ICL with respect to an agreement for sale of potash to a customer in India for 2020 – see the Corporation's Immediate Report dated May 18, 2020 (Ref. No. 2020-01-043536).

G. Regarding the notification of ICL with respect to rejection of the request for a derivative claim against former officers of ICL regarding the matter of the Public Works Department (the National Roads Company of Israel) – see the Corporation's Immediate Report dated May 24, 2020 (Ref. No. 2020-01-051486).

For additional details regarding ICL's business developments – see the Report of the Board of Directors of the Corporation as at March 31, 2020.

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

For additional details regarding Bazan's business developments – see the Report of the Board of Directors of the Corporation as at March 31, 2020.

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 – Human Resources

A. Subsequent to the date of the report, on May 14, 2020, the General Meeting of the Corporation's shareholders approved the appointment of Dr. Yehoshua Rosenzweig as an external director of the Corporation for an additional period of service of three years, commencing from the conclusion date of this present service, who will be entitled to service conditions as stated in the Report Summoning the General Meeting. For details – see the Corporation's Immediate Reports regarding summoning of the General Meeting, dated March 26, 2020, April 5, 2020 and April 23, 2020 (Ref. Nos. 2020-01-030693, 2020-01-035742 and 2020-01-041022, respectively), the report on postponement of the date of the General Meeting, dated May 7, 2020 (Ref. No. 2020-01-045159), and the Corporation's report, dated May 14, 2020, regarding the result of the General Meeting (Ref. No. 2020-01-048084).

B. For a report regarding appointment of Dr. Yehoshua Rosenzweig for an additional period of service as an external director of the Corporation – see the Corporation's Immediate Report dated May 17, 2020 (Ref. No. 2020-01-048495).

C. In light of the impacts of the Coronavirus (COVID-19) on the financial markets and the economic situation in Israel and worldwide, and as support for and identification with the efforts to cope with the impacts of the virus, the Corporation's officers, including all the directors and the external directors, requested to relinquish (forego) part of the remuneration to which they are entitled in respect of the period from May up to the end of 2020, as follows: (1) a reduction at the rate of 10% from the present monthly salary of the CEO and the Deputy CEOs serving in the Corporation; and (2) a reduction of 10% from the annual remuneration and the participation remuneration (for regular meetings that are convened) that is paid to the directors (including external directors and independent directors). The Audit Committee and the Remuneration Committee and the Corporation's Board of Directors approved, subsequent to the date of the report, in May 2020, the said relinquishment requests. It is clarified that the remuneration that will be paid to the directors in the relinquishment period, as stated, exceeds the minimum remuneration in accordance with the Corporation's rank pursuant to the Companies Regulations (Rules regarding Remuneration and Expenses of an External Director), 2000. It is further clarified that the temporary and voluntary reduction in the remuneration at the request of the officers does not change the conditions of their service in the Corporation (including their entitlement to remuneration components and social benefits in accordance with the terms of their service that will apply without reference to the above-mentioned relinquishment).

To Section 11 of Paragraph A of the Periodic Report – Description of the Corporation's Business – Financing

A. Regarding the Corporation's report with respect to revisions to the Corporation's financing agreements with banks – see the Corporation's Immediate Report dated April 2, 2020 (Ref. No. 2020-01-035112).

B. For details regarding a private issuance to classified investors of the debentures (Series 14) of the Corporation – see the Corporation's Immediate Report dated April 7, 2020 (Ref. No. 2020-01-036726) and the supplemental report thereto dated April 12, 2020 (Ref. No. 2020-01-037680).

C. In connection with the Corporation's notification regarding granting of a rating of "ilA" for issuance of debentures (Series 14) in an amount of up to NIS 350 million par value to classified investors, as stated above, by S&P Global Ratings Maalot Ltd. – see the Corporation's Immediate Report dated April 7, 2020 (Ref. No. 2020-01-045162).

D. For details regarding a report of the trustee for the debentures (Series 10, 11, 12, 13 and 14) of the Corporation – see the Corporation's Immediate Report dated May 7, 2020 (Ref. No. 2020-01-045162).

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

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

A. For a report regarding changes in the holdings of interested parties in the Corporation and in the Corporation's investee companies – see the Corporation's Immediate Reports dated April 2, 2020, May 19, 2020, May 20, 2020 and May 21, 2020 (Ref. Nos. 2020-01-035124, 2020-01-050028, 2020-01-050541 and 2020-01-051048, respectively).

B. For a report regarding the holdings of interested parties and senior officers in the Corporation – see the Corporation's Immediate Report dated April 7, 2020 (Ref. No. 2020-01-036879) and the supplemental report thereto dated April 23, 2020 (Ref. No. 2020-01-041061).

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

A. For details regarding a private issuance to classified investors of the debentures (Series 14) of the Corporation – see the update to Section 11 of Part A of the Periodic Report above (Financing).

B. For details regarding changes in the Corporation's capital, including after the issuance to classified investors of the debentures (Series 14) of the Corporation and changes in the list (record) of the Corporation's shareholders subsequent to the publication date of the Periodic Report – see the Corporation's Immediate Reports dated April 12, 2020, April 13, 2020, May 17, 2020 and May 24, 2020 (Ref. Nos. 2020-01-037866, 2020-01-038145, 2020-01-048651 and 2020-01-051585 as respectively).

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

For details regarding Dr. Yehoshua Rosenzweig, who was appointed for an additional period of service as an external director of the Corporation – see the Corporation's Immediate Report dated May 17, 2020 (Ref. No. 2020-01-048495).

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

For a report with respect to the Corporation's senior officers – see the Corporation's Immediate Report dated May 17, 2020 (Ref. No. 2020-01-048504).

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

Regarding the decision of the General Meeting of the Corporation's shareholders held on May 14, 2020 with respect to appointment of Dr. Yehoshua Rosenzweig as an external director of the Corporation for an additional period of service of three years – see the update to Section 9 of Part A of the Periodic Report above (Human Resources).

For additional details regarding the Corporation's business developments – see the Report of the Board of Directors of the Corporation as at March 31, 2020.

Appendix A – Data with respect to a Significant Valuation in accordance with Regulation 8 of the Securities Regulations (Periodic and Immediate Reports), 1970

Details of the valuation

Subject matter of the valuation	Determination of the recoverable amount of the investment in Bazan in accordance with IAS 28
Date of the valuation	Effective date of the valuation – March 31, 2020 Date of the undertaking – April 2020 Signing date of the valuation – May 26, 2020
Carrying value in the books attributable to the investment in Bazan in accordance with IAS 28	About $512 million
Recoverable amount as determined in the valuation	About $585 million
	The recoverable amount exceeds the book value of the investment in Bazan and therefore no impairment loss was recognized.
Details of the appraiser	– The valuation was performed by Mr. Yaron Har-Zvi, CPA, Senior Partner, Manager of the Economics Department, and Prof. Hadas Gelander, CPA, Partner, Manager of Valuations and Economic Models Department – on behalf of Ernst & Young (Israel) Ltd. The valuation was signed by Mr. Yaron Har-Zvi (hereinafter – “the Appraiser”). – The Appraiser holds a Bachelor’s degree in Business Administration and Accounting from the Academic Track of the Management College, Rishon Lezion and a Master’s degree in Philosophy from Tel-Aviv University. The Appraiser is also a Certified Public Accountant (Israel). – As part of his position, the Appraiser accompanies clients in and outside of Israel in the areas of due diligence examinations valuations and business models, strategic consulting and mergers and acquisitions. – Prof. Hadas Gelander holds a Bachelor’s degree in Accounting from the Academic Track of the Management College, Rishon Lezion, a Master’s degree in Business Administration from Hebrew University in Jerusalem and a Doctorate (with honors) from Ben-Gurion University in Beer Sheva. Prof. Gelander is also a Certified Public Accountant (Israel). – As part of her position, Prof. Gelander accompanies projects with leading companies in and outside of Israel, in a wide range of activity sectors, such as: technology, finance, pharmaceuticals, energy, infrastructures, real estate and industry. In addition, in the course of performance of her functions Prof. Gelander accompanies and advises companies in the areas of valuations for business purposes (valuations and fairness opinions) and with respect to accounting requirements (allocation of acquisition costs, valuation of intangible assets, valuation of employee options, etc.) and provides economic opinions as an expert witness on behalf of the court. – There is no dependence between the Corporation and the Appraiser and there were no conditions regarding the fee for performance of the valuation.

