Israel Corporation Ltd.

Condensed Consolidated Interim Financial Statements

As at June 30, 2019

(UNAUDITED)

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

Contents

Part A – Report of the Corporation's Board of Directors regarding the State of the Corporation's Affairs for the three-month and six-month periods ended June 30, 2019

Part B – Condensed Interim Consolidated Financial Statements as at June 30, 2019 (unaudited)

Part C – Condensed Interim Separate-Company Financial Statements of the Corporation as at June 30, 2019 (unaudited)

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

Report of the Corporation's Board of Directors

For the Six-Month Period Ended June 30, 2019

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

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

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

This Directors' Report is submitted as part of the interim financial statements for the period ended June 30, 2019 (hereinafter – "the Interim Consolidated Financial Statements"). The report was prepared in accordance with the Securities Law (Periodic and Immediate Reports), 1970, and on the assumption that the reader is also in possession of the interim financial statements for the period ended June 30, 2018, and the Periodic Report for 2018.

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

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

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

   – The Corporation considers ICL as a strategic investment.

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

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

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

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

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

2. (Cont.)

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

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

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

 In connection with updating the business strategy, the Corporation made changes in its management team. On June 30, 2019, Mr. Avisar Paz completed his position as the Corporation's CEO, and will continue to serve as a director in both ICL and Bazan, and Mr. Yoav Doppelt was appointed to serve, commencing from July 1, 2019, as the Corporation's CEO and will lead the updated strategy in parallel to his position as Chairman of the Board of ICL.

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

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

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

5. For details regarding the Corporation's liabilities – see the Immediate Report regarding the total liabilities based on repayment date that was published on August 12, 2019 (Reference No. 2019-01-083629). The information included therein is presented in this Report by means of references.

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

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

FINANCIAL POSITION AND RESULTS OF OPERATIONS

– The total sales for the three-month and six-month periods ended June 30, 2019 amounted to about $1,425 million and about $2,840 million, respectively, compared with about $1,371 million and about $2,775 million, respectively, in the corresponding periods last year.

– The total net income attributable to the owners of the Corporation for the three-month and six-month periods ended June 30, 2019 amounted to about $58 million and about $123 million, respectively, compared with net income attributable to the owners of the Corporation of about $49 million and about $481 million, respectively, in the corresponding periods last year. The income for the six-month period ended June 30, 2018 includes the Corporation's share in a net capital gain, in the amount of $394 million, recorded by ICL, due to completion of the transaction for sale of the Fire Safety and Oil Additives businesses.

– The total assets, as at June 30, 2019, amounted to about $10,373 million, compared with about $10,142 million, as at June 30, 2018, and compared with about $10,100 million, as at December 31, 2018.

– The current assets net of current liabilities, as at June 30, 2019 amounted to about $930 million, compared with about $884 million as at June 30, 2018, and compared with about $912 million, as at December 31, 2018.

– The balance of the non-current assets, as at June 30, 2019 amounted to about $7,268 million, compared with about $6,798 million as at June 30, 2018, and compared with about $6,831 million, as at December 31, 2018.

– The non-current liabilities, as at June 30, 2019, amounted to about $4,345 million, compared with about $4,249 million, as at June 30, 2018, and compared with about $4,133 million, as at December 31, 2018.

– The total equity as at June 30, 2019 amounted to about $3,853 million and the total equity attributable to the owners of the Corporation amounted to about $1,527 million, compared with total equity of $3,433 million and total equity attributable to the owners of the Corporation of $1,342 million as at June 30, 2018, and compared with total equity of about $3,610 and total equity attributable to the owners of the Corporation of about $1,393 million as at December 31, 2018.

Set forth below are the results of operations of the Group companies for the period April – June 2019:

– ICL finished the second quarter of 2019 with income of about $158 million, compared with income of about $101 million in the corresponding quarter last year.

– Bazan finished the second quarter of 2019 with income of about $29 million, compared with income of about $97 million in the corresponding quarter last year.

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

– ICL finished the period of the report with income of about $297 million, compared with income of about $1,029 million in the corresponding period last year. The income in the corresponding period last year includes a net capital gain, in the amount of $829 million, as a result of completion of the transaction for sale of the Fire Safety and Oil Additives businesses.

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

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

	Three months ended June 30		Six months ended June 30	
	2019	**2018**	**2019**	**2018**
	$ Millions			
ICL	**73**	48	**138**	(1)489
Bazan	**10**	32	**31**	57
Amortization of excess cost	**(3)**	(3)	**(6)**	(6)
Administrative, general, financing and other expenses of the Corporation's headquarters	**(21)**	(21)	**(41)**	(48)
Gain (loss) from re-measurement to fair value of collar options(2)	**–**	(7)	**1**	(12)
Tax income (expenses) of the Corporation's headquarters	**(1)**	–	**–**	1
	58	49	**123**	481

(1) Includes the Corporation's share in a net capital gain, in the amount of $394 million, recorded by ICL as a result of completion of the transaction for of the Fire Safety and Oil Additives businesses in the first quarter of 2018.

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

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

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

As at June 30, 2019, the total financial liabilities of the Corporation and of the wholly owned and controlled headquarters companies (hereinafter – "the Headquarters Companies") amounted to about $1,315 million. The balance of the fair value of the options in the financial transaction (hereinafter – "the Collar Options") economically reduces the liabilities by about $4 million and, in addition, the balance of the fair value of the currency and interest SWAP transactions mainly in respect of the debentures, economically decreases the liabilities by about $13 million.

As at June 30, 2019, the Corporation had a long-term secured credit framework from banks, in the amount of $110 million. As at the date of the report, the said frameworks had not been utilized. Subsequent to the date of the report, in July 2019, the Corporation increased the frameworks to $160 million. For additional details – see Note 5A(1) to the Interim Consolidated Financial Statements.

As at the date of the report, the investments of the Corporation and of the Headquarters Companies in liquid assets amounted to about $254 million, which are invested in short-term deposits in financial institutions, of which about $8 million thereof is deposited as collateral in favor of a loan.

The net financial liabilities of the Corporation and of the Headquarters Companies as at the date of the report was about $1,044 million, compared with net debt balances of about $1,101 million and about $1,092 million, as at June 30, 2018 and as at December 31, 2018, respectively. As at the date of the report, the net financial liabilities of the headquarters companies standing alone amounted to about $141 million.

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

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

The balances of this loan, including accrued interest, as at June 30, 2019, June 30, 2018 and December 31, 2018, which is included in the Corporation’s net debt, amounted to about $26 million, $95 million and about $61 million, respectively.

In the period of the report, the Corporation and the Headquarters Companies repaid liabilities in the amount of $239 million, of which payment of principal of the debentures (Series 7, 10 and 11) (net of hedging transactions), in the amount of about $209 million, and made repayment of long-terms loans from banks, in the amount of $30 million. Subsequent to the date of the report, an agreement was signed with a bank for increase of the loan in additional $30 million and increase of the average life to 3 years.

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

In addition, from time to time, the Corporation and the Headquarters Companies extend the repayment dates of long-term loans. As at June 30, 2019, the average duration of the balance of the loans and debentures of the Corporation and the Headquarters Companies is about 2.5 years.

During the period of the report, the Corporation and the Headquarters Companies received dividends, net of tax, from ICL, in the amount of about $61 million.

Corporation’s credit rating

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

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

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

Subsequent to the date of the report, on July 8, 2019, S&P gave notice of reconfirmation of a rating of ilA/stable, with a stable rating outlook.

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

Pursuant to the Separate-Company Financial Information (Regulation 38D), as at June 30, 2019 the Corporation has a deficit in the working capital, in the amount of $39 million, compared with positive working capital, in the amount of $158 million, as at June 30, 2018 and positive working capital, in the amount of $128 million, as at December 31, 2018. The Corporation's Board of Directors determined that the existence of a deficit in the Corporation's working capital, as stated, does not indicate liquidity problem for the Corporation, taking into account, among other things, unutilized credit frameworks, in the amount of $160 million, and the financial transaction, with respect to which a physical settlement is being made.

The above information includes "forward-looking" information, which is based on the Corporation's estimates regarding the liquidity. The actual data may be significantly different than the above estimate if there is a change in one of the factors taken into account in these estimates.

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

ISRAEL CHEMICALS LTD.

#	4–6/2019		4–6/2018		1–6/2019		1–6/2018		2018	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
Sales	**1,425**	**–**	1,371	–	**2,840**	**–**	2,775	–	5,556	–
Gross profit	**508**	**36**	458	33	**1,009**	**36**	889	32	1,854	33
Operating income	**240**	**17**	172	13	**467**	**16**	1,157	42	1,519	27
Adjusted operating income (1)	**230**	**16**	188	14	**471**	**17**	339	12	753	14
Net income attributable to ICL's shareholders	**158**	**11**	101	7	**297**	**10**	1,029	37	1,240	22
Adjusted net income attributable to ICL's shareholders (1)	**151**	**11**	113	8	**301**	**11**	219	8	477	9
Adjusted EBITDA (2)	**340**	**24**	296	22	**690**	**24**	547	20	1,164	21
Cash flows from operating activities	**239**	**–**	164	–	**412**	**–**	200	–	620	–
Cash flows used for acquisition of property, plant and equipment and other assets (3)	**141**	**–**	121	–	**272**	**–**	248	–	572	–

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

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

ISRAEL CHEMICALS LTD. (Cont.)

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

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

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

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

ISRAEL CHEMICALS LTD. (Cont.)

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

	4–6/2019	4–6/2018	1–6/2019	1–6/2018	2018
			$ millions		
Operating income	**240**	172	**467**	1,157	1,519
Capital gain (1)	–	–	–	(841)	(841)
Impairment loss (reversal) on property, plant and equipment (2)	**(10)**	16	**(10)**	16	19
Provision for early retirement and dismissal of employees (3)	–	–	–	7	7
Provision for legal claims (4)	–	–	**14**	–	31
Provision for closure costs (5)	–	–	–	–	18
Total adjustments to operating income	**(10)**	16	**4**	(818)	(766)
Total adjusted EBITDA	**230**	188	**471**	339	753
Net income attributable to the shareholders of ICL	**158**	101	**297**	1,029	1,240
Total adjustments to operating income	**(10)**	16	**4**	(818)	(766)
Adjustments to financing expenses (6)	–	–	–	–	10
Total tax impact of the above operating income and financing expenses adjustments	**3**	(4)	–	8	(7)
Total adjusted net income attributable to the shareholders of ICL	**151**	113	**301**	219	477

(1) A capital gain recognized in 2018 from the sale of the Fire Safety and Oil Additives (P_2S_5) businesses.
(2) In 2019, due to an agreement for the sale of assets, a partial reversal of impairment loss related to assets in Germany which was incurred in 2015 (see Note 6B(5) to the financial statements). In 2018, a write-off of Rovita's assets following its divestment and a write-off of an intangible asset regarding a specific R&D project related to ICL's phosphate-based products.
(3) In 2018, a provision relating to the transition of the Company's facility in the UK (ICL Boulby) to sole production of Polysulphate®.
(4) In 2019 and 2018, an increase of the provision in connection with finalization of the royalties' arbitration in Israel relating to prior periods (see Note 6B(7) to the financial statements), which in 2018 was partly offset by a VAT refund relating to prior periods (2002–2015) in Brazil.
(5) In 2018, an increase of the restoration plan provision relating to the closure cost of the Sallent site in Spain.
(6) Interest and linkage expenses resulting from an increase of the provision related to the royalties' arbitration in Israel in 2018 (see Section 4 above).

Calculation of the adjusted EBITDA is made as follows:

	4–6/2019	4–6/2018	1–6/2019	1–6/2018	2018
			$ millions		
Net income attributable to ICL's shareholders	**158**	101	**297**	1,029	1,240
Depreciation and amortization	**109**	105	**220**	202	403
Financing expenses, net	**37**	54	**72**	69	158
Taxes on income	**46**	20	**97**	65	129
Adjustments*	**(10)**	16	**4**	(818)	(766)
Total adjusted EBITDA**	**340**	296	**690**	547	1,164

* See "Adjustments to reported operating and net income (Non-GAAP)" above.
** The total adjusted EBITDA for the second quarter and the first half of 2019 was positively impacted by $15M and $30M, respectively, as a result of lower lease expenses deriving from the initial application of IFRS 16. For further information, see note 2 to the financial statements.

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

ISRAEL CHEMICALS LTD. (Cont.)

Results of operations for the period April – June 2019

Sales:

	$ millions		
	Sales	**Expenses**	**Operating income**
Q2 2018 figures	1,371	(1,199)	172
Total adjustments Q1 2018 *	–	16	16
Adjusted Q2 2018 figures	1,371	(1,183)	188
Divested businesses	(9)	11	2
Adjusted Q2 2018 figures (less divested businesses)	1,362	(1,172)	190
Quantity	30	(18)	12
Price	67	–	67
Exchange rate	(34)	26	(8)
Raw materials	–	(9)	(9)
Energy	–	6	6
Transportation	–	4	4
Operating and other expenses	–	(32)	(32)
Adjusted Q2 2019 figures	**1,425**	**(1,195)**	**230**
Total adjustments Q2 2019 *	**–**	**10**	**10**
Q2 2019 figures	**1,425**	**(1,185)**	**240**

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

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

Quantity – the positive impact on the operating income resulted mainly from higher potash, phosphate fertilizers and bromine-based flame retardants quantities sold. This was partly offset by a decrease in acids, dairy proteins, phosphorus-based flame retardants and specialty agriculture products quantities sold.

Price – the positive impact on the operating income derives mainly from an increase in the selling prices of potash (an increase of $23 in the average realized price per ton compared to the corresponding quarter last year), phosphate fertilizers, phosphate-based acids, salts and food additives (as part of the "value over volume" strategy), together with a positive price impact throughout most of the Industrial Products segment's business-lines.

Exchange rate – the unfavorable impact on the operating income derives mainly from the devaluation in the average exchange rate of the euro and the Chinese yuan against the dollar decreasing revenue, partly offset by the devaluation in the average exchange rate of the euro, the Chinese yuan and the shekel against the dollar decreasing operational costs.

Raw materials – the negative impact on the operating income derives mainly from an increase in consumed sulphur prices, which increased the costs of the main raw materials used throughout the phosphate value chain, as well as higher costs of phosphoric acid acquired from external sources.

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

Operating and other expenses – the negative impact on the operating income derives mainly from higher operational costs, mainly due to the activation of the new salt plant in Spain, an increase in royalties and sales commissions and higher depreciation expenses.

ISRAEL CHEMICALS LTD. (Cont.)

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

Sales: (Cont.)

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

	4–6/2019		**4–6/2018**	
	$ millions	**%**	**$ millions**	**%**
Europe	**483**	**34**	523	38
Asia	**400**	**28**	333	24
South America	**237**	**17**	191	14
North America	**194**	**14**	215	16
Rest of the world	**111**	**7**	109	8
Total	**1,425**	**100**	1,371	100

Europe – the decrease derives mainly from a decrease in potash, phosphorus-based flame retardants and specialty agriculture products quantities sold, the impact of the divestiture of the Rovita business, together with the negative impact of the devaluation in the average exchange rate of the euro against the dollar. This was partly offset by an increase in quantities of green phosphoric acid sold.

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

South America – the increase derives mainly from an increase in the quantities sold and selling prices of potash and phosphate fertilizers, together with an increase in the quantities of clear brine fluids sold. The increase was partly offset by a decrease in the quantities of acids sold.

North America – the decrease derives mainly from a decrease in potash and specialty agriculture products quantities sold.

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

Financing expenses, net

The net financing expenses in the second quarter of 2019 amounted to $37 million, compared with net financing expenses of $54 million in the corresponding quarter last year – a decrease of $17 million.

Interest expenses, net of borrowing costs capitalized, increased in the amount of $7 million mainly due to IFRS 16 implementation and change in interest relating to provisions for long-term employee benefits. On the other hand, financing expenses decreased in the amount of $13 million mainly as a result of costs relating to early redemption of debentures in the second quarter of 2018. An additional decrease derives from the result of both net exchange rate differences and hedging transactions, in the amount of $11 million.

Tax expenses

The tax expenses in the three months ended June 30, 2019 and June 30, 2018, amounted to $46 million and $20 million, respectively, reflecting an effective tax rate of about 23% and 17%, respectively. ICL's relatively low tax rate in the corresponding quarter last year derives mainly from the devaluation of the Israeli shekel against the dollar during the corresponding quarter last year, which positively impacted the shekel tax obligations in the Israeli subsidiaries.

ISRAEL CHEMICALS LTD. (Cont.)

Results of operations for the period January – June 2019

Sales:

	$ millions		
	Sales	**Expenses**	**Operating income**
January – June 2018 figures	2,775	(1,618)	1,157
Total adjustments January – June 2018 *	–	(818)	(818)
Adjusted January – June 2018 figures	2,775	(2,436)	339
Divested businesses	(50)	47	(3)
Adjusted January – June 2018 figures (less divested businesses)	2,725	(2,389)	336
Quantity	40	(21)	19
Price	156	–	156
Exchange rate	(81)	74	(7)
Raw materials	–	(22)	(22)
Energy	–	16	16
Transportation	–	1	1
Operating and other expenses	–	(28)	(28)
Adjusted January – June 2019 figures	**2,840**	**(2,369)**	**471**
Total adjustments January – June 2019 *	**–**	**(4)**	**(4)**
January – June 2019 figures	**2,840**	**(2,373)**	**467**

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

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

Quantity – the positive impact on the operating income resulted mainly from higher potash, phosphate fertilizers, bromine-based industrial solutions and bromine-based flame retardants quantities sold. This was partly offset by a decrease in acids, dairy proteins, phosphorus-based flame retardants and specialty agriculture products quantities sold.

Price – the positive impact on the operating income derives mainly from an increase in the selling prices of potash (an increase of $28 in the average realized price per ton compared to the corresponding quarter last year), phosphate fertilizers, phosphate-based acids, salts and food additives (as part of the "value over volume" strategy), specialty agriculture products and a positive price impact throughout most of the Industrial Products segment's business-lines.

Exchange rate – the unfavorable impact on the operating income derives mainly from the devaluation in the average exchange rate of the euro and the Chinese yuan against the dollar decreasing revenue, partly offset by the devaluation in the average exchange rate of the euro, the Chinese yuan and the shekel against the dollar decreasing operational costs.

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

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

Operating and other expenses – the negative impact on the operating income derives mainly from higher operational costs, mainly due to the activation of the new salt plant in Spain, an increase in royalties and sales commissions and higher depreciation expenses.

ISRAEL CHEMICALS LTD. (Cont.)

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

Sales: (Cont.)

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

	1–6/2019		1–6/2018	
	$ millions	%	$ millions	%
Europe	**1,059**	**37**	1,106	40
Asia	**768**	**27**	667	24
North America	**456**	**16**	482	17
South America	**354**	**12**	310	11
Rest of the world	**203**	**8**	210	8
Total	**2,840**	**100**	2,775	100

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

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

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

South America – the increase derives mainly from an increase in the selling prices and quantities of phosphate fertilizers sold, quantities of clear brine fluids sold, together with an increase in the selling prices of potash. The increase was partly offset by a decrease in the quantities of acids sold.

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

Financing expenses, net

The net financing expenses in the six months ended June 30, 2019 amounted to $72 million, compared with net financing expenses of $69 million in the corresponding period last year – an increase of $3 million.

Interest expenses, net of borrowing costs capitalized, increased in the amount of $13 million mainly due to IFRS 16 implementation and change in interest relating to provisions for long-term employee benefits. On the other hand, the financing expenses decreased in the amount of $10 million, mainly as a result of costs relating to early redemption of debentures in the second quarter of 2018.

Tax expenses

The tax expenses in the six months ended June 30, 2019 and June 30, 2018, amounted to $97 million and $65 million, respectively, reflecting an effective tax rate of about 25% and 6%, respectively. ICL's low tax rate in the corresponding quarter last year derived mainly from exempt income from the divestiture of businesses. The tax rate in the six months ended June 30, 2019 was negatively affected by the upward revaluation of the shekel against the dollar during the period.

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

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments

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

Industrial Products

Significant highlights and business environment

– During the second quarter of 2019, elemental bromine prices in China moderately decreased compared to the first quarter of 2019, mainly due to the usual seasonal pattern, which is reflected in an increase in local production as the dry season in Shandong province begins. However, prices were significantly higher compared to the corresponding quarter last year.

– Market demand for bromine-based flame retardants continues to be stable. ICL's sales of bromine-based flame retardants were higher compared to the corresponding quarter last year, following increased production and sales of TBBA, which is mainly used in printed circuit boards.

– Clear brine fluids sales were lower compared to the corresponding quarter last year, mainly due to lower demand from drilling activity in the Gulf of Mexico and North Sea.

– Sales of phosphorus-based flame retardants moderately decreased, as higher prices partially compensated for lower sales volumes due to an increase in Chinese imports to Europe and the U.S. During May 2019, as part of the trade dispute between the U.S. and China, the U.S. imposed an additional 15% tariff on Chinese imports, following a 10% tariff imposed in September 2018.

– Sales of specialty minerals continued to be stable.

	4–6/2019	4–6/2018	1–6/2019	1–6/2018	2018
			$ millions		
Total sales	**336**	331	**686**	648	1,296
Sales to external customers	**333**	326	**680**	640	1,281
Sales to internal customers	**3**	5	**6**	8	15
Segment income (after allocation of administrative and general expenses)	**93**	81	**190**	147	300
Depreciation and amortization	**16**	16	**32**	31	63
Capital investments – impact of application of IFRS 16*	**–**	–	**6**	–	–
Capital investments – current	**11**	11	**24**	24	50

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

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

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Industrial Products (Cont.)

Results of operations for April – June 2019

	$ millions		
	Sales	**Expenses**	**Operating income**
Q2 2018 figures	331	(250)	81
Quantity	**(5)**	**4**	**(1)**
Price	**14**	**–**	**14**
Exchange rate	**(4)**	**3**	**(1)**
Raw materials	**–**	**(2)**	**(2)**
Energy	**–**	**–**	**–**
Transportation	**–**	**–**	**–**
Operating and other expenses	**–**	**2**	**2**
Q2 2019 figures	**336**	**(243)**	**93**

Quantity – the minor negative impact on the segment's operating income derives mainly from lower quantities of phosphorus-based flame retardants sold, partly offset by an increase in the quantities of bromine-based flame retardants sold.

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

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

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

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Industrial Products (Cont.)

Results of operations for January – June 2019

	$ millions		
	Sales	**Expenses**	**Operating income**
January – June 2018 figures	648	(501)	147
Quantity	**14**	**(1)**	**13**
Price	**34**	**–**	**34**
Exchange rate	**(10)**	**10**	**–**
Raw materials	**–**	**(4)**	**(4)**
Energy	**–**	**1**	**1**
Transportation	**–**	**(1)**	**(1)**
Operating and other expenses	**–**	**–**	**–**
January – June 2019 figures	**686**	**(496)**	**190**

Quantity – the positive impact on the segment's operating income derives mainly from an increase in bromine-based flame retardants and bromine-based industrial solutions quantities sold, largely clear brine fluids and elemental bromine.

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

Exchange rate – the devaluation in the average exchange rate of the euro against the dollar, which decreased the Company's revenue, was fully offset by the devaluation in the average exchange rate of the euro and the shekel against the dollar, which decreased operational costs.

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

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Potash

Significant highlights and business environment

– The Potash segment's sales increased by 25% and the operating income increased by more than 80% compared to the corresponding quarter last year, driven by an increase of 14% in potash sales volumes and 9% in the average realized price.

– The Grain Price Index increased towards the end of the second quarter of 2019, due to an increase in corn and wheat prices. This was mainly attributed to a significantly lower estimation of corn planting area in the U.S. during the 2019/2020 agricultural year, as a result of unfavorable weather conditions. In the USDA's WASDE (World Agricultural Supply and Demand Estimates) report published on July 11, 2019, the estimated grains stock-to-use ratio for the 2019/2020 agricultural year decreased to 29.4% compared to 30.4% for 2018/2019 and 31.2% for 2017/2018.

– Potash prices moderately decreased towards the end of the second quarter of 2019 due to lower demand in Brazil in light of low soybean prices and unfavorable weather conditions in the U.S. which impacted fertilizers application as well as lower Palm oil prices in Southeast Asia. High imports to China during the second quarter led to an increase in Chinese inventory levels.

– According to CRU (Fertilizer Week Historical Prices, June 2019) the average price of granular potash imported to Brazil in the second quarter of 2019 was $346 per ton (CFR Spot), a decrease of 1.5% compared to the first quarter of 2019 and an increase of 12.3% compared to the second quarter of 2018.

– According to Argus, potash imports to China in the first half of 2019 reached about 5.4 million tons, an increase of about 22% over the first half of 2018.

– According to the FAI (Fertilizer Association of India), potash imports to India in the first five months of 2019 amounted to 1.9 million tons, a decrease of 14% compared to the first five months of 2018.

– According to Brazil's customs data, potash imports to Brazil in the second quarter of 2019 reached more than 2.6 million tons, similar to the second quarter of 2018.

– The production rate of Polysulphate at ICL's Boulby mine doubled compared to the second quarter of 2018, reaching 136K tons. PotashpluS production amounted to 34K tons, following a successful commercial launch in the fourth quarter of 2018. Sales of FertilizerpluS in the second quarter of 2019 totaled $17 million, compared with $12 million in the second quarter of 2018.

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

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Potash (Cont.)

Significant highlights and business environment (Cont.)

– Demand for magnesium remains constrained in China, in light of the imposed duties on Chinese imports in Brazil and the U.S., and in Europe where prices are pressured further with relatively high Chinese imports. In the U.S., magnesium trade actions are being attributed with the resumption of domestic production, and consequent demand for raw materials by primary aluminum and steel producers and automotive original equipment manufacturers (OEMs). The aforementioned along with favorable economic conditions, led to an improvement in the U.S. magnesium market. However, in May 2019, the U.S. Department of Commerce (hereinafter – the Commerce Department) issued a preliminary determination to impose 7.48% duties over magnesium imports from Israel, starting May 2019. Subsequent to the date of the report, in July 2019, the Commerce Department issued a preliminary decision on antidumping duty, which applies from July 2019, at a rate of 193%. Final decisions are expected to be rendered during October 2019. The said duties imposed on Magnesium sales would not allow a competitive environment for ICL's continued Magnesium activity in the U.S. ICL has the ability to shift its Magnesium sales from the U.S, to other regions in which it operates. Nevertheless, ICL is considering all legal means at its disposal in order to ensure its continued operations in the U.S, including discussions with various government agencies to find economic alternatives. If the above preliminary decisions are not altered and/or no alternative understandings are reached, a negative effect on the results of ICL's activity is expected.

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

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

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Potash (Cont.)

Potash – Results of operations

	4–6/2019	4–6/2018	1–6/2019	1–6/2018	2018
			$ millions		
Total sales	**432**	346	**816**	699	1,623
Sales to external customers	**334**	274	**609**	546	1,280
Sales to internal customers	**28**	17	**51**	33	79
Other and eliminations*	**70**	55	**156**	120	264
Gross profit	**202**	140	**368**	275	696
Segment income (after allocation of administrative and general expenses)	**105**	56	**184**	99	315
Depreciation and amortization	**35**	35	**74**	69	141
Capital investments – impact of application of IFRS 16**	**–**	–	**95**	–	–
Capital investments – current	**89**	89	**153**	151	356
Average price (in dollars)***	**289**	266	**291**	263	278

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

** For further information regarding the impact of IFRS 16 implementation, see Note 3 to the consolidated interim financial statements.

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

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

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Potash (Cont.)

Potash – Production and sales

	4–6/2019	4–6/2018	1–6/2019	1–6/2018	2018
	Thousands of tons				
Production	**1,117**	1,346	**2,265**	2,506	4,880
Total sales (including internal sales)	**1,252**	1,096	**2,266**	2,202	4,895
Closing inventory	**384**	704	**384**	704	385

April – June 2019

Production – in the second quarter of 2019 potash production was 229 thousand tons lower than in the corresponding quarter last year. This was due to lower production at ICL Dead Sea, ICL Iberia and at ICL Boulby, following the shift from potash production to sole production of Polysulphate® in the second quarter of 2018.

Sales – the quantity of potash sold in the second quarter of 2019 was 156 thousand tons higher than in the corresponding quarter last year, mainly due to an increase in potash sales to China and Brazil, which was partly offset by lower sales to India.

January – June 2019

Production – in the first half of 2019 potash production was 241 thousand tons lower than in the corresponding period last year. This was due to lower production at ICL Dead Sea, ICL Iberia and at ICL Boulby, following the shift from Potash production to sole production of Polysulphate® in the second quarter of 2018.

Sales – the quantity of potash sold in the first half of 2019 was 64 thousand tons higher than in the corresponding period last year, mainly due to an increase in potash sales to China, which was partly offset by a decrease in sales to India and Brazil.