Appendix A – Data with respect to a Significant Valuation in accordance with Regulation 8 of the Securities Regulations (Periodic and Immediate Reports), 1970 (Cont.)

Details of the valuation (Cont.)

Details of the appraiser (Cont.)	– The Appraiser was granted an indemnity commitment in the following language: "To the maximum extent permissible pursuant to law or relevant professional rules, you [the Corporation] shall indemnify us, the other firms of E&Y and E&Y personnel in respect of every claim of a third party (including third parties that control you and your subsidiaries and/or associated companies), in connection with claims deriving from this agreement or that relate in another way with the services, fee, attorneys, debts, losses, damages, costs and expenses (including reasonable internal and external legal costs) that will derive from such a claim". It was agreed: "Your [the Corporation's] commitment to indemnify us and/or E&Y firms and/or the shareholders and/or directors and/or partners and/or employees, as detailed in Section 21 to the Appendix of the General Terms attached to this agreement [quoted above], shall apply only in connection with indemnification in an amount in excess of 3 times the fee actually paid to us by you, except in a case of an intentional error or deception by us", and on conditions that are not material to this report.
Valuation model used by the appraiser	The recoverable amount was determined according to the "value in use" using the Discounted Cash Flows (DCF) method after eliminating financial liabilities and surplus liabilities, net, not attributable to Bazan's activities.
Main assumptions according to which the valuation was performed	The key assumptions according to which the valuation was performed: – A market study by the IHS consulting company with respect to the fuel industry and the prices of crude oil, intermediate materials, refined products and petrochemical products. – A forecast of investments in property, plant and equipment in Bazan. – Discounting rate after tax at 9%. – A long-term growth rate of 0.
Sensitivity analysis	An increase in the discount rate of 0.5% would be reflected in a decrease in value in use of the investment account in Bazan in the amount of about $56 million.

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 Notes 6C(1)–(2) 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**	**Yoav Doppelt** **CEO**

May 26, 2020

Israel Corporation Ltd.

Condensed Consolidated Interim Financial Statements

As at March 31, 2020

(Unaudited)

In Millions of U.S. Dollars

Israel Corporation Ltd.
Condensed Consolidated Interim Financial Statements
At March 31, 2020
Unaudited

Contents

Somekh Chaikin
KPMG Millennium Tower
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Review Report of the Independent Auditors to the Shareholders of Israel Corporation Ltd.

Introduction

We have reviewed the accompanying financial information of Israel Corporation Ltd. and its subsidiaries comprising of the condensed consolidated interim statement of financial position as of March 31, 2020 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "*Interim Financial Reporting*", and are also responsible for preparation of financial information for this interim period in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements (Israel) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34.

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

Emphasis of matter paragraph (drawing of attention)

Without qualifying our above-mentioned conclusion, we direct attention to that stated in Note 6C(1)-(2). regarding certain legal proceedings and other contingencies against ORL and its subsidiaries, which in the estimation of the managements of the defendant companies, based on the opinion of their legal advisors, it is not possible to predict at this point the impact thereof on the financial statements, if any, and accordingly, no provision in respect thereof has been included in the financial statements.

Somekh Chaikin
Certified Public Accountants (Isr.)

May 26, 2020

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Financial Position

	At March 31		At December 31
	2020	**2019**	**2019**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Assets			
Cash and cash equivalents	**681**	135	274
Short-term investments and deposits	**352**	333	507
Trade receivables	**939**	1,071	778
Inventories	**1,256**	1,254	1,312
Other receivables and debit balances, including derivative instruments	**421**	284	415
Total current assets	**3,649**	3,077	3,286
Non-Current Assets			
Investments in associated companies accounted for using the equity method of accounting	**549**	623	612
Investments measured at fair value through other comprehensive income	**100**	201	111
Derivative instruments	**27**	50	89
Deferred tax assets	**102**	83	109
Other non-current assets	**199**	370	203
Property, plant and equipment	**5,359**	5,009	5,376
Intangible assets	**849**	863	848
Total non-current assets	**7,185**	7,199	7,348
Total assets	**10,834**	10,276	10,634

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Financial Position

	At March 31		At December 31
	2020	**2019**	**2019**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Liabilities			
Credit from banks and others	**842**	929	806
Trade payables	**757**	616	712
Provisions	**43**	36	42
Other current liabilities, including derivative instruments	**659**	666	609
Total current liabilities	**2,301**	2,247	2,169
Non-Current Liabilities			
Debentures and long-term loans	**3,618**	3,146	3,400
Derivative instruments and other non-current liabilities	**89**	24	52
Provisions	**198**	227	202
Liabilities for deferred taxes	**348**	317	352
Long-term provisions for employee benefits	**523**	526	576
Total non-current liabilities	**4,776**	4,240	4,582
Total liabilities	**7,077**	6,487	6,751
Equity			
Share capital and premium	**326**	326	326
Capital reserves	**(261)**	(166)	(185)
Capital reserve in respect of transactions with controlling shareholder	**190**	190	190
Retained earnings	**1,185**	1,143	1,219
Total equity attributable to the owners of the Corporation	**1,440**	1,493	1,550
Holders of non-controlling interests	**2,317**	2,296	2,333
Total equity	**3,757**	3,789	3,883
Total liabilities and equity	**10,834**	10,276	10,634

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

Approval date of the financial statements: May 26, 2020

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Income

	For the Three Months Ended March 31		Year Ended December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Sales	**1,319**	1,415	5,271
Cost of sales	**920**	916	3,459
Gross profit	**399**	499	1,812
Research and development expenses	**14**	13	50
Selling, transportation and marketing expenses	**188**	195	767
Administrative and general expenses	**66**	65	261
Other expenses	**2**	16	30
Other income	**–**	(14)	(42)
Operating income	**129**	224	746
Financing expenses	**84**	111	333
Financing income	**(15)**	(59)	(125)
Financing expenses, net	**69**	52	208
Share in income (losses) of associated companies accounted for using the equity method of accounting	**(48)**	19	28
Income before taxes on income	**12**	191	566
Taxes on income	**21**	50	147
Income (loss) for the period	**(9)**	141	419
Attributable to:			
Owners of the Corporation	**(42)**	65	158
Holders of non-controlling interests	**33**	76	261
Income (loss) for the period	**(9)**	141	419
Income (loss) per share attributable to the owners of the Corporation: (in dollars)			
Basic and diluted income (loss) per share	**(5.28)**	8.60	20.72

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Comprehensive Income

	For the Three Months Ended March 31		Year Ended December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Income (loss) for the period	**(9)**	141	419
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	**(64)**	–	(20)
Net change in fair value of cash flow hedges transferred to the statement of income	**39**	(24)	(68)
Effective portion of the change in fair value of cash flow hedges	**(99)**	32	78
Group's share in other comprehensive income (loss) of companies accounted for using the equity method of accounting	**(15)**	6	6
Income tax in respect of components of other comprehensive income (loss)	**8**	(1)	(1)
Total	**(131)**	13	(5)
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	**18**	(14)	(75)
Net change in investments measured at fair value through other comprehensive income	**8**	53	10
Group's share in other comprehensive income (loss) of investee companies accounted for using the equity method of accounting	**2**	–	(2)
Income taxes in respect of components of other comprehensive income (loss)	**(5)**	(3)	10
Total	**23**	36	(57)
Other comprehensive income (loss) for the period, net of tax	**(108)**	49	(62)
Comprehensive income (loss) for the period	**(117)**	190	357
Attributable to:			
Owners of the Corporation	**(111)**	91	136
Holders of rights non-controlling interests	**(6)**	99	221
Comprehensive income (loss) for the period	**(117)**	190	357