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

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Potash (Cont.)

Potash – Results of operations – April – June 2019

	$ millions		
	Sales	**Expenses**	**Operating income**
Q2 2018 figures	346	(290)	56
Quantity	**56**	**(29)**	**27**
Price	**35**	**–**	**35**
Exchange rate	**(5)**	**5**	**–**
Energy	**–**	**7**	**7**
Transportation	**–**	**2**	**2**
Operating and other expenses	**–**	**(22)**	**(22)**
Q2 2019 figures	**432**	**(327)**	**105**

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

Price – the positive impact on the segment's operating income derives from an increase in potash selling prices (an increase of $23 in the average realized price per ton compared to the corresponding quarter last year).

Exchange rate – the devaluation in the average exchange rate of the euro against the dollar, which decreased the Company's revenue, was fully offset by the devaluation in the average exchange rate of the euro and the British pound against the dollar, which decreased operational costs.

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

Operating and other expenses – the negative impact on the segment's operating income derives mainly from higher operational costs due to the activation of the new salt plant in Spain, the increase in royalties and sales commissions and higher depreciation expenses.

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

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Potash (Cont.)

Potash – Results of operations – January – June 2019

	$ millions			
	Sales	**Expenses**	**Operating income**	
January – June 2018 figures	699	(600)	99	
Quantity	**58**	**(38)**	**20**	⬆
Price	**71**	**–**	**71**	⬆
Exchange rate	**(12)**	**15**	**3**	⬆
Energy	**–**	**16**	**16**	⬆
Transportation	**–**	**1**	**1**	⬆
Operating and other expenses	**–**	**(26)**	**(26)**	⬇
January – June 2019 figures	**816**	**(632)**	**184**	

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

Price – the positive impact on the segment's operating income derives from an increase in potash selling prices (an increase of $28 in the average realized price per ton compared to the corresponding period last year).

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

Operating and other expenses – the negative impact on the segment's operating income derives mainly from higher operational costs due to the activation of the new salt plant in Spain, increase in royalties and sales commissions and higher depreciation expenses.

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

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Phosphate Solutions

Phosphate Solutions performance in the second quarter of 2019 was stable compared to the corresponding quarter last year, despite challenging market conditions in commodity phosphates. This is attributed to optimization of commodity fertilizers sales mix which moderated the impact of the market downturn, value-based pricing in specialty phosphates, backward integration and synergy realization.

Significant highlights and business environment

Global sales of Phosphate Specialties decreased by approximately 13% compared to the corresponding quarter last year to $276 million, or 11% compared to the corresponding quarter last year when excluding the Rovita business, which was divested in the third quarter of 2018. Sales of Dairy proteins volume declined as a result of required production alignment. Phosphate salts and acid sales were impacted by competitive markets in Europe as well as continuous challenging market conditions in South America. Sales continue to be unfavorably impacted by the devaluation of the euro and Chinese yuan against the US dollar.

– Phosphate acids' sales decreased compared to the corresponding quarter last year due to increased price pressure as well as lower sales volumes in Europe, as the lower MGA price environment is starting to show moderate impact on the WPA market, mainly in this region. In addition, sales volumes in South America decreased compared to the corresponding quarter last year due to increased Chinese imports, although they improved compared to the first quarter of 2019. North America was positively impacted by favorable market conditions, which allowed for higher pricing at moderate volume losses. In China, a favorable market environment contributed to stable sales volumes, while a production shortfall of a competitor led to increased market prices.

– Sales of phosphate salts decreased compared to the corresponding quarter last year, driven by lower volume, partly offset by higher prices.

– Global sales of Paints and Coatings decreased compared to the corresponding quarter last year due to lower volumes. Prior year volumes were extraordinarily high following customers' adjustment to a regulatory change in the European market.

– Dairy protein sales performance was lower compared to the second quarter last year as a result of an ongoing shift from milk commodities to value added ingredients and was impacted by required upgrades in production processes, resulting in temporary downtime of certain production lines. ICL continues to focus on developing organic dairy solutions for the infant food industry and on ongoing customer diversification.

– In July 2018, ICL divested and transferred the assets and business of Rovita GmbH, which produces milk proteins. In the second quarter of 2018, the business had sales of $9 million and an operating loss of $2 million.

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

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Phosphate Solutions (Cont.)

Significant highlights and business environment (Cont.)

See below the main highlights in Phosphate Commodities:

– Phosphate commodity revenues increased by 3% in the second quarter of 2019 compared to the second quarter of 2018, driven by optimization of fertilizers sales mix and higher sales volume. In addition, the YPH JV results improved significantly due to higher sales and production quantities as well as lower costs.

– During the second quarter of 2019, the downward trend in phosphate commodity prices continued due to low demand combined with abundant supply.

– In India, demand was negatively impacted by a decrease in the Maximum Retail Price (MRP), expectations for a decrease in the Nutrient Based Subsidy (NBS) rate for the 2019/2020 agricultural year and relatively low Monsoon rainfalls. In the U.S., demand was negatively impacted by unfavorable weather conditions, which resulted in fertilizer application delays.

– On the supply side, a group of Chinese DAP suppliers, representing approximately 70% of China's DAP capacity, agreed to production cuts of 0.8 to 1.0 million tons in the third quarter of 2019. On the other hand, Mosaic started to gradually bring its Brazilian mines back to operation, after conforming them to new regulations.

– According to CRU (Fertilizer Week Historical Prices, June 2019), Q2 2019 DAP average price (CFR India Spot) decreased by 7% and by 12% compared to Q1 2019 and Q2 2018, respectively to \$376/ton. Q2 2019 TSP average price (CFR Brazil Spot) decreased by 9% compared to Q1 2019 and by 5% compared to Q2 2018 to \$318/tonne. Q2 2019 SSP average price (CPT Brazil inland 18-20% P_2O_5 Spot) decreased by 4% compared to Q1 2019, and increased by 20% compared to Q2 2018 to \$229/ton.

– The phosphoric acid contract price (100% P_2O_5) signed between OCP (Morocco) and its Indian partners for Q3 2019 was set at \$655/ton, a decrease of \$73/ton compared to Q2 2019 price.

– Phosphate rock prices during the second quarter of 2019 were stable across most global spot markets. According to CRU (Fertilizer Week Historical Prices, June 2019) the average price for Q2 (FOB Morocco contract) was \$100/ton (68-72% BPL), 1.1% and 11.9% higher than Q1 2019 and Q2 2018, respectively.

– According to CRU (Fertilizer Week Historical Prices, June 2019) the average price of sulphur Bulk FOB Adnoc monthly contract in the second quarter of 2019 was \$104 per ton, a 9.7% decrease compared with the first quarter of 2019. This can be explained by the continuous decrease in phosphate fertilizers prices as well as a significant increase in inventories in China.

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

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Phosphate Solutions (Cont.)

Significant highlights and business environment (Cont.)

ICL Rotem

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

A. An emission permit under the Israeli Clean Air Act (the Law): In 2018, ICL conducted two risk assessments by external experts regarding the ability to execute all the clean air tasks required by the Law as per their approved timeline. The risk assessments focused on the technical and safety considerations arising from implementation of a large number of parallel projects in an industrial site. The assessments indicated that there is no operational feasibility to implement the full requirements of the Law within the timeline defined in the permit. ICL is holding discussions with the Ministry of Environmental Protection and the Ministry of Labor regarding approval of a possible extension to the implementation period of the permit requirements. Such extension has yet to be approved.

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

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

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

Based on the aforementioned, as at the date of the Report, ICL believes that the said approvals and permits will be granted. Notwithstanding the aforesaid, there is no certainty as to the receipt of such approvals and permits and/or the date of their receipt. Failure to obtain these approvals and permits and/or a significant delay in receiving them can lead to a material impact on the Company's business, financial position and results of operations. As at June 30, 2019, Rotem Israel employs more than 1,500 people, and the book value of its property, plant and equipment amounts to about $770 million.

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

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Results of operations – Phosphate Solutions

	4–6/2019	4–6/2018	1–6/2019	1–6/2018	2018
			$ millions		
Total sales	**518**	541	**1,055**	1,074	2,099
Sales to external customers	**496**	509	**1,010**	1,017	2,001
Sales to internal customers	**22**	32	**45**	57	98
Segment income (after allocation of administrative and general expenses)	**32**	31	**67**	59	113
Depreciation and amortization	**46**	49	**89**	91	172
Capital investments – impact of application of IFRS 16*	**6**	–	**109**	–	–
Capital investments – current	**55**	45	**95**	81	180

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

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

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Results of operations – Phosphate Solutions (Cont.)

Results of operations – April – June 2019

	$ millions			
	Sales	**Expenses**	**Operating income**	
Q2 2018 figures	**541**	**(510)**	**31**	
Divested businesses	(9)	11	2	
Q1 2018 figures (excluding divested businesses)	**532**	**(499)**	**33**	
Quantity	(16)	10	(6)	⬇
Price	19	–	19	⬆
Exchange rate	(17)	10	(7)	⬇
Raw materials	–	(6)	(6)	⬇
Energy	–	(2)	(2)	⬇
Transportation	–	2	2	⬆
Operating and other expenses	–	(1)	(1)	⬇
Q2 2019 figures	**518**	**(486)**	**32**	

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

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

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

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

Raw materials – the negative impact on the segment's operating income derives mainly from higher consumed sulphur prices, which increased the costs of the main raw materials used throughout the phosphate value chain, as well as higher costs of phosphoric acid acquired from external sources.

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

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Results of operations – Phosphate Solutions (Cont.)

Results of operations – January – June 2019

	$ millions		
	Sales	**Expenses**	**Operating income**
January – June 2018 figures	**1,074**	**(1,015)**	**59**
Divested businesses	(16)	19	3
Q1 2018 figures (excluding divested businesses)	**1,058**	**(996)**	**62**
Quantity	(8)	1	(7)
Price	43	–	43
Exchange rate	(38)	28	(10)
Raw materials	–	(13)	(13)
Energy	–	(2)	(2)
Transportation	–	1	1
Operating and other expenses	–	(7)	(7)
January – June 2019 figures	**1,055**	**(988)**	**67**

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

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

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

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

Raw materials – the negative impact on the segment's operating income derives mainly from higher consumed sulphur prices, which increased the costs of the main raw materials used throughout the phosphate value chain, as well as higher costs of phosphoric acid acquired from external sources.

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

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

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Innovative Ag Solutions

Significant highlights and business environment

– The segment's sales decreased compared to the corresponding quarter last year, mainly due to the devaluation of the euro against the dollar and unfavorable weather conditions, which resulted in fertilizer application delays.

– Sales of specialty agriculture products were negatively impacted compared to the corresponding quarter last year mainly by unfavorable dollar-euro exchange rates, adverse weather conditions in some key regions and low availability of ammonia and plant maintenance in Israel.

The decrease in sales volumes was partially offset by higher selling prices deriving from the segment's value initiatives, a recovery in the demand for liquid fertilizers in Israel after a prolonged winter, higher sales of straight soluble fertilizers in Europe and in the U.S. and liquid NPKs in Spain, as well as continuous growth in sales in emerging markets.

– Despite the negative impact of the exchange rates, sales of Turf and Ornamental products were stable compared to the corresponding quarter last year. This was driven by value initiatives and improved demand in Europe, mainly for water soluble NPKs and grass seeds.

Results of operations – Innovative Ag Solutions

	4–6/2019	4–6/2018	1–6/2019	1–6/2018	2018
			$ millions		
Total sales	**202**	212	**407**	433	741
Sales to external customers	**199**	209	**398**	420	719
Sales to internal customers	**3**	3	**9**	13	22
Segment income (after allocation of administrative and general expenses)	**12**	16	**25**	34	29
Depreciation and amortization	**5**	4	**10**	9	19
Capital investments – impact of application of IFRS 16*	1	–	8	–	–
Capital investments – current	**5**	4	**9**	5	15

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

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

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Innovative Ag Solutions (Cont.)

Results of operations – April – June 2019

	$ millions			
	Sales	**Expenses**	**Operating income**	
Q2 2018 figures	**212**	**(196)**	**16**	
Quantity	(4)	3	(1)	⬇
Price	1	–	1	⬆
Exchange rate	(7)	6	(1)	⬇
Raw materials	–	(2)	(2)	⬇
Energy	–	1	1	⬆
Transportation	–	–	–	⬄
Operating and other expenses	–	(2)	(2)	⬇
Q2 2019 figures	**202**	**(190)**	**12**	

Quantity – the minor negative impact on the segment's operating income derives mainly from specialty agriculture products, largely lower sales of traded materials by ICL.

Price – the minor positive impact on the segment's operating income derives mainly from an increase in the selling prices of specialty agriculture products.

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

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

ISRAEL CHEMICALS LTD. (Cont.)

Information regarding ICL's segments (Cont.)

Innovative Ag Solutions (Cont.)

Results of operations – January – June 2019

	$ millions		
	Sales	**Expenses**	**Operating income**
January – June 2018 figures	**433**	**(399)**	**34**
Quantity	(16)	11	(5)
Price	8	–	8
Exchange rate	(18)	16	(2)
Raw materials	–	(6)	(6)
Energy	–	1	1
Transportation	–	–	–
Operating and other expenses	–	(5)	(5)
January – June 2019 figures	**407**	**(382)**	**25**

Quantity – the negative impact on the segment's operating income derives mainly from specialty agriculture products, largely chemicals and traded materials by ICL.

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

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

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

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Net cash provided by operating activities:

In the second quarter of 2019, the cash flows provided by operating activities increased by $75 million compared with the corresponding quarter last year. This increase derives mainly from higher profits along with a decrease in working capital, cash received from derivative instruments and the application of IFRS 16. This increase was partly offset by higher interest, tax and royalties payments.

Net cash used in investing activities:

In the second quarter of 2019, the cash flows used in investing activities amounted to $143 million, similar to the corresponding quarter last year. The cash flow was impacted by an increase in cash used for investment in property, plant and equipment. This increase was offset by transaction expenses paid in the corresponding quarter last year regarding the sale of businesses in the first quarter of 2018.

Net cash used in financing activities:

In the second quarter of 2019, the cash flows used in financing activities decreased by $587 compared with the corresponding quarter last year. This decrease derives mainly from repayment of loans in the corresponding quarter last year, in the amount of $599 million, as a result of cash proceeds received from the sale of businesses in the first quarter of 2018.

Debt movement:

As at June 30, 2019, ICL's net financial liabilities amounted to $2,524 million, an increase of $312 million compared to December 31, 2018. The increase derives mainly from an increase of $301 million of long and short-term liabilities as a result of implementation of IFRS 16. For further information – see Note 3 to the consolidated interim financial statements.

The total amount of the securitization facility framework is $350 million. As at June 30, 2019, ICL had utilized approximately $340 million of the facility's framework. In addition, ICL has long-term credit facilities of $1,200 million, of which $200 million was utilized as at June 30, 2019.

Subsequent to the date of the report, on July 4, 2019, the credit rating agency S&P ratified ICL's international credit rating BBB– with a stable rating outlook. The credit rating agency S&P Ma'alot ratified ICLs credit rating, 'ilAA' with a stable rating outlook.

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

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

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

ISRAEL CHEMICALS LTD. (Cont.)

Critical accounting estimates

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

Board of Directors and members of senior management

An Extraordinary General Meeting ("EGM") of ICL's shareholders was held on May 29, 2019, approving the election of Mr. Yoav Doppelt as a Director, effective as of the date of the meeting, as well as Mr. Doppelt's compensation terms as ICL's new Executive Chairman of the Board. For further information regarding the equity compensation grant – see Note 5B to the consolidated interim financial statements. The EGM further approved a special bonus for 2018 for Mr. Johanan Locker, in the amount of NIS 480,000 (about $134,000).

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

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

Subsequent to the date of the report, on July 1, 2019, Mr. Yoav Doppelt entered into office as ICL's Executive Chairman of the Board.

Subsequent to the date of the report, in July 2019 Mr. Charles Weidhas informed ICL that he intends to retire from his position as ICL's Chief Operating Officer towards the end of the year. ICL formed a search committee that includes Mr. Weidhas to look for a successor.

Risk factors

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

Quantitative and qualitative exposures stemming from market risks

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

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

ISRAEL CHEMICALS LTD. (Cont.)

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

ISRAEL CHEMICALS LTD. (Cont.)

Legal proceedings

Derivative claims

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

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

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

For further information regarding legal proceedings and other contingent liabilities – see Note 6B to the consolidated interim financial statements as at June 30, 2019.

Other Information

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

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

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Set forth below is detail of the significant developments that occurred in ICL's business during the six months ended June 30, 2019, and up to the publication date of the report, which were not yet disclosed in the Periodic Report. This update relates to the section numbers that appeared in the Corporation's Periodic Report for 2018. It is noted that the terms in this section have the meanings intended for them in the Periodic Report, unless specifically indicated otherwise.

<u>Section 8.9 to the Periodic Report – Corporate Responsibility, Sustainability and Contributions</u>

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

<u>Section 8.22 to the Periodic Report – Business Strategy</u>

For details regarding ICL's undertaking with a third party relating to sale of assets that are not part of the core business – – see Note 6B(5) to the Interim Consolidated Financial Statements.

For details regarding the need to receive a number of approvals and permits in order to ensure the future of the phosphate mining activities at Rotem Israel – see the "Main Events and Business Environment" part of the "Phosphate Solutions" caption in the ICL Section of the Report of the Board of Directors above.

<u>Section 8.15 to the Periodic Report – Property, Plant and Equipment</u>

For additional details regarding sale of three of ICL's office buildings in Israel – see Note 6B(9) to the consolidated interim financial statements.

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

<u>Section 8.17 to the Periodic Report – Liquidity and Sources of Capital</u>

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

<u>Section 8.16 to the Periodic Report – Directors, Senior Management and Employees</u>

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

<u>Section 8.16 to the Periodic Report – Remuneration</u>

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

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Section 8.21 to the Periodic Report – Legal Proceedings

For an update regarding an interim decision of the U.S. Department of Commerce regarding Customs duties against anti-dumping and countervailing duties on imports of magnesium manufactured in Israel – see Note 6B(1) to the Interim Consolidated Financial Statements.

For an update regarding arbitration proceedings being carried on between a subsidiary of ICL in Spain and Akzo Nobel in connection with discontinuance of the partnership between them – see Note 6B(2) to the Interim Consolidated Financial Statements.

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

For an update regarding an appeal by the tax authorities in Belgium of the decision of the local District Court approving ICL's deduction of certain expenses – see Note 6B(4) to the Interim Consolidated Financial Statements.

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

For an update regarding completion of the arbitration proceedings in connection with the royalties matter in Israel – see Note 6B(7) to the Interim Consolidated Financial Statements.

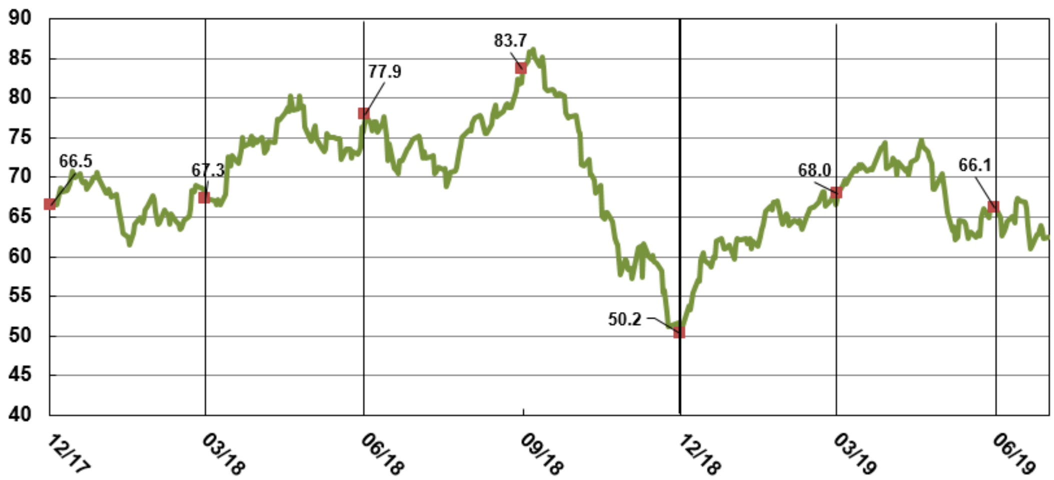
For an update regarding a National Site Plan (NSP 14B) that includes the Barir Field – see Note 6B(8) to the Interim Consolidated Financial Statements.

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

Bazan LTD.

The Fuels segment

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



Source: Roiters
[1] Data Brent

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

	4–6/2019	4–6/2018	Change	1–6/2019	1–6/2018	Change
Average price of Brent crude oil	**68.9**	74.4	(7%)	**66.0**	70.6	(7%)

– The sharp rise in the Brent price in the period of the report is mainly due to the continuation of OPEC's policy to reduce production and US sanctions on Iran and Venezuela. In the second quarter of 2019, the increase was halted due to concerns about the deterioration in the global economy, partially due to US-China trade war.

– Subsequent to the reporting date, the Brent traded between US$61 and US$67 per barrel, and close to publication of the Report, its price was set at US$61 per barrel.

– In the period of the report, and in particular, in the second quarter of 2019, there was an increase in the price of heavy crude oil in the Mediterranean region, including Ural (which is heavy crude oil). The price increase, in addition to the sanctions on Iran, was due to a temporary shortage in Ural as a result of pollution in the crude oil pipeline from Russia to Europe. Ural traded compared to the Brent in the reporting period and the second quarter of 2019 at a zero average discount, compared to an average discount of US$1.7 per barrel in the corresponding period last year.

– In the period of the report, the crude oil futures market curve was in a backwardation structure at an average of US$0.4 per month, similar to the corresponding period last year. In the second quarter of 2019, the backwardation in the futures market deepened to an average level of US$0.8 per barrel per month, compared with US$0.3 per barrel per month in the corresponding period last year. Subsequent to the Reporting Period, the backwardation weakened to an average of US$0.3 per barrel per month.

Bazan LTD. (Cont.)

Refining margins

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

	4–6/2019	4–6/2018	Change	1–6/2019	1–6/2018	Change
Reuters Ural margin	**1.7**	4.4	(2.7)	**2.6**	4.2	(1.6)
Bloomberg Average Ural margin	**3.4**	6.0	(2.6)	**3.9**	5.7	(1.8)

– In the period of the report, and in particular, in the second quarter of 2019, Ural margins were volatile and decreased sharply compared to the corresponding period last year. The decrease is mainly due to the increase in the price of crude oil, in particular, Ural, as explained above, and a relative decrease in margins of the distillates compared to the Brent (mainly gasoline), which is partially due to a decrease in demand due to the concerns of a deterioration in the global economy. Toward the end of the quarter, the Reuters and Bloomberg Ural margins began to increase significantly on the background of solving the supply problems in the crude oil pipeline from Russia to Europe and a positive macro-economic atmosphere based on the recovery of the financial markets.

– Subsequent to the date of the report and up to the approval date of the report, the Reuters and Bloomberg margins amounted to an average of US$5.5 and US$5.7 per barrel, respectively.

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

	4–6/2019	4–6/2018	Change		1–6/2019	1–6/2018	Change
Diesel (2)	**13.7**	15.1	(1.4)	Diesel	**15.4**	14.4	1
Gasoline (2)	**9.6**	11.4	(1.8)	Gasoline (1)	**6.8**	10.7	(3.9)
3.5% fuel oil (3)	**(7.4)**	(9.7)	2.3	3.5% fuel oil (3)	**(5.0)**	(9.9)	4.9

(1) The sharp decrease is mainly due to the decrease in demand and the increase in supply in the United States and the Persian Gulf region in the first quarter of 2019.

(2) The decrease is mainly due to a decrease in demand due to concerns about the deterioration in the global economy.

(3) The increase is mainly due to an increase in demand for cracking, industry, and maritime transport, alongside a reduction in the supply of heavy crude oils.

Bazan LTD. (Cont.)

Refining margins (Cont.)

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

	4–6/2019	1–3/2019	10–12/2018	7–9/2018	4–6/2018	1–3/2018
Transportation fuels	**1,981**	1,875	1,921	1,985	1,931	1,828
Other distillates	**651**	705	719	669	691	664
Total	**2,632**	2,580	2,640	2,654	2,622	2,492

Source: Ministry of National Infrastructures

* Consumption of transportation fuels (gasoline, diesel and kerosene) increased by 3% in the second quarter of 2019 compared to the corresponding period last year.

(1) Domestic consumption of distillates (transportation, industrial and heating fuels) rose by 2% compared to the corresponding period last year, and remained unchanged in the second quarter of 2019, compared to the corresponding period last year.

Refining volume

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

	4–6/2019	4–6/2018	1–6/2019	1–6/2018
Utilization of crude oil refining plants	**96%**	(1)95%	**95%**	(1)97%
Refining volume of heavy crude oil	**2,361**	2,322	**4,661**	4,756
Volume of heavy vacuum diesel processed	**226**	110	**507**	281
Total	**2,587**	2,432	**5,168**	5,037

In the period of the report, utilization of refining facilities was 95%, mainly due to the limited availability of crude oil at Bazan's facilities in the winter months in the first quarter of 2019. Nonetheless, total product output was higher than in the corresponding period last year.

(1) Utilization of the refining facilities had the periodic maintenance work in the second quarter of 2018 not been carried out (assuming utilization of 97% plus interim materials – 18.7 million barrels per quarter) was 99% and 97% in the period and in the corresponding quarter last year, respectively.

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

	4–6/2019	% of total	4–6/2018	% of total	1–6/2019	% of total	1–6/2018	% of total
Diesel	**971**	**38%**	881	37%	**2,013**	**40%**	1,815	37%
Gasoline	**362**	**14%**	340	14%	**695**	**14%**	719	15%
Kerosine	**244**	**10%**	213	9%	**402**	**8%**	379	8%
Crude oil	**477**	**19%**	473	20%	**942**	**19%**	1,053	21%
Petrochemical products [(1)]	**306**	**12%**	289	12%	**666**	**13%**	585	12%
Other [(2)]	**176**	**7%**	185	8%	**354**	**7%**	363	7%
Total	**2,536**	**100%**	2,381	100%	**5,072**	**100%**	4,914	100%

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

Bazan LTD. (Cont.)

Polymers Segment – Carmel Olefins

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

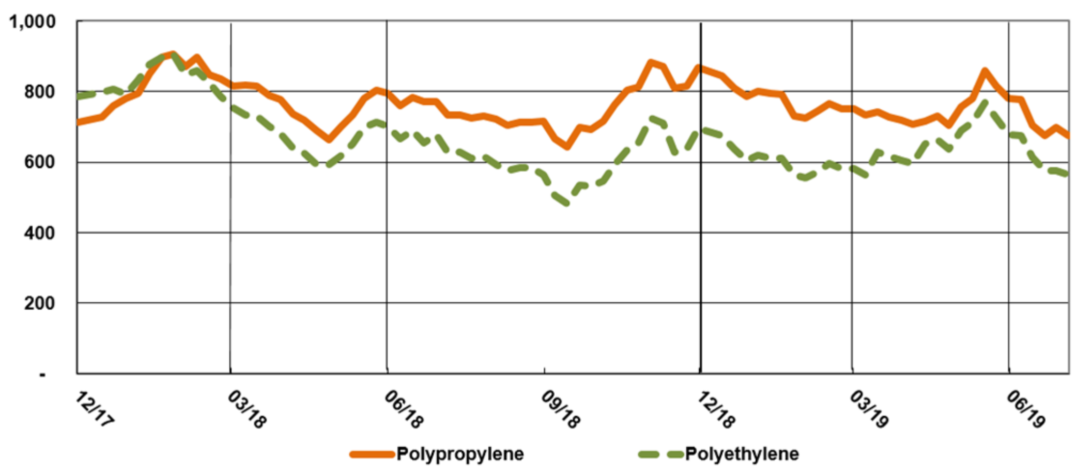
	4–6/2019	4–6/2018	Change	1–6/2019	1–6/2018	Change
Naphtha	**545**	645	(16%)	**531**	615	(14%)
Polypropylene	**1,300**	1,396	(7%)	**1,294**	1,406	(8%)
Polyethylene	**1,210**	1,307	(7%)	**1,162**	1,358	(14%)

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

– The prices of the polymers (polypropylene and polyethylene) decreased in the period of the report and in the second quarter of 2019 compared with the corresponding periods last year, parallel to the decrease in raw material and energy prices.

Margins

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



Source: ICIS

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

	4–6/2019	4–6/2018	Change	1–6/2019	1–6/2018	Change
Polypropylene	**755**	751	4	**763**	791	(28)
Polyethylene	**665**	662	3	**631**	743	(112)

– In the period of the report, and in the second quarter of 2019, there was no significant change in the difference between the average price of polypropylene and the average price of naphtha.