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

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

	Attributable to the owners of the Corporation						Non-controlling interests	Total equity
	Share capital and premium	Translation reserve for foreign activities	Capital reserves	Capital reserve for transactions with controlling shareholder	Retained earnings	Total		
	(Unaudited)							
	$ millions							
For the three months ended March 31, 2020								
Balance at January 1, 2020 (audited)	**326**	**(199)**	**14**	**190**	**1,219**	**1,550**	**2,333**	**3,883**
Share-based payments in a subsidiary	–	–	–	–	–	–	**3**	**3**
Dividend to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	**(12)**	**(12)**
Sale of subsidiary	–	**1**	–	–	–	**1**	**(1)**	–
Income (loss) for the period	–	–	–	–	**(42)**	**(42)**	**33**	**(9)**
Other comprehensive income (loss) for the period, net of tax	–	**(28)**	**(49)**	–	**8**	**(69)**	**(39)**	**(108)**
Balance at March 31, 2020	**326**	**(226)**	**(35)**	**190**	**1,185**	**1,440**	**2,317**	**3,757**
For the three months ended March 31, 2019								
Balance at January 1, 2019 (audited)	326	(196)	(6)	190	1,079	1,393	2,217	3,610
Share-based payments in a subsidiary	–	–	–	–	–	–	2	2
Dividend to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	(33)	(33)
Sale of shares of subsidiary while retaining control	–	1	–	–	8	9	11	20
Income for the period	–	–	–	–	65	65	76	141
Other comprehensive income (loss) for the period, net of tax	–	(1)	36	–	(9)	26	23	49
Balance at March 31, 2019	326	(196)	30	190	1,143	1,493	2,296	3,789

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

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

	Attributable to the Corporation's shareholders						Non-controlling interests	Total capital
	Share capital and premium	Translation reserve for foreign activities	Capital reserves	Capital reserve for transactions with controlling shareholder	Retained earnings	Total		
	(Audited)							
	$ millions							
Balance at January 1, 2019	326	(196)	(6)	190	1,079	1,393	2,217	3,610
Share-based payments in a subsidiary	–	–	–	–	–	–	12	12
Expiration of options granted to employees of a subsidiary	–	–	–	–	1	1	(1)	–
Dividend to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	(149)	(149)
Sale of shares of subsidiary while retaining control	–	5	1	–	14	20	33	53
Income for the year	–	–	–	–	158	158	261	419
Other comprehensive income (loss) for the year, net of tax	–	(8)	19	–	(33)	(22)	(40)	(62)
Balance at December 31, 2019	326	(199)	14	190	1,219	1,550	2,333	3,883

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Cash Flows

	For the Three Months Ended March 31		Year Ended December 31
	2020	**2019**	**2019**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Cash flows from operating activities			
Income (loss) for the period	**(9)**	141	419
Adjustments:			
Depreciation and amortization	**119**	113	447
Cancellation of impairment in value of assets	**–**	–	(10)
Financing expenses, net	**48**	71	232
Share in losses (income) of associated companies accounted for using the equity method of accounting	**48**	(19)	(28)
Capital gain	**–**	(12)	(12)
Loss on sale of businesses	**2**	–	–
Share-based payment transactions	**3**	2	12
Gain from re-measurement to fair value of collar options	**–**	(1)	(2)
Taxes on income	**21**	50	147
	232	345	1,205
Change in inventories	**28**	13	(72)
Change in trade receivables	**(186)**	(82)	199
Change in trade payables	**71**	(81)	(58)
Change in other receivables	**(6)**	26	8
Change in other payables	**71**	(30)	(80)
Change in provisions and employee benefits	**(25)**	1	(22)
	185	192	1,180
Income taxes paid, net	**(11)**	(34)	(132)
Dividends received	**1**	–	19
Net cash provided by operating activities	**175**	158	1,067

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Cash Flows

	For the Three Months Ended March 31		Year Ended December 31
	2020	**2019**	**2019**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Cash flows from investing activities			
Withdrawals from long-term deposits	**8**	14	2
Proceeds from sale of property, plant and equipment	**1**	35	50
Short-term deposits and investments, net	**149**	152	(1)
Business combinations, less cash acquired	**(27)**	–	–
Acquisition of property, plant and equipment and intangible assets	**(139)**	(131)	(576)
Interest received	**2**	2	6
Receipts from derivative transactions used for an economic hedge, net	**11**	24	39
Net cash provided by (used in) investing activities	**5**	96	(480)
Cash flows from financing activities			
Dividend paid to holders of non-controlling interests in subsidiary	**(12)**	(33)	(149)
Receipt of long-term loans and issuance of debentures	**617**	240	949
Repayment of long-term loans and debentures	**(307)**	(464)	(936)
Short-term credit from banks and others, net	**(9)**	(18)	(183)
Receipts (withdrawals) from derivative transactions used for an accounting hedge, net	**(14)**	1	(7)
Interest paid	**(39)**	(44)	(184)
Net cash provided by (used in) financing activities	**236**	(318)	(510)
Increase (decrease) in cash and cash equivalents	**416**	(64)	77
Cash and cash equivalents at beginning of the period	**274**	199	199
Effect of exchange rate fluctuations on balances of cash and cash equivalents	**(9)**	–	(2)
Cash and cash equivalents at the end of the period	**681**	135	274

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

Note 1 – General

A. The Reporting Entity

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

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

On March 18, 2019, the Corporation's Board of Directors approved the Corporation's strategic plan – this being further to the decision of the Board of Directors on March 13, 2019, to update the Corporation's business strategy to include, along with the target of continuing to maximize the value of the Corporation through its holding in ICL and Bazan, also to make new investments. In the upcoming period, advancement and realization of the investment strategy will be subject to the developments with respect to the Coronavirus and the situation existing in the markets, as stated below.

B. Significant Events in the Period of the Report and Thereafter

The Corporation

Further to that stated in Note 1 to the annual financial statements, as a result of the outbreak of the Coronavirus (COVID-19) in China in December 2019 and the spread thereof in the beginning of 2020 to many additional countries, there has been a decline in the scope of the economic activities in a large number of global regions, including in Israel. The spread of the virus has caused, among other things, a disruption of the supply chain, a reduction in worldwide transportation, traffic (movement) and employment (business) restrictions announced by the Government of Israel as well as other governments throughout the world, along with declines in value of financial assets and commodities in the local and international markets.

In the period of the report, due to among other things the outbreak of the Coronavirus, there was a drop in the prices of the Corporation's traded shares and debt, in such a manner that reflects a market value that is less than the Corporation's shareholders' equity. In addition, there were declines in the market value of the Corporation's main investee companies and, as a result, the Corporation examined signs of an impairment in the value of its assets and main investments. As a result of, among other things, spread of the Coronavirus, there has been a significant decline in the price of Bazan's (an associated company) shares. Accordingly, the Corporation estimated the recoverable amount of the investment in Bazan. Since the carrying value in the books of the investment in Bazan was lower than the recoverable amount, no impairment loss was recognized. For additional details – see Note 5A(6) below.

Note 1 – General (Cont.)

B. Significant Events in the Period of the Report and Thereafter (Cont.)

The Corporation (Cont.)

As a result of the decline in price of ICL's shares and changes in the currency exchange rates, the Corporation has deposited, in accordance with some of the credit agreements, collaterals for the credit and derivative transactions. For details – see Note 5A below and Note 14 to the annual financial statements.

In the upcoming period, advancement and realization of the investment strategy will be subject to the developments with respect to the Coronavirus and the situation existing in the markets.

The Corporation and the Headquarters Companies have balances of cash and short-term investments, in the amount of about $510 million. For details regarding expansion of the debentures (Series 14) subsequent to the date of the report, extension of the repayment dates of loans, update of the credit agreements and the balance of the cash collaterals as at the date of the report and thereafter – see Note 5A below and Note 14 to the annual financial statements.

Since an event is involved that is not under the Corporation's control, and factors such as continuation of the spread of the virus or a halt thereof could impact the Corporation's estimates, the Corporation is continuing to monitor, on an ongoing basis, the changes in the Israeli and world markets and is analyzing the consequences to the business activities of its main investee companies in the medium and long terms. To the extent the present trend continues, the Corporation will continue to consider the need to examine an impairment in the value of its main assets and investments. Furthermore, to the extent the decline in the scope of the economic activities due to spread of the Coronavirus throughout the world, including in Israel, continues and/or intensifies, and if declines in the share prices of the investee companies continues, there could be a significant adverse impact on the activities of the investee companies that would lead to a negative effect on the Corporation's financial results and cash flows along with material harm to the shareholders' equity and a worsening of the financial ratios, including the financial covenants applicable to the Corporation by force of financing agreements and trust certificates.

ICL

The worldwide spread of the Coronavirus (COVID-19) pandemic has introduced significant business and economic uncertainty and volatility to global markets. Accordingly, at this time, there has been a decline in global economic activity, due, in part, to preventive measures being taken by the various governments around the world, the majority of which are still ongoing. ICL has taken and is taking actions to ensure the operation level and proper functioning of its facilities around the world and to minimize the potential impact on its business.

Note 1 – General (Cont.)

B. Significant Events in the Period of the Report and Thereafter (Cont.)

ICL (Cont.)

Manufacturing continues at ICL's sites around the world, including its main plants in Israel. However, in view of the COVID-19 spread, the local authorities' guidelines and ICL's desire to protect the workers' health, especially in the underground mines in Spain and England, at the end of March 2020, ICL's operations in the mines in Spain and the construction of the ramp project were halted, and the mining activities in England were partially reduced. During April 2020, ICL began to gradually ramp-up its operations in Spain. The extent of the damage due to the said cessation and/or reduction of the activities is not material to ICL's business.

ICL has a significant level of available liquidity, including cash and unused credit facilities. In January 2020, ICL issued long term bonds (Series G) in the amount of approximately $110 million. As of March 31, 2020, ICL has approximately $524 million in cash and deposits and approximately $590 million in unutilized credit facilities.

There is difficulty in assessing the future impacts of the COVID-19 pandemic on ICL's operations, in light of, among other factors, the heightened volatility in the markets, the uncertainty regarding the duration of the pandemic, the extent of its intensity and effects on the markets in which ICL operates and additional countermeasures the governments and central banks may take.

Bazan

In January 2020, the Coronavirus broke out in China, and as at the approval date of the report, it is continuin to spread throughout the world, including in Israel, causing considerable uncertainty.

In view of the outbreak of the Coronavirus, as stated, economic activity in many regions of the world, including in Israel, has declined, and there is concern about the continued moderation of local and global economic activity for long periods of time. In an attempt to address the outbreak of the virus and curb its spread, in many areas of the world, including Israel, strict steps are being taken that have significantly restricted the free movement and congregation of people. Accordingly, since the outbreak of the Coronavirus there has been a decline in, among other things, the extent of the global air, sea and land traffic.

Against the background of that stated above, in the period of the report Bazan recorded an operating loss, in the amount of $163 million, which stemmed mainly from a loss from impairment in value of inventory, as detailed in Note 5C(5), as well as from a decline in the refining margin. In addition, further to that stated in Note 5C(8), Bazan examined the recoverable amount of the activities in the fuels' sector and reached the conclusion that it is higher than the carrying value thereof in the books and, therefore, no impairment loss was recorded.

Note 1 – General (Cont.)

B. Significant Events in the Period of the Report and Thereafter (Cont.)

Bazan (Cont.)

It is noted that several weeks prior to the approval date of Bazan's report, many countries worldwide, including Israel, began to lift the restrictions with the goal of gradually restarting the economic activities. However, the pace of lifting of the restrictions and its effect on the recovery from the economic crisis cannot be estimated at this time.

Against the background of the significant uncertainty regarding the continued spread of the virus (COVID-19) and the measures that may derive therefrom, it is difficult to estimate the forecasted demand for diesel fuel, gasoline and jet fuel.

Moreover, to the extent spread of the virus globally and/or in Israel continues, and strict measures are re-imposed such that the decline in the scope of the economic activities continues or even intensifies, the negative impact on the demand for fuel and/or petrochemical products will increase and, accordingly, the negative effect on the refining and/or petrochemical margins will intensify.

To the extent there is a decline in demand in the local market for diesel fuel, gasoline and jet fuel, Bazan will examine the need to direct its sales to export markets and/or to reduce imports of gasoline where relevant, however there is no certainty regarding the demand for Bazan's products in its export markets. Moreover, the Bazan companies have made preparations to adjust the inventory levels and production quantities, including contraction thereof, in a case where the decline in the scope of the economic activities, as noted above, and/or the demand and/or the market margins, continues and/or intensifies. It is noted that a contraction of Bazan's manufacturing quantities could also have an impact on the production volumes of its subsidiaries.

To the extent that that stated above materializes, there could be continued significant harm to Bazan's operating results and its cash flows from operating activities, an erosion of its shareholders' equity and a worsening – and under certain scenarios even a violation – of certain financial ratios applicable to Bazan by force of financing agreements with banks. Should a violation, as stated, occur, Bazan will take action in order to receive exemptions from the banks.

As at the approval date of its report, Bazan is unable to estimate the duration and/or possible effects of the outbreak of the virus on its results operations.

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, 2019 (hereinafter – "the Annual Financial Statements"). In addition, these financial statements were prepared in accordance with the provisions of Section D of the Securities Regulations (Periodic and Immediate Reports) 1970.

The condensed, consolidated, interim financial statements were approved for publication by the Corporation's Board of Directors on May 26, 2020.

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. Against the background of the outbreak of the Coronavirus, significant uncertainty exists in the markets, as noted in Note 1 above. For details regarding examination of an impairment in value of the investment in Bazan and a loss from impairment in value of inventory of an associated company (Bazan) that was recognized in the period of the report – see Notes 5A(5) and 5A(6) below.

Note 3 – Significant Accounting Policies

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

Note 4 – Information on Activity Segments

A. General

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

1) **ICL Group Ltd.** – ICL is a global specialty minerals and chemicals company operating potash, bromine and phosphate mineral value chains in a unique, integrated business model. ICL extracts raw materials from well-positioned mineral assets and utilizes technology and industrial know-how to add value for customers in key agricultural and industrial markets worldwide. ICL focuses on strengthening leadership status in all of its core value chains.

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

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

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

   The data included in this note includes Bazan's data in full, without adjustment for the rate of holdings. The "adjustments" column adjusts the results as per the statement of income, mainly as a result of presentation of Bazan's data, as stated.

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

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

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

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

Note 4 – Information on Activity Segments (Cont.)

C. Information relating to Business Segments

	ICL	Bazan	Adjustments (1)	Total
	Unaudited			
	$ millions			
For the three months ended March 31, 2020				
Sales to external customers	**1,319**	**1,416**	**(1,416)**	**1,319**
EBITDA for the period (2)	**250**	**–**	**(2)**	**248**
Depreciation and amortization	**118**	**52**	**(51)**	**119**
Financing income	**(21)**	**(19)**	**25**	**(15)**
Financing expenses	**73**	**27**	**(16)**	**84**
Share in losses of equity-accounted investees	**(1)**	**–**	**49**	**48**
Unusual or one-time expenses and adjustments	**–**	**111**	**(111)**	**–**
	169	**171**	**(104)**	**236**
Income (loss) before taxes	**81**	**(171)**	**102**	**12**
Taxes on income	**20**	**(25)**	**26**	**21**
Income (loss) for the period	**61**	**(146)**	**76**	**(9)**

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

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

Note 4 – Information on Activity Segments (Cont.)

C. Information relating to Business Segments (Cont.)

	ICL	Bazan	Adjustments (1)	Total
	Audited			
	$ millions			
2019:				
Total sales to external customers	5,271	6,423	(6,423)	5,271
EBITDA (2)	1,198	416	(424)	1,190
Depreciation and amortization	433	183	(179)	437
Financing income	(91)	(27)	(7)	(125)
Financing expenses	220	121	(8)	333
Share in income of associated companies	(1)	–	(27)	(28)
Unusual or one-time expenses and adjustments	9	12	(14)	7
	570	289	(235)	624
Income before taxes	628	127	(189)	566
Taxes on income	147	28	(28)	147
Income for the year	481	99	(161)	419

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

D. Sales based on Geographic Areas

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

	1–3/2020		1–3/2019		1–12/2019	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
United States	232	18	245	17	840	16
China	141	11	205	14	802	15
United Kingdom	116	9	122	9	347	7
Germany	101	8	100	7	334	6
Brazil	94	7	98	7	581	11
Spain	72	5	73	5	249	5
France	65	5	59	4	257	5
Israel	59	4	54	4	241	5
India	48	4	43	3	178	3
Italy	37	3	35	2	116	2
Other	354	26	381	28	1,326	25
Total	**1,319**	**100**	**1,415**	**100**	5,271	100

Note 4 – Information on Activity Segments (Cont.)