– 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, mainly due to the increase in production of polyethylene from shale oil products and natural gas, which have lower costs. In the second quarter of 2019, there was no material change.

Bazan LTD. (Cont.)

Polymers Segment – Carmel Olefins (Cont.)

Margins (Cont.)

Polymers Production Volume – Carmel Olefins (thousands of tons)

	4–6/2019	4–6/2018	1–6/2019	1–6/2018
Polymers	**132**	138	**271**	246

– The increase in volume of polymer production at Carmel Olefins in the period of the report is mainly due to planned maintenance work on the ethylene facility carried out in the first quarter of 2018, the lost profits from which are covered by insurance.

Results of operations

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

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

	4-6.2019	4-6.2018	Change	1-6.2019	1-6.2018	Change
Revenues	**1,686**	1,719	(2%)	**3,260**	3,365	(3%)
Reported EBITDA	**107**	192	(44%)	**255**	347	(27%)
Depreciation	**42**	43	(2%)	**84**	85	(1%)
Other expenses, net (1)	**3**	14	(79%)	**7**	12	(42%)
Operating profit	**62**	135	(54%)	**164**	250	(34%)
Financing expenses, net (2)	**29**	16	81%	**58**	42	38%
Income tax (3)	**4**	22	(82%)	**14**	37	(62%)
Net income	**29**	97	(70%)	**92**	171	(46%)
Fuel segment adjustments *	**(27)**	(41)		**(22)**	(77)	
Adjusted EBITDA	**80**	151	(47%)	**233**	270	(14%)
Adjusted operating profit	**35**	94	(63%)	**142**	173	(18%)
Net adjusted profit	**2**	56	(96%)	**70**	94	(26%)

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

Bazan LTD. (Cont.)

Polymers Segment – Carmel Olefins (Cont.)

Refining margins

Refining margin (US$ per barrel)

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

(*) As defined in the Board of Directors' Report of the Corporation for 2018 – Bazan section.

Results of operations for the period April – June 2019

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

Turnover of sales to external customers, by operating segment:

	Revenues (US$ millions)		Breakdown of sales		Average price of product mix (US$ per ton)	
	4–6/2019	4–6/2018	4–6/2019	4–6/2018	4–6/2019	4–6/2018
Adjustments Fuels Segment (1)	**1,341**	1,341	80%	78%	**577**	615
Carmel Olefins (2)	**165**	177	10%	10%	**1,276**	1,390
Ducor	**55**	62	3%	4%	**1,381**	1,507
Gadiv (3)	**116**	124	7%	7%	**800**	838
Adjustments and others	**9**	15	0%	1%		
Total consolidated income	**1,686**	1,719	100%	100%		

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

Bazan LTD. (Cont.)

Results of operations for the period April – June 2019 (Cont.)

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

	April–June	
	2019	2018
	$ millions	
Reported EBITDA in the Fuel's segment	**47**	127
Impacts of timing differences (1)	**(9)**	(33)
Impacts of adjustment of value of inventory to market value, net	**(19)**	(3)
Impacts of changes in fair value of derivatives and realizations	**1**	(5)
Total adjustments (2)	**(27)**	(41)
Adjusted EBITDA in the Fuel's segment	**20**	86
Bazan's refining margin – adjusted margin (US$ per ton)	**28.1**	56.7
Bazan's refining margin – adjusted margin (US$ per barrel)	**3.8**	7.8
Ural margin – Bloomberg Average Ural margin (US$ per barrel)	**1.7**	4.4
Ural margin – Reuters Ural margin (US$ per barrel)	**3.4**	6.0

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

In the second quarter of 2019, the increase in the Bazan margin over the Ural margins narrowed compared to the corresponding quarter last year, partly due to the volatile market environment, a decrease in the margins of distillates (mainly gasoline), along with the increase in heavy crude oil, including Ural, and the deepening of the backwardation (future market structure), and maintenance in the production facilities.

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

Net profit for the period 4–6/2018	97
Decrease in adjusted EBITDA	(71)
Change in adjustments	(14)
Decrease in depreciation expenses	1
Increase in financing expenses	(13)
Decrease in tax expenses	18
Other (1)	11
Net profit for the period 4–6/2019	**29**

(1) Mainly impairment in value recorded in Haifa Basic Oils in the second quarter of 2018.

Bazan LTD. (Cont.)

Results of operations for the period January – June 2019

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

Turnover of sales to external customers, by operating segment:

	Revenues (US$ millions)		Breakdown of sales		Average price of product mix (US$ per ton)	
	1–6/2019	**1–6/2018**	**1–6/2019**	**1–6/2018**	**1–6/2019**	**1–6/2018**
Adjustments Fuels Segment (1)	**2,542**	2,614	78%	78%	**552**	581
Carmel Olefins (2)	**354**	351	11%	11%	**1,255**	1,398
Ducor	**114**	117	3%	3%	**1,374**	1,511
Gadiv (3)	**228**	249	7%	7%	**772**	832
Others	**22**	34	1%	1%		
Total	**3,260**	3,365	100%	100%		

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

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

	January–June	
	2019	**2018**
	$ millions	
Reported EBITDA in the Fuel's segment	**135**	213
Impacts of timing differences (1)	**(14)**	(47)
Impacts of adjustment of value of inventory to market value, net	**(9)**	(19)
Impacts of changes in fair value of derivatives and realizations	**1**	(11)
Total adjustments (2)	**(22)**	(77)
Adjusted EBITDA in the Fuel's segment	**113**	136
Bazan's refining margin – adjusted margin (US$ per ton)	**42.2**	48.1
Bazan's refining margin – adjusted margin (US$ per barrel)	**5.8**	6.6
Ural margin – Bloomberg Average Ural margin (US$ per barrel)	**2.6**	4.2
Ural margin – Reuters Ural margin (US$ per barrel)	**3.9**	5.7

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

Bazan LTD. (Cont.)

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

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

Net profit for the period 1–6/2018	171
Decrease in adjusted EBITDA	(37)
Change in adjustments	(55)
Decrease in depreciation expenses	1
Increase in financing expenses	(16)
Decrease in tax expenses	23
Other (1)	5
Net profit for the period 1–6/2019	**92**

(1) Mainly impairment in value recorded in Haifa Basic Oils in the second quarter of 2018.

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

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

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

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

Bazan LTD. (Cont.)

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

4. Further to that stated in section 1.12.9 of the Annual Periodic Report regarding the study conducted by the National Economic Council and the inter-ministerial task force for reviewing the future of the Bazan Group in the Haifa Bay, in the period of the report several slides were presented to the Haifa Local Planning and Building Committee, though Bazan's plant is not within its jurisdiction, by the Haifa Municipality Chief Engineer, which Israel Lands Authority (ILA) permitted him to present and which refers to a plan prepared at the request of ILA and includes an area of 36,500 dunams, to be used for the construction of 83,000 housing units, 6,500 dunams for industrial/commercial use and 9,000 dunams for parks and open spaces. This, among other things, by evacuating all factories located in the area of the plan, including the Bazan Group plants. The Haifa Local Planning and Building Committee decided that "the Committee adopts the 'Innovation Valley' program and announces that this plan, which represents a historic change, will serve as the foundation for future development of the Bay... The Local Committee requests that the Government of Israel adopt this plan and implement it in the near future, with the cooperation of Government Ministries and the Local Authority". It is noted that this is not a statutory process or a decision that has statutory status. In addition, on June 13, 2019, Bazan received a report prepared by the consulting firm McKinsey for the National Economic Council on the future of the petrochemical industry in the Haifa Bay ("the Report"), according to a petition under the Freedom of Information Law, 1998, which it submitted to the Jerusalem District Court. For further information – see Note 5C(1) to the consolidated interim financial statements.

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

5. Further to that stated in Section 1.17.2.3 of the Annual Periodic Report regarding benzene measurements at monitoring stations in the Haifa area, in the period of the report the Ministry of Environmental Protection issued an administrative order to Bazan and Gadiv (hereinafter – "the Companies") for the prevention or reduction of air pollution, in which the Companies were required to install means for reducing emissions in their storage tanks that contribute significantly to benzene emissions, means to reduce emissions, and to replace equipment components through which benzene flows for components that comply with the best technique available, according to the time schedules set in the order, and where part of which do not coincide with Bazan's planned shutdown dates. Bazan is preparing to implement the requirements of the administrative order and is in contact with the Ministry of Environmental Protection on this matter. For further information about the hearing on this matter that was held for Bazan and Gadiv subsequent to the period of the report – see Note 6C(4) to the consolidated interim financial statements.

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

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

UPDATE REGARDING DESCRIPTION OF THE CORPORATION'S BUSINESS

Set forth below are significant updates and/or changes in the Corporation's business that occurred from the publication date of the of the Corporation's Annual Report for 2018 on March 22, 2019 and up to the publication date of this report[2]:

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

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

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

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

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

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

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

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

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[2] Update of the Corporation's business is prepared in accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 1970, and includes significant changes or new developments in the Corporation's business that occurred from the publication date of the Corporation's Annual Report for 2018 and up to the publication date of this report. Unless it is expressly determined otherwise or where the context of the matters requires otherwise, all the terms and expressions used in this report shall have the meaning existing for them in the Corporation's Periodic Report for 2018, which was published on March 19, 2019 (Ref. No. 2019-01-024244) (hereinafter – "the Periodic Report"). Every reference to an Immediate Report includes as part of this document all the information included in the Immediate Report as stated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. For a report with respect to the holdings of interested parties and officer of the Corporation – see the Corporation's Immediate Reports dated July 3, 2019 and July 4, 2019 (Ref. Nos. 2019-01-067756 and 2019-01-068479).

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

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

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 July 1, 2019 (Ref. No. 2019-01-066367).

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

On April 18, 2019, a summons was published for an extraordinary General Meeting of the Corporation's shareholders where on its Day's Agenda is approval of the service and employment conditions of Mr. Yoav Doppelt as the Corporation's designated CEO, and approval of granting a certificate of indemnity for an officer, for Mr. Johanan Locker. For additional details – see the Corporation's Immediate Report dated April 18, 2019 (Ref. No. 2019-01-038845). On May 20, 2019, the Corporation gave notice of cancellation of the summons of the said General Meeting, due to discussions held with the shareholders, and gave concurrent notice of summoning of a General Meeting on a new date. On May 22, 2019, a summons of a new General Meeting was published, as stated, and on June 16, 2019 a supplemental report summoning a General Meeting was published that included updates of discussions held with the Corporation's shareholders and with Antropi. For additional details – see the Corporation's Immediate Reports dated May 20, 2019, May 22, 2019 and June 16, 2019 (Ref. Nos. 2019-01-048274, 2019-01-049441 and 2019-01-059392, as applicable). On June 27, 2019, the General Meeting of the Corporation's shareholders approved the service and employment conditions of Mr. Doppelt as the Corporation's CEO. In addition, the Corporation gave notice of retracting the decision regarding granting of a letter of indemnification to Mr. Locker further to his notification that he will not commence serving as a director of the Corporation. For additional details – see the Corporation's Immediate Report dated June 27, 2019 (Ref. No. 2019-01-064945).

ADDITIONAL INFORMATION INCLUDED IN THE AUDITORS' REVIEW REPORT

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

Without qualifying our opinion as stated above, we direct attention to that stated in Note 6.C.2–5 regarding certain legal proceedings and other contingencies against Bazan and its subsidiaries, which in the estimation of the managements of the defendant companies, based on the opinion of their legal advisors, it is not possible to predict at this point the impact thereof on the financial statements, if any, and accordingly, no provision in respect thereof has been included in the financial statements.

Aviad Kaufman **Chairman of the Board of Directors**	**Yoav Doppelt** **CEO**

August 12, 2019

Israel Corporation Ltd.

Condensed Consolidated Interim Financial Statements

As at June 30, 2019

(Unaudited)

In Millions of U.S. Dollars

Israel Corporation Ltd.
Condensed Consolidated Interim Financial Statements
At June 30, 2019
Unaudited

Contents

	Page
Auditors' Review Report	2
Condensed Consolidated Interim Statements of Financial Position	3 – 4
Condensed Consolidated Interim Statements of Income	5
Condensed Consolidated Interim Statements of Comprehensive Income	6
Condensed Consolidated Interim Statements of Changes in Equity	7 – 9
Condensed Consolidated Interim Statements of Cash Flows	10 – 11
Notes to the Condensed Consolidated Interim Financial Statements	12 – 35

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Review Report of the Independent Auditors to the Shareholders of Israel Corporation Ltd.

Introduction

We have reviewed the accompanying financial information of Israel Corporation Ltd. and its subsidiaries comprising of the condensed consolidated interim statement of financial position as at June 30, 2019 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six-month and three-month periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of financial information for these interim periods in accordance with IAS 34 "*Interim Financial Reporting*", and are also responsible for preparation of financial information for these interim periods in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on financial information for these interim periods based on our review.

Scope of the Review

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

Conclusion

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

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

Emphasis of matter paragraph (drawing of attention)

Without qualifying our above-mentioned conclusion, we direct attention to that stated in Note 6.C.2-5 regarding certain legal proceedings and other contingencies against Bazan and its subsidiaries, which in the estimation of the managements of the defendant companies, based on the opinion of their legal advisors, it is not possible to predict at this point the impact thereof on the financial statements, if any, and accordingly, no provision in respect thereof has been included in the financial statements.

Somekh Chaikin
Certified Public Accountants (Isr.)

August 12, 2019

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Financial Position

	At June 30		At December 31
	2019	**2018**	**2018**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Assets			
Cash and cash equivalents	**164**	242	199
Short-term investments and deposits	**309**	515	478
Trade receivables	**1,071**	1,074	990
Inventories	**1,245**	1,208	1,290
Other receivables and debit balances, including derivative instruments	**316**	305	312
Total current assets	**3,105**	3,344	3,269
Non-Current Assets			
Investments in associated companies accounted for using the equity method of accounting	**628**	606	598
Investments measured at fair value through other comprehensive income	**173**	150	145
Derivative instruments	**53**	72	31
Deferred tax assets	**94**	114	122
Other non-current assets	**370**	373	356
Property, plant and equipment	**5,091**	4,597	4,710
Intangible assets	**859**	886	869
Total non-current assets	**7,268**	6,798	6,831
Total assets	**10,373**	10,142	10,100

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Financial Position

	At June 30		At December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Liabilities			
Credit from banks and others	**881**	936	916
Trade payables	**670**	777	715
Provisions	**37**	54	37
Other current liabilities, including derivative instruments	**587**	693	689
Total current liabilities	**2,175**	2,460	2,357
Non-Current Liabilities			
Debentures and long-term loans	**3,177**	3,230	3,066
Derivative instruments and other non-current liabilities	**37**	12	26
Provisions	**227**	200	229
Liabilities for deferred taxes	**358**	258	309
Long-term provisions for employee benefits	**546**	549	503
Total non-current liabilities	**4,345**	4,249	4,133
Total liabilities	**6,520**	6,709	6,490
Equity			
Share capital and premium	**326**	326	326
Capital reserves	**(186)**	(171)	(202)
Capital reserve in respect of transactions with controlling shareholder	**190**	190	190
Retained earnings	**1,197**	997	1,079
Total equity attributable to the owners of the Corporation	**1,527**	1,342	1,393
Holders of non-controlling interests	**2,326**	2,091	2,217
Total equity	**3,853**	3,433	3,610
Total liabilities and equity	**10,373**	10,142	10,100

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

Approval date of the financial statements: August 12, 2019

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Income

	Six Months Ended June 30		Three Months Ended June 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Sales	**2,840**	2,775	**1,425**	1,371	5,556
Cost of sales	**1,834**	1,889	**918**	915	3,707
Gross profit	**1,006**	886	**507**	456	1,849
Research and development expenses	**25**	29	**12**	15	55
Selling, transportation and marketing expenses	**391**	397	**196**	197	798
Administrative and general expenses	**131**	134	**66**	62	263
Other expenses	**21**	36	**5**	23	110
Other income	**(24)**	(859)	**(10)**	(4)	(868)
Operating income	**462**	1,149	**238**	163	1,491
Financing expenses	**189**	194	**78**	111	350
Financing income	**(80)**	(70)	**(21)**	(35)	(94)
Financing expenses, net	**109**	124	**57**	76	256
Share in income of associated companies accounted for using the equity method of accounting	**28**	54	**9**	30	56
Income before taxes on income	**381**	1,079	**190**	117	1,291
Taxes on income	**97**	63	**47**	19	95
Income for the period	**284**	1,016	**143**	98	1,196
Attributable to:					
Owners of the Corporation	**123**	481	**58**	49	549
Holders of non-controlling interests	**161**	535	**85**	49	647
Income for the period	**284**	1,016	**143**	98	1,196
Income per share attributable to the owners of the Corporation: (in dollars)					
Basic and diluted income per share	**16.06**	63.17	**7.43**	6.52	71.82

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Comprehensive Income

	For the				
	Six Months Ended June 30		Three Months Ended June 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Income for the period	**284**	1,016	**143**	98	1,196
Components of other comprehensive income (loss) that will be recognized in future periods in the statement of income					
Foreign currency translation differences in respect of foreign activities	**(1)**	(59)	**(1)**	(102)	(95)
Net change in fair value of cash flow hedges transferred to the statement of income	**(41)**	20	**(17)**	13	27
Effective portion of the change in fair value of cash flow hedges	**35**	(18)	**3**	(14)	(33)
Group's share in other comprehensive income (loss) of companies accounted for using the equity method of accounting	**4**	10	**(2)**	7	(2)
Taxes on income in respect of other components of other comprehensive (loss) income	**1**	–	**2**	–	–
Total	**(2)**	(47)	**(15)**	(96)	(103)
Components of other comprehensive income (loss) that will not be recognized in future periods in the statement of income					
Actuarial gains (losses) from defined benefit plans, net	**(31)**	56	**(17)**	8	56
Net change in investments measured at fair value through other comprehensive income	**29**	(59)	**(24)**	(57)	(58)
Share of the Group in other comprehensive income of investee companies accounted for using the equity method of accounting	–	2	–	1	3
Taxes on income in respect of other components of other comprehensive (loss) income	**(2)**	(9)	**1**	(1)	(3)
Total	**(4)**	(10)	**(40)**	(49)	(2)
Other comprehensive loss for the period, net of tax	**(6)**	(57)	**(55)**	(145)	(105)
Total comprehensive income (loss) for the period	**278**	959	**88**	(47)	1,091
Attributable to:					
Owners of the Corporation	**121**	462	**30**	(15)	499
Holders of rights non-controlling interests	**157**	497	**58**	(32)	592
Total comprehensive income (loss) for the period	**278**	959	**88**	(47)	1,091

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

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

	Attributable to the owners of the Corporation						Non-controlling interests	Total equity
	Share capital and premium	Translation reserve for foreign activities	Capital reserves	Capital reserve for transactions with controlling shareholder	Retained earnings	Total		
	(Unaudited)							
	$ millions							
For the six months ended June 30, 2019								
Balance at January 1, 2019 (audited)	**326**	**(196)**	**(6)**	**190**	**1,079**	**1,393**	**2,217**	**3,610**
Share-based payments in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**6**	**6**
Dividends to holders of non-controlling interests in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(73)**	**(73)**
Sale of shares of subsidiary while retaining control	**–**	**2**	**–**	**–**	**11**	**13**	**19**	**32**
Income for the period	**–**	**–**	**–**	**–**	**123**	**123**	**161**	**284**
Other comprehensive income (loss) for the period, net of tax	**–**	**(1)**	**15**	**–**	**(16)**	**(2)**	**(4)**	**(6)**
Balance at June 30, 2019	**326**	**(195)**	**9**	**190**	**1,197**	**1,527**	**2,326**	**3,853**
For the six months ended June 30, 2018								
Balance at January 1, 2018 (audited)	326	(157)	40	190	614	1,013	1,624	2,637
Impact of first-time application of IFRS 9	–	–	(14)	–	(5)	(19)	–	(19)
Balance at January 1, 2018 (audited)	326	(157)	26	190	609	994	1,624	2,618
Share-based payments in a subsidiary	–	–	–	–	–	–	13	13
Dividends to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	(63)	(63)
Dividends to equity holders	–	–	–	–	(120)	(120)	–	(120)
Sale of shares of subsidiary while retaining control	–	2	–	–	7	9	17	26
Issuance of shares of a subsidiary to holders of non-controlling interests	–	–	–	–	(3)	(3)	3	–
Income for the period	–	–	–	–	481	481	535	1,016
Other comprehensive income (loss) for the period, net of tax	–	(26)	(16)	–	23	(19)	(38)	(57)
Balance at June 30, 2018	326	(181)	10	190	997	1,342	2,091	3,433

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

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

	Attributable to the owners of the Corporation						Non-controlling interests	Total equity
	Share capital and premium	Translation reserve for foreign activities	Capital reserves	Capital reserve for transactions with controlling shareholder	Retained earnings	Total		
	(Unaudited)							
	$ millions							
For the three months ended June 30, 2019								
Balance at April 1, 2019 (unaudited)	**326**	**(196)**	**30**	**190**	**1,143**	**1,493**	**2,296**	**3,789**
Share-based payments in a subsidiary	–	–	–	–	–	–	**4**	**4**
Dividends to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	**(40)**	**(40)**
Sale of shares of subsidiary while retaining control	–	**1**	–	–	**3**	**4**	**8**	**12**
Income for the period	–	–	–	–	**58**	**58**	**85**	**143**
Other comprehensive loss for the period, net of tax	–	–	**(21)**	–	**(7)**	**(28)**	**(27)**	**(55)**
Balance at June 30, 2019	**326**	**(195)**	**9**	**190**	**1,197**	**1,527**	**2,326**	**3,853**
For the three months ended June 30, 2018								
Balance at April 1, 2018 (unaudited)	326	(137)	32	190	944	1,355	2,131	3,486
Share-based payments in a subsidiary	–	–	–	–	–	–	5	5
Dividends to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	(27)	(27)
Issuance of shares of a subsidiary to holders of non-controlling interests	–	–	–	–	(3)	(3)	3	–
Sale of shares of subsidiary while retaining control	–	1	–	–	4	5	11	16
Income for the period	–	–	–	–	49	49	49	98
Other comprehensive income (loss) for the period, net of tax	–	(45)	(22)	–	3	(64)	(81)	(145)
Balance at June 30, 2018	326	(181)	10	190	997	1,342	2,091	3,433

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

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

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

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Cash Flows

	For the Six Months Ended June 30		For the Three Months Ended June 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from operating activities					
Income for the period	**284**	1,016	**143**	98	1,196
Adjustments:					
Depreciation and amortization	**223**	205	**110**	107	408
Loss (reversal of loss) from impairment in value of property, plant and equipment	**(10)**	14	**(10)**	14	17
Financing expenses, net*	**115**	93	**44**	59	179
Share in income of associated companies accounted for using the equity method of accounting	**(28)**	(54)	**(9)**	(30)	(56)
Capital gains, net	**(12)**	–	**–**	–	–
Gain on sale of businesses	**–**	(841)	**–**	–	(841)
Share-based payment transactions	**6**	13	**4**	5	19
Loss (gain) from re-measurement to fair value of collar options	**(1)**	12	**–**	7	26
Taxes on income	**97**	63	**47**	19	95
	674	521	**329**	279	1,043
Change in inventories	**26**	(42)	**13**	–	(115)
Change in trade receivables	**(81)**	(172)	**1**	(96)	(101)
Change in trade payables	**(36)**	19	**45**	35	(34)
Change in other receivables*	**11**	11	**(15)**	(15)	(9)
Change in other payables*	**(97)**	10	**(67)**	31	100
Change in provisions and employee benefits	**1**	(51)	**–**	(25)	(66)
	498	296	**306**	209	818
Income taxes, net	**(69)**	(19)	**(35)**	10	(59)
Dividends received	**1**	21	**1**	–	23
Net cash provided by operating activities	**430**	298	**272**	219	782
Cash flows from investing activities					
Withdrawals from (investments in) long-term deposits	**1**	–	**–**	(10)	(13)
Proceeds from sale of property, plant and equipment	**35**	2	**–**	2	2
Short-term deposits and loans, net	**193**	26	**28**	(55)	55
Proceeds from sale of businesses, net of transactions costs	**–**	907	**–**	(24)	902
Acquisition of property, plant and equipment and intangible assets	**(272)**	(248)	**(141)**	(121)	(572)
Collection of long-term loans from related company	**–**	200	**–**	–	200
Interest received	**4**	42	**2**	1	47
Receipts from (payments for) derivative transactions not used for hedging, net	**26**	(25)	**2**	(29)	(46)
Net cash provided by (used in) investing activities	**(13)**	904	**(109)**	(236)	575

* Immaterial adjustment of comparative data.

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Cash Flows

	For the				
	Six Months Ended June 30		Three Months Ended June 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from financing activities					
Dividends paid to holders of non-controlling interests	**(73)**	(63)	**(40)**	(27)	(129)
Receipt of long-term loans and issuance of debentures	**407**	1,574	**167**	918	1,984
Repayment of long-term loans and debentures	**(659)**	(2,313)	**(195)**	(1,692)	(2,729)
Dividends paid to the owners of the Corporation	**–**	(120)	**–**	(120)	(120)
Short-term credit from banks and others, net	**(30)**	(82)	**(12)**	(19)	(108)
Receipts from (payments for) derivative transactions used for hedging, net	**–**	3	**(1)**	(1)	1
Interest paid	**(97)**	(106)	**(53)**	(48)	(195)
Net cash used in financing activities	**(452)**	(1,107)	**(134)**	(989)	(1,296)
Increase (decrease) in cash and cash equivalents	**(35)**	95	**29**	(1,006)	61
Cash and cash equivalents at beginning of the period	**199**	164	**135**	1,264	159
Cash and cash equivalents held as part of assets held for sale	**–**	–	**–**	–	5
Effect of exchange rate fluctuations on balances of cash and cash equivalents	**–**	(17)	**–**	(16)	(26)
Cash and cash equivalents at the end of the period	**164**	242	**164**	242	199

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

Note 1 – The Reporting Entity

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

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

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

Note 2 – Basis of Preparation of the Financial Statements

A. Declaration of compliance with International Financial Reporting Standards (IFRS)

The condensed consolidated interim financial statements were prepared in accordance with IAS 34, "Financial Reporting for Interim Periods" and do not include all of the information required in complete, annual financial statements. These statements should be read together with the financial statements for the year ended December 31, 2018 (hereinafter – "the Annual Financial Statements"). In addition, these financial statements were prepared in accordance with the provisions of Section D of the Securities Regulations (Periodic and Immediate Reports) 1970.

The condensed, consolidated, interim financial statements were approved for publication by the Corporation's Board of Directors on August 12, 2019.

B. Use of estimates and judgment

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

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

Note 3 – Significant Accounting Policies

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

First-time application of new accounting standards

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

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

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

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

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

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

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

On the initial application date, ICL recognized a lease liability in the amount of about $240 million in the "long-term debt" category and in the amount of about $60 million in the "short-term debt" category, according to the present value of the future lease payments discounted using ICL's borrowing rate at that date, and concurrently recognized a right-of-use asset in the same amount in the "property, plant and equipment" category. ICL's discount rates used for measuring the lease liability are in the range of 3% to 6%. Depreciation is calculated on a straight-line basis over the remaining contractual lease period.

In the first half of 2019, ICL recognized depreciation expenses in the amount of $25 million in respect of amortization of the right-of-use asset and finance expenses of $12 million in respect of the lease liability, in place of lease expenses in the amount of $30 million that would have been recorded according to the previous standard.

Note 3 – Significant Accounting Policies (Cont.)

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

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

Main Expedients the Company elected to adopt:

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

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

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

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

Note 4 – Information on Activity Segments

A. General

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

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

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

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

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

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

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

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

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

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

Note 4 – Information on Activity Segments (Cont.)

C. Information relating to Business Segments

	ICL	Bazan	Adjustments (1)	Total
	Unaudited			
	$ millions			
For the six months ended June 30, 2019				
Sales to external customers	**2,840**	**3,260**	**(3,260)**	**2,840**
EBITDA income (2)	**690**	**233**	**(236)**	**687**
Depreciation and amortization	**210**	**90**	**(87)**	**213**
Financing income	**(56)**	**(5)**	**(19)**	**(80)**
Financing expenses	**128**	**63**	**(2)**	**189**
Share in income of equity-accounted investees	**(1)**	**–**	**(27)**	**(28)**
Unusual or one-time expenses (income) and adjustments	**13**	**(21)**	**20**	**12**
	294	**127**	**(115)**	**306**
Income before taxes	**396**	**106**	**(121)**	**381**
Taxes on income	**97**	**14**	**(14)**	**97**
Income for the period	**299**	**92**	**(107)**	**284**
For the six months ended June 30, 2018				
Sales to external customers	2,775	3,365	(3,365)	2,775
EBITDA income (2)	547	270	(273)	544
Depreciation and amortization	216	91	(88)	219
Financing income	(47)	(22)	(1)	(70)
Financing expenses	116	64	14	194
Share in income of equity-accounted investees	(1)	–	(53)	(54)
Unusual or one-time income and adjustments	(826)	(71)	73	(824)
	(542)	62	(55)	(535)
Income before taxes	1,089	208	(218)	1,079
Taxes on income	65	37	(39)	63
Income for the period	1,024	171	(179)	1,016

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

Note 4 – Information on Activity Segments (Cont.)