D. Sales based on Geographic Areas (Cont.)

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

	Industrial products	Potash	Phosphate solutions	Innovative agricultural solutions	Other activities	Adjustments to the consolidated	Total consolidated
				$ millions			
For the three months ended March 31, 2020							
Europe	**127**	**148**	**188**	**107**	**8**	**(18)**	**560**
Asia	**106**	**65**	**108**	**32**	**–**	**(3)**	**308**
North America	**107**	**19**	**98**	**26**	**–**	**(1)**	**249**
South America	**11**	**34**	**62**	**5**	**–**	**–**	**112**
Rest of the world	**13**	**48**	**46**	**29**	**–**	**(46)**	**90**
Total	**364**	**314**	**502**	**199**	**8**	**(68)**	**1,319**
For the three months ended March 31, 2019							
Europe	135	137	202	113	8	(19)	576
Asia	99	121	123	30	–	(5)	368
North America	91	46	97	28	–	–	262
South America	10	35	67	5	–	–	117
Rest of the world	15	45	48	29	1	(46)	92
Total	350	384	537	205	9	(70)	1,415
For the year ended December 31, 2019							
Europe	469	422	712	336	31	(85)	1,885
Asia	399	470	447	118	1	(12)	1,423
North America	353	95	370	95	–	(3)	910
South America	56	327	263	23	–	(1)	668
Rest of the world	41	180	188	145	5	(174)	385
Total	1,318	1,494	1,980	717	37	(275)	5,271

Note 5 – Additional Information

A. The Corporation

1. Subsequent to the date of the report, on April 7, 2020, the Corporation completed via a private issuance to classified investors, in the amount of NIS 345 million par value, expansion of the debentures (Series 14). Issuance of the debentures was made at a price of NIS 87 for every NIS 100 par value of debentures (Series 14), and in exchange for an aggregate consideration (gross) of about NIS 300 million. The rating company S&P Maalot rated the expansion of the debentures up to the amount of NIS 350 million par value with a rating of ilA. Subsequent to the date of the report, on April 23, 2020, the Corporation entered into a SWAP transaction, in the amount of $50 million, for exchange of principal and interest in connection with expansion of the debentures (Series 14), as stated, in order to hedge currency and interest exposure. In respect of this transaction, the Corporation elected to apply cash-flow hedging accounting principles.

2. Further to that stated in Note 14 to the Annual Financial Statements, subsequent to the date of the report, on April 2, 2020, revisions to the Corporation's financing agreements with banks entered into effect, such that in a case the price of an ICL share drops below $1.97 (in place of $2.4 as stated in the said Note), the lenders in any of the relevant agreements will be permitted to call the credit, in an aggregate amount of $250 million, for immediate repayment (as at the date of the report, the price of an ICL share was $3.16 and on May 25, 2020 it was $3.46). The revisions include additional arrangements, including in connection with increasing collaterals. As at the date of the change, the balance of the cash collaterals against loans was $112 million and collaterals for derivate transactions were $7 million (regarding balances of collaterals as at the date of the report and May 25, 2020 – see Section 4 below).

3. As stated in Note 14E to the Annual Financial Statements, in February 2020, the Corporation and the Headquarters Companies extended the repayment dates of long-term loans, in the amount of $150 million. As part of the refinancing, shares of Bazan that were deposited as security were released, and in place thereof additional shares of ICL were deposited as security. The balance of ICL shares that have been deposited as security for the loan is about 89.7 million shares. In addition, as part of the said agreement, the Corporation signed a credit framework agreement, in the amount of $50 million, for the same period of three and one-half years, which may be extended up to five years, subject to the conditions stipulated in the agreement. Utilization of the framework is subject to the price of an ICL share being above $3.2.

4. Further to that stated in Note 14G(1)(c) to the Annual Financial Statements, as at the date of the report the amount of $91 million was deposited as collateral against loans. In addition, with respect to derivative transactions, the amount of about $18 million was deposited. As at May 25, 2020, the balance of the deposits made that serve as collateral for loans, as stated above, was about $98 million, and there is no balance against derivative transactions.

Note 5 – Additional Information (Cont.)

A. The Corporation (Cont.)

5. Further to that stated in Note 14 to the Annual Financial Statements, with respect to the financial covenants applicable to the debentures (Series 10, 11, 12, 13 and 14), set forth below is actual data as at the date of the report:

   a. The Corporation's minimum shareholders' equity may not drop below $360 million. The actual amount as at the date of the report was $1,440 million.

   b. The ratio between the Corporation's shareholders' equity and the Corporation's total assets based on its separate-company (solo) financial statements net of the liquid solo assets (short-term assets and deposits) plus the net financial liabilities of the Corporation's wholly-owned investee companies may not drop below 20% in respect of Series 14 the ratio may not drop below 25%. The actual ratio as at the date of the report was 58%.

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

6. Due to spread of the Coronavirus in the first quarter of 2020 and the impacts thereof, as detailed in Note 1 above, which was reflected in, among other things, a sharp decline in the prices of Bazan's shares, a decline in the scope of the refining activities and an erosion of the refining margin, a work (analysis) was performed to examine the recoverable amount of the investment in Bazan as at March 31, 2020, in accordance with the provisions of IAS 28, based on a valuation of an independent appraiser, having expertise in the area – Ernst & Young (Israel) Ltd.

   The recoverable amount of the investment in Bazan was calculated based on the value in use, which was estimated based on the "discounted cash flows" (DCF) method, after eliminating financial liabilities and surplus liabilities, net, not attributable to Bazan's activities. According to the said valuation, the recoverable amount of the investment account in Bazan is estimated at about $585 million, and it exceeds the carrying value in the books, which amounted to about $512 million and, therefore, no impairment loss was recognized.

   Set forth below are the main assumptions used in determination of the recoverable amount of the investment in Bazan:

   – Discounting rate after tax at 9%.

   – A forecast of investments in property, plant and equipment in Bazan.

   – A long-term growth rate of 0%.

   – A market study by the IHS consulting company with respect to the fuel industry and the prices of crude oil, intermediate materials, refined products and petrochemical products.

   It is noted that an increase of 0.5% in the discount rate would be reflected in a decrease in the value in use of the investment account in Bazan of about $56 million.

Note 5 – Additional Information (Cont.)

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

1. Restricted shares

On November 3, 2019, March 4, 2020 and April 23, 2020 ICL's HR & Compensation Committee, the Board of Directors and ICL's shareholders, respectively, approved an equity grant for 2020 in the form of restricted shares, to directors who serve from time to time (excluding directors who are officeholders in Israel Corporation Ltd.), in a value per grant of NIS 310,000 ($87,152).

Grant date	Entitled officers	Number of instruments (millions)	Vesting conditions	Instrument terms	Additional information	Fair value on the issuance date (millions)
Subsequent to the date of the report, on April 23, 2020	ICL's Directors (excluding directors who are office holders in Israel Corporation Ltd.)	177	3 equal tranches: (1) one third at January 1, 2021; (2) one third at January 1, 2022; and (3) one third at January 1, 2023	An issuance for no consideration, under the amended 2014 Equity Compensation Plan	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 approval date of the General Meeting).	0.6

(*) Vesting of the Restricted Shares would fully accelerate if the holder ceases to serve as a director of the Company, unless he/she ceased to hold office due to those certain circumstances regarding early termination of office or imposition of enforcement measures, as set forth in Sections 231-232a and 233(2) of the Israeli Companies Law.

2. Further to that stated in Note 14E(2) to the annual financial statements, subsequent to the date of the report, on May 18, 2020, ICL completed an issuance, by means of expansion of the debentures (Series G), solely to Israeli investors, in the amount of about NIS 386 million par value, in exchange for net proceeds of about NIS 373 million (about $105 million). The said issuance was rated by S&P Maalot rating agency with a rating of "ilAA".

Note 5 – Additional Information (Cont.)

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

1. Further to that stated in Note 8C(3) to the Annual Financial Statements, regarding a court decision rendered in July 2019 by the Supreme whereby it was held that construction of new production facilities (or structures) having a significant impact on the environment, in categories to be determined by the National Council, is subject to the preparation of a detailed plan for the facility (or structure), in the period of the report the Ministry of Environmental Protection transferred to the National Council and to Bazan its proposal for definition of a facility that has a significant impact on the environment and a discussion of the matter was scheduled for April 2020. In the period of the report, Bazan was notified that the discussion regarding the matter was postponed to a time after the approval date of the financial statements.

2. Further to that stated in Note 8C(9) to the Annual Financial Statements, regarding an inventory availability agreement, in the period of the report the prior inventory availability agreement came to an end and on March 1, 2020 the new inventory availability agreement entered into effect.

3. As at March 31, 2020, Bazan was in compliance with the financial covenants determined for them in connection with their liabilities.

4. On March 31, 2020, S&P Maalot reduced the rating of Bazan and of Bazan's debentures to ilA–, with a negative rating outlook.

5. In light of a sharp decline in the crude oil price and, in turn, also the prices of fuel products, as at March 31, 2020 Bazan recognized a loss from decline in value of inventory, in the amount of about $106 million, of which about $36 million relating to inventory of crude oil, about $67 million relating to inventory of fuel products and about $3 million relating to aromatic products.

6. In the period of the report, transmission of natural gas condensate commenced pursuant to an agreement with the Livyatan Partnership.

7. Further to that stated in Note 8C(2) to the annual financial statements relating to an agreement for acquisition of natural gas from Energean and its notification in February 2020 that it is exercising the *force majeure* clause with respect to potential delays in the commercial operation due to the outbreak of the Coronavirus, as at the approval date of the report, as far as Bazan knows Energean's estimate is that the natural gas will start to flow during the first half of 2021.

8. Due to the spread of the Coronavirus in the first quarter of 2020 and the impacts thereof, as stated in Note 1 above, which was reflected in, among other things, a sharp decline in the price of Bazan's shares, a decline in the scope of the refining activities and erosion of the refining margin, a work (review) was performed in order to examine the recoverable amount of the assets of the fuels' segment as at March 31, 2020 in accordance with the provisions of IAS 36, based on a valuation of an independent appraiser having expertise in the area, Ernst & Young (Israel) Ltd.

Note 5 – Additional Information (Cont.)

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

8. (Cont.)

The recoverable amount of the assets of the fuels' segment was calculated based on the value in use, which was estimated based on the "discounted cash flow" (DCF) method. Pursuant to the said valuation, the recoverable amount of the assets of the fuels' segment was estimated at about $1,711 million, and it exceeds the carrying value in the books, which amounted to about $1,414 million. Accordingly, an impairment loss was not recognized.

The valuation methodology method includes a number of main assumptions that constituted a basis for the forecasted cash flows, among others, the price of the crude oil and the refined products, which are based on forecasts of IHS consulting company, a forecast of investments in property, plant and equipment, a real after-tax discount rate that was estimated at about 9% and a long-term growth rate of 0%. It is noted that a decrease in the refining margin of $0.5 per barrel in a representative year, would be reflected in a value in use of about $1,492 million, which exceeds the carrying value in the books.

9. Subsequent to the date of the report, the Chairman of Bazan's Board of Directors, as well as all of Bazan's directors, including Bazan's external directors and Bazan's Deputy CEOs and the other members of Bazan's management that they are waiving (foregoing) 10% of the remuneration due to them from Bazan (it is noted that even after the said waiver the remuneration to Bazan's directors exceeds the minimum remuneration provided in the Companies Regulations (Rules regarding Remuneration and Expenses of an External Director), 2000) or, as applicable, 10% of their current salary (not including social benefits and accompanying conditions), in respect of the period from June 2020 up to the end of 2020.

Note 5 – Additional Information (Cont.)

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

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

Condensed data regarding associated company – Bazan

Condensed data regarding the interim statement of position:

	March 31 2020	March 31 2019	December 31 2019
	(Unaudited)	(Unaudited)	(Audited)
		$ millions	
Main location of activities		ISRAEL	
Rate of ownership rights		33%	
Current assets	**1,592**	1,648	1,769
Non-current assets	**2,393**	2,425	2,427
Current liabilities	**(1,259)**	(1,135)	(1,300)
Non-current liabilities	**(1,528)**	(1,539)	(1,515)
Total net assets	**1,198**	1,399	1,381

Condensed data regarding the interim statement of income:

	For the three months ended		For the year ended
	March 31 2020	March 31 2019	December 31 2019
	(Unaudited)	(Unaudited)	(Audited)
		$ millions	
Revenues	**1,416**	1,574	6,423
Net income (loss)	**(146)**	63	99
Other comprehensive income (loss)	**(37)**	16	12
Total comprehensive income (loss) for the period	**(183)**	79	111

Note 6 – Contingent Liabilities, Commitments, Concessions and Other

Further to that stated in Note 18 to the Annual Financial Statements and except as stated below, there were no significant changes in the period of the report in the contingent liabilities, commitments and concessions.

A. The Corporation

(1) Further to that stated in Note 18B(1)(c) to the Annual Financial Statements, the respondents are required to submit their summations in the upcoming weeks.

(2) Further to that stated in Note 18B(1)(e) to the Annual Financial Statements, the hearing that was scheduled for March 30, 2020 was cancelled and a new date has not yet been set.

(3) Further to that stated in Note 18B(1)(f) to the Annual Financial Statements, the hearings of the proofs were scheduled for July and September 2020.

(4) Further to that stated in Note 18B(1)(g) to the Annual Financial Statements, the hearings of the proofs were scheduled for November 2020.

B. ICL

(1) Note 18D to the Annual Financial Statements provides disclosure regarding the challenges faced by the Rotem phosphate mining and production operations in Israel. ICL is holding discussions with the relevant authorities, inter alia due to the COVID-19 pandemic, to obtain the permits and approvals required, as well as regarding the timing of making significant mandatory environmental-related investments. In addition, ICL is increasing its efforts to accelerate discussions with the State of Israel regarding decision making on future phosphate rock sources, in order to secure long-term certainty for Rotem.

ICL believes that it is more likely than not that the said approvals and permits will be granted within a timeframe that will not materially impact its results. Nevertheless, there is no certainty as to the receipt of such approvals and permits and/or the date of their receipt. ICL is examining the alternatives available to it regarding operation of the Rotem plant in Israel, including the possibilities of a partial or temporary shut-down.

As at March 31, 2020, Rotem employs more than 1,500 people, and the aggregate book value of its property, plant and equipment amounts to about $800 million.

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

B. ICL (Cont.)

(2) Note 18D to the Annual Financial Statements provides disclosure regarding the concession of Dead Sea Works (DSW) including a reference to Section 24(b) of the Supplement to the Concession Law, which addresses the manner of approval of capital investments made commencing from April 2020 until the end of the concession period. In March 2020, a work procedure was signed between ICL and the Israeli Government for the purpose of implementing Section 24(b). The procedure determines, among other things, the manner of examining new investments and their approval process. In addition, the procedure determines ICL's commitment to invest in fixed assets, including for preservation and infrastructure, and in ongoing maintenance of the facilities in the concession area (for the period starting 2026) and its commitment to continue production of potassium chloride and elementary bromine (for the period starting 2028), all subject to the conditions specified in the procedure. Such commitments do not change the way ICL currently operates.

(3) Note 18B(2) to the Annual Financial Statements provides disclosure relating to the decision of the Israeli Court for Water Matters to regulate the water pumping activities by means of a production license as defined in the Water Law and not through the Water Authority's directive, under which ICL presently operates. In March 2020, the Water Authority granted a production license until the end of 2020. The production license includes provisions which are not significantly different from the Water Authority's directive, under which ICL currently operates.

(4) Note 18B(2) to the Annual Financial Statements provides disclosure relating to an application for certification of a class action from July 2018 for allegedly exploiting the monopolistic position of ICL and its subsidiaries, Rotem Amfert Israel and Fertilizers and Chemicals Ltd. (hereinafter jointly – "the Defendants") to charge consumers in Israel excessive and unfair prices for products classified as "solid phosphate fertilizer" between 2011 and 2018, contrary to the provisions of the Restrictive Trade Practices Law. In March 2020, the Central District Court granted the Defendants' motion for a delay of proceedings, until a decision is made by the Supreme Court regarding similar proceedings having implications on the said case.

(5) Note 18D(2) to the Annual Financial Statements provides disclosure relating to ICL's process to promote the plan for mining phosphates in Barir field, which is located in the southern part of the South Zohar deposit in the Negev Desert and relating the Supreme Court's decision from February 2019 to grant a conditional order instructing the Respondents to show cause why the Plan should not be returned to the National Council for discussion, considering that no methodology was determined for examining health effects and no potential health impact document was presented to the National Council. Following several delays, in March 2020, the Supreme Court granted the State's request for an additional extension to file an update notice on its behalf until June 4, 2020, 7 days before the next hearing on the petition, which is scheduled on June 11, 2020.

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

B. ICL (Cont.)

(6) Note 18C(2) to the Annual Financial Statements provides disclosure relating to the agreement with Energean to supply natural gas and its announcement, from February 2020, of potential delays in supplying the natural gas due to possible impacts on its production as a result of the COVID-19 outbreak, which was issued under the "*force majeure*" section. In March and April 2020, updates were received from Energean, according to which it estimates that the gas supply can be carried out in accordance with the contract commitment, during the second quarter of 2021.