C. Information relating to Business Segments (Cont.)

	ICL	Bazan	Adjustments (1)	Total
	Unaudited			
	$ millions			
For the three months ended June 30, 2019				
Sales to external customers	**1,425**	**1,686**	**(1,686)**	**1,425**
EBITDA income (2)	**340**	**80**	**(82)**	**338**
Depreciation and amortization	**99**	**45**	**(44)**	**100**
Financing income	**(12)**	**(2)**	**(7)**	**(21)**
Financing expenses	**49**	**31**	**(2)**	**78**
Share in income of equity-accounted investees	**(1)**	**–**	**(8)**	**(9)**
Unusual or one-time expenses (income) and adjustments	**1**	**(27)**	**26**	**–**
	136	**47**	**(35)**	**148**
Income before taxes	**204**	**33**	**(47)**	**190**
Taxes on income	**46**	**4**	**(3)**	**47**
Income for the period	**158**	**29**	**(44)**	**143**
For the three months ended June 30, 2018				
Sales to external customers	1,371	1,719	(1,719)	1,371
EBITDA income (2)	296	150	(151)	295
Depreciation and amortization	119	46	(44)	121
Financing income	(22)	(13)	–	(35)
Financing expenses	76	29	6	111
Share in income of equity-accounted investees	–	–	(30)	(30)
Unusual or one-time expenses (income) and adjustments	5	(31)	37	11
	178	31	(31)	178
Income before taxes	118	119	(120)	117
Taxes on income	20	22	(23)	19
Income for the period	98	97	(97)	98

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

Note 4 – Information on Activity Segments (Cont.)

C. Information relating to Business Segments (Cont.)

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

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

Note 4 – Information on Activity Segments (Cont.)

D. Sales based on Geographic Areas

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

	1–6/2019		1–6/2018		4–6/2019		4–6/2018		1–12/2018	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
China	**456**	**16**	330	12	**250**	**18**	164	12	848	15
Brazil	**313**	**11**	283	10	**215**	**15**	178	13	656	12
United States	**422**	**15**	443	16	**177**	**12**	198	14	903	16
Germany	**186**	**7**	208	7	**87**	**6**	104	8	365	7
United Kingdom	**205**	**7**	217	8	**83**	**6**	100	7	382	7
Israel	**132**	**5**	105	4	**77**	**5**	56	4	223	4
France	**123**	**4**	140	5	**64**	**4**	66	5	267	5
Spain	**133**	**5**	143	5	**60**	**4**	72	5	262	5
India	**101**	**4**	100	4	**58**	**4**	60	4	211	4
Austria	**62**	**2**	60	2	**30**	**2**	32	2	101	2
Other	**707**	**24**	746	27	**324**	**24**	341	26	1,338	23
Total	**2,840**	**100**	2,775	100	**1,425**	**100**	1,371	100	5,556	100

	Industrial products	Potash	Phosphate solutions	Innovative agricultural solutions	Other activities	Adjustments to the consolidated	Total consolidated
	$ millions						
For the six months ended June 30, 2019							
Europe	**257**	**236**	**379**	**214**	**16**	**(43)**	**1,059**
Asia	**209**	**268**	**236**	**63**	**–**	**(8)**	**768**
North America	**162**	**60**	**185**	**50**	**–**	**(1)**	**456**
South America	**22**	**162**	**160**	**10**	**–**	**–**	**354**
Rest of the world	**36**	**90**	**95**	**70**	**2**	**(90)**	**203**
Total	**686**	**816**	**1,055**	**407**	**18**	**(142)**	**2,840**
For the six months ended June 30, 2018							
Europe	250	253	386	226	32	(41)	1,106
Asia	196	186	231	61	1	(8)	667
North America	165	55	186	59	24	(7)	482
South America	10	149	142	8	2	(1)	310
Rest of the world	27	56	129	79	1	(82)	210
Total	648	699	1,074	433	60	(139)	2,775

Note 4 – Information on Activity Segments (Cont.)

D. Sales based on Geographic Areas (Cont.)

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

	Industrial products	Potash	Phosphate solutions	Innovative agricultural solutions	Other activities	Adjustments to the consolidated	Total consolidated
				$ millions			
For the three months ended June 30, 2019							
Europe	**122**	**99**	**177**	**101**	**8**	**(24)**	**483**
Asia	**110**	**147**	**113**	**33**	**–**	**(3)**	**400**
North America	**71**	**14**	**88**	**22**	**–**	**(1)**	**194**
South America	**12**	**127**	**93**	**5**	**–**	**–**	**237**
Rest of the world	**21**	**45**	**47**	**41**	**1**	**(44)**	**111**
Total	**336**	**432**	**518**	**202**	**9**	**(72)**	**1,425**
For the three months ended June 30, 2018							
Europe	124	116	186	111	10	(24)	523
Asia	102	92	113	29	–	(3)	333
North America	83	18	88	26	–	–	215
South America	6	94	87	3	–	–	191
Rest of the world	16	26	67	43	1	(43)	109
Total	331	346	541	212	11	(70)	1,371
For the year ended December 31, 2018							
Europe	473	459	719	362	49	(92)	1,970
Asia	399	519	481	105	2	(18)	1,488
North America	347	107	405	103	24	(8)	978
South America	21	408	264	21	1	(3)	712
Rest of the world	56	130	230	150	3	(161)	408
Total	1,296	1,623	2,099	741	79	(282)	5,556

Note 5 – Additional Information

A. The Corporation and the headquarters companies

1. On February 4, 2019, the Corporation signed a secured credit framework with a bank, in the amount of $50 million. The secured credit framework is for a period of three years from the date it was received. Subsequent to the date of the report, in July 2019, the Corporation signed, with respect, to an expansion of the credit framework in the further amount of $50 million, and extended the period of the total credit framework ($100 million) to three years from the date of the expansion thereof. The agreements include various limitations, including continued control of the Corporation by its present controlling shareholders and continued control by the Corporation of ICL, along with a cross-default mechanism. The credit agreements also include various other causes of action as are customary in credit agreements. The Corporation committed to provide collateral in the form of marketable shares of ICL in order to withdraw money from the credit framework.

2. Further to that stated in Note 10.B to the annual financial statements, during the period of the report the Corporation continued making a "physical settlement" pursuant to the terms of the Financial Transaction, and as a result, during the period of the report, the number of shares held by the Corporation declined by a total of about 5,717 thousand shares, and as at June 30, 2019, the rate of the Corporation's holdings in ICL's issued share capital was about 46.2%, compared with 46.6% at the beginning of the year. As at the date of the report, the balance of the shares remaining under the "physical settlement" was about 4.2 million shares, and the balance of the period of the Financial Transaction is three months. As a result of the decline in the rate of holdings, the Corporation recognized an increase in the non-controlling interests, in the amount of about $20 million, and at the same time an increase in the retained earnings, in the amount of about $11 million, and an increase in the translation reserve, in the amount of about $2 million, stemming from the difference between the "physical settlement" plus closing out of the derivative that stood against it, and the increase in the non-controlling interests. Subsequent to the date of the report, up to August 12, 2019, closing out of the Financial Transaction was completed with reference to an additional quantity of about 2,288 thousand shares of ICL by means of a "physical settlement" and the rate of the Corporation's holdings in ICL's issued share capital as at the aforesaid date was about 46.0%.

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

   a. The Corporation's minimum shareholders' equity may not drop below $360 million. The actual amount as at the date of the report was $1,527 million.

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

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

Note 5 – Additional Information (Cont.)

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

4. Subsequent to the date of the report, on July 8, 2019, S&P Maalot reconfirmed the Company's rating of ilA/stable, with a stable rating outlook.

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

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

According to the New LTI Plan: (1) only ICL's top management (including the CEO and the Executive Chairman of the Board) will be entitled to long-term incentive ("LTI") awards in the form of equity ; (2) the LTI awards will be granted once every three years with a grant value reflecting a triennial grant, as opposed to an annual grant with a fixed value as in previous plans; (3) the entire LTI awards will be granted in options, instead of half options and half restricted shares as in previous plans; (4) the vesting period of the options will be in two equal tranches, with half of the options vesting upon the lapse of 24 months from the grant date and half upon the lapse of 36 months from the grant date, as opposed to a vesting period of three equal annual tranches (upon the lapse of 12 months, 24 months and 36 months from the grant date).

<table>
<tr><th>Grant date</th><th>Entitled# officers</th><th>Number of instruments (millions)</th><th>Issuance details</th><th>Instrument terms</th><th>Vesting conditions</th><th>Expiration date</th></tr>
<tr><td>April 15, 2019</td><td>18 officers and senior managers of ICL</td><td>13.2</td><td rowspan="3">An issuance of non-marketable and non-transferrable options, for no consideration, under the amended 2014 Equity Compensation Plan.</td><td rowspan="3">Upon exercise, each option may be converted into one ordinary share of NIS 1 par value of ICL.</td><td rowspan="2">2 equal tranches: (1) one half at the end of 24 months after the grant date; and (2) one half at the end of 36 months after the grant date.</td><td rowspan="2">5 years from the date of the grant.</td></tr>
<tr><td>June 27, 2019</td><td>ICL's CEO</td><td>3.5</td></tr>
<tr><td>May 29, 2019 (issued on July 1, 2019)*</td><td>Chairman of ICL's Board of Directors</td><td>2.2</td><td>2 equal tranches: (1) one half at the end of 24 months after the issuance date; and (2) one half at the end of 36 months after the issuance date.</td><td>5 years from the date of the issuance.</td></tr>
</table>

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

Note 5 – Additional Information (Cont.)

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

Additional Details	April 15, 2019	May 29, 2019	June 27, 2019
Share price*	NIS 19.35 ($5.43)	NIS 19.12 ($5.29)	NIS 18.72 ($5.21)
CPI-linked exercise price*	NIS 19.21 ($5.39)	NIS 19.30 ($5.32)	NIS 18.72 ($5.21)
Expected volatility	27.76%	28.00%	28.10%
Expected life of options (in years)	4.375	4.375	4.375
Risk-free interest rate	–0.67%	–0.60%	–0.70%
Total fair value	$15.9 million	$2.5 million	$4 million
Dividend – exercise price	Reduced on the "ex-dividend" date by the amount of the dividend per share		

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

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

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

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

Note 5 – Additional Information (Cont.)

C. Bazan Ltd. (hereinafter – "Bazan")

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

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

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

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

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

   The highlights of the Report are as follows:

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

   b. The Report does not include any recommendation.

   c. The drafters of the Report noted that:

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

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

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

Note 5 – Additional Information (Cont.)

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

1. (Cont.)

c. (Cont.)

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

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

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

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

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

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

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

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

Note 5 – Additional Information (Cont.)

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

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

   The highlights of the Agreement are set forth below:

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

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

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

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

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

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

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

Note 5 – Additional Information (Cont.)

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

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

Condensed data regarding the interim statement of position:

	June 30 2019	June 30 2018	December 31 2018
	(Unaudited)	(Unaudited)	(Audited)
		$ millions	
Country of Incorporation		ISRAEL	
Rate of ownership rights*	**33.00%**	33.05%	33.01%
Current assets	**1,584**	1,745	1,391
Non-current assets	**2,412**	2,443	2,424
Current liabilities	**(1,133)**	(1,211)	(1,014)
Non-current liabilities	**(1,443)**	(1,644)	(1,481)
Total net assets (100%)	**1,420**	1,333	1,320

Condensed data regarding the interim statement of income:

	For the six months ended June 30 2019	For the six months ended June 30 2018	For the three months ended June 30 2019	For the three months ended June 30 2018	For the year ended December 31 2018
	(Unaudited)		(Unaudited)		(Audited)
			$ millions		
Revenues	**3,260**	3,365	**1,686**	1,719	6,676
Income for the period , net	**92**	171	**29**	97	187
Other comprehensive income (loss)	**9**	31	**(7)**	18	2
Total comprehensive income	**101**	202	**22**	115	189

Note 6 – Contingent Liabilities, Commitments and Concessions

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

A. The Corporation

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

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

(3) Further to that stated in Note 20B(1)(c) to the annual financial statements, a hearing on the proofs was scheduled for May 2019. Dates have been scheduled for submission of summations by the parties.

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

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

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

(7) Further to that stated in Note 20B(1)(h) to the annual financial statements, a preliminary hearing in the case was scheduled for September 16, 2019.

B. ICL

(1) Note 20B(2) to the annual financial statements provides disclosure regarding the petition filed in the U.S. requesting to impose antidumping and countervailing duties on imports of magnesium from Israel. In May 2019, the U.S. Department of Commerce (hereinafter – "the Commerce Department") issued a preliminary determination to impose 7.48% duties over magnesium imports from Israel, starting May 2019. Subsequent to the date of the report, in July 2019, the Commerce Department issued a preliminary decision regarding antidumping duty, which applies from July 2019, at the rate of 193%. Final decisions are expected to be rendered during October 2019. The said duties imposed on Magnesium sales would not allow a competitive environment for ICL's continued Magnesium activity in the U.S. ICL has the ability to shift its Magnesium sales from the U.S, to other regions in which it operates. Nevertheless, ICL is considering all legal means at its disposal in order to ensure its continued operations in the U.S, including discussions with various government agencies to find economic alternatives. If the above preliminary decisions are not altered and/or no alternative understandings are reached, a negative effect on the results of ICL's activity is expected.

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

B. ICL (Cont.)

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

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

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

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

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

B. ICL (Cont.)

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

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

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

(9) ICL signed sale agreements for three of its office buildings located in Be'er Sheva, Israel, for a total consideration of $27 million, which were thereafter leased back to ICL. As a result, in accordance with IFRS16, in the first quarter of 2019, ICL recognized a capital gain of $11 million and a deferred gain of $8 million which was deducted from the right-to-use asset (reduction in future depreciation expenses). As a result, Israel Corporation wrote off excess cost in an immaterial amount.