(7) As part of ICL's strategy to divest low synergy businesses and non-core business activities, in April 2020, ICL entered into an agreement with Solina Corporate SAS to sell Hagesüd Interspice Gewürzwerke GmbH, including related real-estate assets. The closing date of the transaction is expected to take place during the second quarter of 2020. As at March 31, 2020, the net book value of the assets is about $36 million. No material impact on ICL's financial statements is expected from the said transaction.

(8) Note 27G to the Annual Financial Statements provides disclosure regarding disputes with the Belgium tax authorities regarding the eligibility to recognize a notion deduction on ICL's capital in 2010-2015. In March 2020, a favorable decision was received from the Court of Appeals, denying the Belgium tax authority's appeal also for the years 2011-2015 under the determination that ICL had acted legally.

C. Bazan

(1) As detailed in Note 18B(3) to the Annual Financial Statements, there are legal, administrative and other proceedings, including civil claims and warnings against the Bazan Group companies and an indictment was filed against Bazan and four managers following a fire in an intermediate materials' storage tank on Bazan's premises in 2016, for which the parties agreed to mediation concurrently with the court proceedings.

In addition, as detailed in Note 18B(3)(a) to the Annual Financial Statements, Bazan and its Group companies operate routinely to comply with applicable environmental laws and regulations. As at the date of the report, Bazan and its Group companies are in compliance with the emission permits and with other environmental laws, other than deviations for which they are working with the Ministry of Environmental Protection to adjust the provisions and/or revise the schedules for their implementation.

Bazan, Carmel Olefins and Gadiv have received various warnings and summonses to hearings from the Ministry of Environmental Protection for alleged violations of the emission permits, poisons permits, the permit for emission to the sea, and personal orders issued to them relating to air quality. Bazan and its Group companies submit their responses to the Ministry for any warning and/or summons to a hearing received, as relevant.

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

C. Bazan (Cont.)

(1) (Cont.)

The Ministry of Environmental Protection is investigating a number of issues against Bazan, Carmel Olefins and Gadiv, and in some of the investigations, also against managers who served at the dates relevant to the investigation of the companies, including for alleged violations of the personal orders, permits for hazardous substances, provisions of environmental laws, including emission permits issued to the companies on the dates on which they were valid, and/or due to malfunctions in their facilities. In addition, sanctions and/or fines in immaterial amounts were imposed on Bazan and its Group companies.

For some of the said proceedings, the managements of Bazan and its subsidiaries believe, based on the opinion of their legal counsel, that, at this stage, it is not possible to assess their effect, if any, on the financial statements as at March 31, 2020. Accordingly, Bazan includes provisions in immaterial amounts in its financial statements, which it believes adequately reflect the amounts that will more likely than not be paid (a probability of more than 50%), whereas for proceedings the effect of which cannot be estimated, no provisions were included in the financial statements.

(2) Further to Note 18B(3)(e) to the Annual Financial Statements, regarding the Administrative Order for the prevention or reduction of air pollution that the Ministry of Environmental Protection presented to Bazan and Gadiv, according to which the companies were required to install means to reduce emission in the storage tanks that that significantly contribute to benzene (gasoline) emissions, and to replace equipment components in which benzene (gasoline) flows with equipment components that comply with the best available technique in the time schedules set out in the Administrative Order, some of which do not correspond with the shutdown dates scheduled by Bazan, including their replacement in the crude distillation unit CDU 4, the isomerization unit, and the continuous catalytic reformer (CCR), no later than August 31, 2020, as at the approval date of the report, due to the significant reduction in benzene (gasoline) emissions in 2019 compared with prior years, the companies are working with the Ministry of Environmental Protection to reduce or cancel some of its requirements. If the companies fail to reach agreements with the Ministry, they will make preparations to comply with the provisions of the Order, and the companies believe that they will be able to comply with the provisions subject to the postponement of some of the deadlines.

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

C. Bazan (Cont.)

(3) Further to Note 18B(3)(j) to the Annual Financial Statements, regarding an Order issued by the Ministry of Environmental Protection under Section 45 of the Clean Air Law, 2008, in which the Ministry ordered Bazan to suspend the production, storage, and distribution of bitumen at its plant no later than April 16, 2020, until it complies with the levels set out in the provisions of the emission permit, subsequent to the period of the report, upon completion of installation of the temporary system, the results of emission sampling from the bitumen unit demonstrated compliance with the emission levels. Accordingly, the Ministry of Environmental Protection informed Bazan that as long as there are no deviations from the permitted emission levels and subject to the provisions of the order, Bazan may continue the production, storage, and distribution of bitumen. In view of the Ministry's notice, Bazan believes that the temporary permit granted by Haifa Municipality to it will continue to be applicable to the bitumen unit after April 16, 2020 as well.

(4) Further to Note 18B(3)(f) to the Annual Financial Statements, regarding the requirement for regulatory approvals from Haifa Municipality for maintenance works on the pipelines of Bazan and Gadiv, and due to the Ministry of the Environmental Protection's instructions to Bazan at the hearing that was held for Bazan and Gadiv in December 2019 due to allegations of violation of the terms of their poison permits, in the period of the report, the Court handed down provisional rulings for the petitions filed by Bazan against Haifa Municipality, permitting performance of most of the maintenance work. For other work that does not have a material effect on the operating activities of the Bazan Group companies, the legal proceeding between the parties is still underway.

(5) Further to Note 18B(3)(g) to the Annual Financial Statements, regarding the notice received by Gadiv from Haifa Municipality, according to which the Municipality decided not to renew the temporary permit under the Business Licensing Law for the transport of hazardous materials in the underground pipeline between Gadiv and the port ("the Permit" and "the Pipeline", respectively), in the period of the report, the Court handed down a provisional ruling according to which Haifa Municipality must renew the temporary permit if Gadiv complies with the conditions established by the Ministry of Environmental Protection for renewal of the flow in the Pipeline. It it noted that the Ministry of Environmental Protection established conditions for flow through the Pipeline in February 2020 and Gadiv has complied with these conditions and continues to comply with them and, accordingly, operation of the Pipeline and flow through it is continuing. Subsequent to the period of the report, the temporary permit was received from Haifa Municipality.

Note 7 – Financial Instruments

A. Fair value

(1) Fair value compared with book value

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

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

	As at					
	March 31, 2020		March 31, 2019		December 31, 2019	
	Book value	Market value	Book value	Market value	Book value	Market value
	Unaudited		Unaudited		Audited	
	Millions of dollars					
Debentures	**2,724**	**2,774**	2,608	2,715	2,824	3,045
Long-term loans from banks	**273**	**267**	440	445	275	286

(2) Hierarchy of fair value

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

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

Note 7 – Financial Instruments (Cont.)

A. Fair value (Cont.)

(2) Hierarchy of fair value (Cont.)

	March 31 2020	March 31 2019	December 31 2019
	(Unaudited)	(Unaudited)	(Audited)
		Book Value	
		$ millions	
Assets			
Investments measured at fair value through other comprehensive income* (1)	**146**	201	151
Derivatives used for accounting hedge (2)	**31**	48	86
Derivatives used for economic hedge (2)	**19**	15	23
Call (put) options on ICL shares (collar) (3)	**–**	7	–
	195	271	260
Liabilities			
Derivatives used for accounting hedge (2)	**35**	13	7
Derivatives used for economic hedge (2)	**50**	9	14
	85	22	21

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

* During the first quarter of 2020, ICL sold about 14.3 million of its shares in YYTH for a consideration of $11 million. As at March 31, 2020, the remaining balance of the investment is $146 million, representing about 13% of YYTH's share capital.

B. Foreign currency risks

(1) Subsequent to the date of the report, in April 2020, the Corporation entered into a new derivatives transaction, in the amount of $50 million, for purposes of hedging shekel currency and interest exposure in connection with the debentures (Series 14), after the expansion thereof. In respect of this transaction, the Corporation elected to apply cash-flow hedging accounting principles.

(2) In January 2020, ICL designated several SWAP contracts as an accounting hedge. These transactions, which include principal and interest of the debentures (Series G), entitle ICL to receive fixed shekel interest against a liability to pay dollar interest at a fixed rate. For further information relating to the debentures (Series G) – see Note 14E(2) to the Annual Financial Statements. ICL designated the spot component of the exchange rate swap contracts for hedging the currency risk in the cash flows of the said debt balances. ICL applies a 1:1 hedging ratio. The main source of potential ineffectiveness in these hedging ratios is the effect of ICL's and the counterparty's credit risk on the fair value of the SWAP contracts. As at the date of the hedge transaction, the total balance of the hedged instruments amounted to about $110 million.

Israel Corporation Ltd.

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

As at March 31, 2020

(Unaudited)

Israel Corporation Ltd.
Condensed Separate Information provided in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970
As at March 31, 2020
Unaudited

Contents

Somekh Chaikin
KPMG Millennium Tower
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To the Shareholders of Israel Corporation Ltd.

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

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970, of Israel Corporation Ltd. (hereinafter – "the Company") as of March 31, 2020 and for the three-month period then ended. The separate interim financial information is the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements (Israel) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of separate interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Emphasis of matter paragraph (drawing of attention)

Without qualifying our above-mentioned conclusion, we direct attention to that stated in Note 6C(1)-(2) 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.)

May 26, 2020

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at March 31, 2020
Condensed Interim Statements of Financial Position Information

	At March 31		At December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Assets			
Cash and cash equivalents	**241**	32	172
Short-term deposits	**262**	246	411
Receivables and debit balances	**1**	–	1
Derivative instruments	**8**	12	9
Total current assets	**512**	290	593
Non-Current Assets			
Investments in investee companies	**2,112**	2,216	2,181
Loans to wholly-owned subsidiaries	**210**	208	217
Other assets	**3**	4	3
Derivative instruments	**4**	17	32
Total non-current assets	**2,329**	2,445	2,433
Total assets	**2,841**	2,735	3,026

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

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at March 31, 2020
Condensed Interim Statements of Financial Position Information

	At March 31		At December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Liabilities			
Current maturities in respect of non-current liabilities	**236**	291	236
Payables and credit balances	**13**	11	13
Derivative instruments	**8**	5	7
Total current liabilities	**257**	307	256
Non-Current Liabilities			
Debentures and long-term loans	**1,116**	925	1,219
Derivative instruments	**27**	8	–
Long-term balances	**1**	2	1
Total non-current liabilities	**1,144**	935	1,220
Total liabilities	**1,401**	1,242	1,476
Equity			
Share capital and premium	**326**	326	326
Capital reserves	**(261)**	(166)	(185)
Capital reserve for transactions with controlling shareholder	**190**	190	190
Retained earnings	**1,185**	1,143	1,219
Total equity attributable to the owners of the Corporation	**1,440**	1,493	1,550
Total liabilities and equity	**2,841**	2,735	3,026

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

Approval date of the financial statements: May 26, 2020

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

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at March 31, 2020
Condensed Interim Statements of Income Information

	For the Three Months Ended March 31		For the Year Ended December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Administrative and general expenses	**2**	2	8
Other income, net	**–**	(1)	(3)
Operating loss	**(2)**	(1)	(5)
Financing expenses	**40**	31	106
Financing income	**(25)**	(15)	(34)
Financing expenses, net	**15**	16	72
Share in income (losses) of investee companies, net	**(24)**	82	235
Income (loss) before taxes on income	**(41)**	65	158
Taxes on income	**1**	–	–
Income (loss) for the period attributable to the owners of the Corporation	**(42)**	65	158

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

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at March 31, 2020
Condensed Interim Statements of Comprehensive Income Information

	For the Three Months Ended March 31		For the Year Ended December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Income (loss) for the period attributable to the owners of the Corporation	**(42)**	65	158
Components of other comprehensive income (loss) that were recognized or will be recognized in future periods in the statement of income			
Effective portion of the change in fair value of cash flow hedges	**(48)**	13	36
Net change in fair value of cash flow hedges transferred to the statement of income	**21**	(9)	(30)
Other comprehensive income (loss) in respect of investee companies, net	**(55)**	7	(1)
Total	**(82)**	11	5
Components of other comprehensive income (loss) that will not be recognized in future periods in the statement of income			
Other comprehensive income (loss) in respect of investee companies, net	**13**	15	(27)
Total	**13**	15	(27)
Other comprehensive income (loss) for the period, net of tax	**(69)**	26	(22)
Total comprehensive income (loss) for the period attributable to the owners of the Corporation	**(111)**	91	136

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

Condensed Interim Statements of Cash Flows Information

	For the Three Months Ended March 31		For the Year Ended December 31
	2020	2019	2019
	(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	**(42)**	65	158
Adjustments:			
Financing expenses, net	**15**	16	72
Share in losses (income) of investee companies, net	**24**	(82)	(235)
Income on re-measurement to fair value of collar options	**–**	(1)	(2)
Taxes on income	**1**	–	–
	(2)	(2)	(7)
Change in receivables and payables	**–**	1	1
	(2)	(1)	(6)
Income tax paid, net	**(1)**	(11)	(12)
Dividends received from investee companies	**9**	25	135
Net cash provided by operating activities	**6**	13	117
Cash flows from investing activities			
Short-term deposits, net	**145**	151	(4)
Collection of long-term loans to investee companies, net	**1**	–	–
Interest received	**2**	2	5
Proceeds (payments) in respect of settlement of derivatives used for hedging purposes, net	**2**	1	(4)
Net cash provided by (used in) investing activities	**150**	154	(3)
Cash flows from financing activities			
Receipt of long-term loans and issuance of debentures	**95**	–	292
Repayment of long-term loans and debentures	**(164)**	(194)	(247)
Interest paid	**(16)**	(19)	(62)
Receipts (payments) in respect of settlement of derivatives used for accounting hedge, net	**2**	1	(3)
Net cash used in financing activities	**(83)**	(212)	(20)
Net increase (decrease) in cash and cash equivalents	**73**	(45)	94
Cash and cash equivalents at the beginning of the period	**172**	77	77
Effect of exchange rate fluctuations on balances of cash and cash equivalents	**(4)**	–	1
Cash and cash equivalents at the end of the period	**241**	32	172

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

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at March 31, 2020
Additional Information

1. General

The interim separate-company financial information is presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970, and the Tenth Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970, regarding separate-company financial information of an entity. The interim separate-company financial information should be read together with the separate-company financial information and annual financial statements as at December 31, 2019 and together with the condensed consolidated financial statements as at March 31, 2020.

In this separate-company interim financial information:

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

2. Other Information

1. Subsequent to the date of the report, on May 11, 2020, the Board of Directors of ICL decided to distribute a dividend, in the amount of about \$29 million, about \$0.02 per share. The dividend will be distributed subsequent to the date of the report on June 17, 2020. The share of the Corporation and the Headquarters Companies is about \$13 million.

2. In light of the impact of the Coronavirus on the market and the economy, subsequent to the date of the report, in May 2020, it was decided to make a reduction of 10% in the annual management fees received from ICL pursuant to the management fees agreement for a period of six months.

3. On February 12, 2020, the Board of Directors of ICL decided to distribute a dividend, in the amount of about \$23 million, about \$0.02 per share. The dividend was distributed on March 18, 2020. The share of the Corporation and the Headquarters Companies was about \$10 million.

Israel Corporation Ltd.

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

As at March 31, 2020

(Unaudited)

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

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

For this purpose, the members of management are:

Yoav Doppelt, CEO;

Sagi Kabla, CFO

Maya Alcheh-Kaplan, Deputy CEO, General Counsel and company secretary;

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

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

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

In the Annual Report regarding the effectiveness of the internal control over the financial reporting and the disclosure, which was attached to the Periodic Report for the period ended December 31, 2019 (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, 2019, is effective.

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

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

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

Management Representation

Declaration of the CEO

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

I, Yoav Doppelt, declare that:

(1) I have examined the interim financial statements of Israel Corporation Ltd. (hereinafter – “the Corporation”) as at March 31, 2020 (hereinafter – “the Statements”).

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

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

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

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

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

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

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

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

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

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

May 26, 2020

Yoav Doppelt, CEO

Management Representation

Declaration of the most Senior Officer in the Finance Area

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

I, Sagi Kabla, declare that:

(1) I have examined the interim financial statements and the other financial information included in in the statements for interim periods of Israel Corporation Ltd. (hereinafter – "the Corporation") as at March 31, 2020 (hereinafter – "the Statements").

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

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

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

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

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

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

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

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

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

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

May 26, 2020

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Sagi Kabla, CFO