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

C. Bazan

(1) Further to Note 20B(3)(k) to the Annual Financial Statements, in the period of the report, the court validated the settlement agreement between the Bazan Group companies and the Municipality of Haifa, whereby in the second quarter of 2019, the Group paid the amount of NIS 85 million (about US$23 million), in exchange for a final and complete settlement of the payment demands for the sewage levy amounting to NIS 170 million (at the dates of the original demands – 2010), including all linkage differentials and interest and cancellation of the demands for payment of the water pipeline installation levy issued by the water and sewage corporation Mei Carmel, in the total amount of about NIS 90 million (at the dates of the original demands – 2014), while reserving the right of Mei Carmel to issue a demand for payment based on the installation fee method – water only (but not a water pipeline installation levy), and reserving all the rights, grounds and claims of the parties, without derogating from the right of the Bazan Group to raise any possible claim against any such demands, should there be any such demands. Since the settlement amount is fully reflected in the Annual Financial Statements, that stated does not affect the results of the Group's activities in the period of the report.

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

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

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

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

C. Bazan (Cont.)

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

(5) As detailed in Note 20B(3)(a)-(d) to the Annual Financial Statements, there are legal, administrative and other proceedings, including civil claims and warnings, against Group companies regarding environmental quality. An indictment was filed against Bazan and four managers, following a fire in an intermediate materials storage tank on Bazan's premises in 2016. Various warnings were received from the Ministry of Environmental Protection for alleged violations of the emission permits, poisons permits, and personal orders issued to them relating to air quality, including claims of non-compliance with maximum emission values, failure to perform various actions on time, and failure to comply with procedures of the Ministry of Environmental Protection. The Ministry of Environmental Protection is investigating a number of issues against Bazan, Carmel Olefins and Gadiv (including as detailed in Section 2 above), and in some of the investigations, also against managers who served at the dates relevant to the investigation of the companies, including for alleged violations of the personal orders and emissions permits issued to the companies at the dates on which they were valid and/or due to malfunctions in their facilities. For some of these proceedings, in the estimation of the managements of Bazan and its subsidiaries, based on the opinion of their legal counsel, that, at this stage, it is not possible to assess their impact, if any, on the financial statements as at June 30, 2019. Accordingly, Bazan included provisions in its books in amounts that are not significant, which reflect its proper estimate of the amounts that will be paid with a probability of more than 50%, while with respect to proceedings the impact of which cannot presently be estimated, as stated above, no provisions regarding this matter were included in the financial statements.

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

C. Bazan (Cont.)

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

Note 7 – Financial Instruments

Fair value

(1) Fair value compared with book value

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

Note 7 – Financial Instruments (Cont.)

Fair value (Cont.)

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

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

	As at					
	June 30, 2019		June 30, 2018		December 31, 2018	
	Book value	Market value	Book value	Market value	Book value	Market value
	Unaudited		Unaudited		Audited	
	Millions of dollars					
Debentures	**2,573**	**2,743**	2,765	2,824	2,729	2,770
Long-term loans from financial institutions	**398**	**407**	588	595	501	504

(2) Hierarchy of fair value

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

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

	June 30 2019	June 30 2018	December 31 2018
	(Unaudited)	(Unaudited)	(Audited)
	Book Value		
	$ millions		
Assets			
Investments measured at fair value through other comprehensive income* (1)	**173**	–	–
Investments measured at fair value through other comprehensive income* (2)	**–**	150	145
Derivatives used for accounting hedge (2)	**51**	19	11
Derivatives used for economic hedge (2)	**17**	68	34
Call (put) options on ICL shares (collar) (3)	**4**	27	8
	245	264	198
Liabilities			
Derivatives used for accounting hedge (2)	**12**	11	20
Derivatives used for economic hedge (2)	**12**	29	25
	24	40	45

(1) Level 1.
(2) Level 2.
(3) Level 3.
* Investment in 15% of the share capital of YTH, which was subject to a three-year lock-up period as required by Chinese law, which expired in January 2019. In light of the expiration, the investment is presented at Level 1, in accordance with its quoted market price.

Note 7 – Financial Instruments (Cont.)

Fair value (Cont.)

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

The following table presents a reconciliation between the opening balance and the closing balance with respect to Call (Put) option on ICL shares at fair value at Level 3 in the fair value hierarchy:

	For the Six Months Ended June 30		For the Three Months Ended June 30		Year Ended December 31
	2019	**2018**	**2019**	**2018**	**2018**
	Unaudited		**Unaudited**		**Audited**
	Millions of dollars				
Opening balance	**8**	47	**7**	38	47
Closing of financial transaction*	**(5)**	(10)	**(3)**	(5)	(15)
Settlement in respect of dividend adjustment component	–	2	–	1	2
Total losses recognized in the statement of income:					
Realized	–	(2)	–	(1)	(2)
Unrealized	**1**	(10)	–	(6)	(24)
Closing balance	**4**	27	**4**	27	8

* See Note 5.A.5

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

Foreign currency risks

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

2. On January 1, 2019, ICL designated several swap contracts as an accounting hedge. These transactions, which include principal and interest of the debentures (Series E) and a loan from Harel Insurance Company Ltd., entitle ICL to receive fixed shekel interest against a liability to pay dollar interest at a fixed rate. For further information relating to the debentures (Series E) and the loan from Harel Insurance Company Ltd. – see Note 16E to the Annual Financial Statements. ICL designated the spot component of the exchange rate swap contracts for hedging the currency risk in the cash flows of the said debt balances. ICL applies a 1:1 hedging ratio. The main source of ineffectiveness in these hedging ratios is the impact of ICL's and the counterparty's credit risk on the fair value of the swap contracts. As at the execution date of the hedge transaction, the total balance of the hedged instruments amounted to $486 million.

Israel Corporation Ltd.

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

As at June 30, 2019

(Unaudited)

Israel Corporation Ltd.
Condensed Separate Information provided in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970
As at June 30, 2019
Unaudited

Contents

	Page
Special Report of the Auditors' with respect to Separate-Company Financial Information	2
Condensed Interim Statement of Financial Position Information	3 – 4
Condensed Interim Statement of Income Information	5
Condensed Interim Statement of Comprehensive Income Information	6
Condensed Interim Statement of Cash Flows Information	7 – 8
Additional Information to the Condensed Interim Separate-Company Financial Information	9

Somekh Chaikin
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To the Shareholders of Israel Corporation Ltd.

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

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970 of Israel Corporation Ltd. (hereinafter – "the Company") as at June 30, 2019 and for the six-month and three-month periods then ended. The separate interim financial information is the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

Scope of the Review

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

Conclusion

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

Emphasis of matter paragraph (drawing of attention)

Without qualifying our above-mentioned conclusion, we direct attention to that stated in Note 6.C.2-5 to the Company's consolidated financial statements regarding certain legal proceedings and other contingencies against Bazan and its subsidiaries, which in the estimation of the managements of the defendant companies, based on the opinion of their legal advisors, it is not possible to predict at this point the impact thereof on the financial statements, if any, and accordingly no provision in respect thereof has been included in the financial statements.

Somekh Chaikin
Certified Public Accountants (Isr.)

August 12, 2019

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

	At June 30		At December 31
	2019	**2018**	**2018**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Assets			
Cash and cash equivalents	**27**	87	77
Short-term deposits	**219**	427	379
Other receivables and debit balances	**1**	7	6
Derivative instruments	**11**	22	9
Total current assets	**258**	543	471
Non-Current Assets			
Investments in investee companies	**2,226**	2,146	2,155
Loans to wholly-owned subsidiaries	**211**	207	200
Other assets	**4**	5	14
Derivative instruments	**18**	31	16
Total non-current assets	**2,459**	2,389	2,385
Total assets	**2,717**	2,932	2,856

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

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

	At June 30		At December 31
	2019	**2018**	**2018**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Liabilities			
Current maturities in respect of non-current liabilities	**283**	320	306
Other payables and credit balances	**10**	60	29
Derivative instruments	**4**	5	8
Total current liabilities	**297**	385	343
Non-Current Liabilities			
Debentures and long-term loans	**883**	1,195	1,102
Derivative instruments	**8**	8	16
Long-term balances	**2**	2	2
Total non-current liabilities	**893**	1,205	1,120
Total liabilities	**1,190**	1,590	1,463
Equity			
Share capital and premium	**326**	326	326
Capital reserves	**(186)**	(171)	(202)
Capital reserve for transactions with controlling shareholder	**190**	190	190
Retained earnings	**1,197**	997	1,079
Total equity attributable to the owners of the Corporation	**1,527**	1,342	1,393
Total liabilities and equity	**2,717**	2,932	2,856

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

Approval date of the financial statements: August 12, 2019

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

Israel Corporation Ltd.

Condensed Interim Separate-Company Financial Information as at June 30, 2019

Condensed Interim Statements of Income Information

	For the				
	Six Months Ended June 30		Three Months Ended June 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Administrative and general expenses	**4**	3	**2**	1	7
Other expenses (income), net	**(2)**	2	**(1)**	6	16
Operating loss	**(2)**	(5)	**(1)**	(7)	(23)
Financing expenses	**58**	74	**27**	32	129
Financing income	**(24)**	(24)	**(9)**	(13)	(39)
Financing expenses, net	**34**	50	**18**	19	90
Share in income of investee companies, net	**159**	535	**77**	75	630
Income before taxes on income	**123**	480	**58**	49	517
Tax benefit	**–**	(1)	**–**	–	(32)
Income for the period attributable to the owners of the Corporation	**123**	481	**58**	49	549

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

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at June 30, 2019
Condensed Interim Statements of Comprehensive Income Information

	For the Six Months Ended June 30		For the Three Months Ended June 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Income for the period attributable to the owners of the Corporation	**123**	481	**58**	49	549
Components of other comprehensive income (loss) that will be recognized in future periods in the statement of income					
Effective portion of the change in fair value of cash flow hedges	**14**	(18)	**1**	(14)	(33)
Net change in fair value of cash flow hedges transferred to the statement of income	**(16)**	20	**(7)**	13	27
Other comprehensive income (loss) in respect of investee companies, net	**3**	(19)	**(4)**	(43)	(45)
Total	**1**	(17)	**(10)**	(44)	(51)
Components of other comprehensive income (loss) that will not be recognized in future periods in the statement of income					
Other comprehensive loss in respect of investee companies, net	**(3)**	(2)	**(18)**	(20)	1
Total	**(3)**	(2)	**(18)**	(20)	1
Other comprehensive loss for the period, net of tax	**(2)**	(19)	**(28)**	(64)	(50)
Total comprehensive income (loss) for the period attributable to the owners of the Corporation	**121**	462	**30**	(15)	499

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

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at June 30, 2019
Condensed Interim Statements of Cash Flows Information

	For the				
	Six Months Ended June 30		Three Months Ended June 30		Year Ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from operating activities					
Income for the period attributable to the owners of the Corporation	**123**	481	**58**	49	549
Adjustments:					
Financing expenses, net	**34**	50	**18**	19	90
Share in income of investee companies, net	**(159)**	(535)	**(77)**	(75)	(630)
Loss (gain) on re-measurement to fair value of Collar options	**(1)**	12	**–**	7	26
Tax benefit	**–**	(1)	**–**	–	(32)
	(3)	7	**(1)**	–	3
Change in receivables	**–**	(7)	**(1)**	(1)	(7)
	(3)	–	**(2)**	(1)	(4)
Income tax paid, net	**(11)**	(1)	**–**	(1)	(3)
Dividends received	**59**	75	**34**	23	129
Net cash provided by operating activities	**45**	74	**32**	21	122
Cash flows from investing activities					
Short-term deposits and loans, net	**182**	23	**31**	(65)	62
Investments in long-term deposits	**–**	–	**–**	–	(10)
Collection of long-term loan from related company	**–**	200	**–**	–	200
Collection of long-term loans from investee companies	**–**	86	**–**	–	86
Interest received	**3**	43	**1**	1	46
Receipts (payments) in respect of settlement of derivatives for economic hedging, net	**1**	2	**–**	–	(2)
Net cash provided by (used in) investing activities	# **186**	# 354	**32**	(64)	382

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

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at June 30, 2019
Condensed Interim Statements of Cash Flows Information

	For the Six Months Ended June 30		Three Months Ended June 30		Year Ended December 31
	2019	**2018**	**2019**	**2018**	**2018**
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from financing activities					
Dividends paid	**–**	(120)	**–**	(120)	(120)
Receipt of long-term loans and issuance of debentures	**–**	238	**–**	–	238
Repayment of long-term loans and debentures	**(247)**	(464)	**(53)**	(193)	(514)
Interest paid	**(33)**	(50)	**(14)**	(20)	(84)
Receipts (payments) for settlement of derivatives used for hedging, net	**(1)**	3	**(2)**	(1)	1
Net cash used in financing activities	**(281)**	(393)	**(69)**	(334)	(479)
Net increase (decrease) in cash and cash equivalents	**(50)**	35	**(5)**	(377)	25
Cash and cash equivalents at the beginning of the period	**77**	54	**32**	466	54
Effect of exchange rate fluctuations on balances of cash and cash equivalents	**–**	(2)	**–**	(2)	(2)
Cash and cash equivalents at the end of the period	**27**	87	**27**	87	77

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

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at June 30, 2019
Additional Information

General

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

In this separate-company interim financial information:

A. The Corporation – Israel Corporation Ltd.

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

C. Bazan – Bazan Ltd. and its subsidiaries.

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

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

Additional Information

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

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

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

Israel Corporation Ltd.

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

As at June 30, 2019

(Unaudited)

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

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

For this purpose, the members of management are:

Yoav Doppelt, CEO;

Sagi Kabla, CFO

Maya Alscheich-Kaplan, In-House Counsel and Corporation Secretary;

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

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

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

In the Annual Report regarding the effectiveness of the internal control over the financial reporting and the disclosure, which was attached to the Periodic Report for the period ended December 31, 2018 (hereinafter – "the Latest Annual Report regarding the Internal Control"), the Board of Directors and Management evaluated the Corporation's internal control; based on this evaluation, the Corporation's Board of Directors and Management reached the conclusion that the internal control as stated, as at December 31, 2018, is effective.

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

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

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

Management Representation

Declaration of the CEO

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

I, Yoav Doppelt, declare that:

(1) I have examined the interim financial statements of Israel Corporation Ltd. (hereinafter – "the Corporation") as at June 30, 2019 (hereinafter – "the Statements").

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

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

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

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

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

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

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

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

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

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

August 12, 2019

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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 June 30, 2019 (hereinafter – "the Statements").

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

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

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

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

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

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

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

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

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

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

August 12, 2019

Sagi Kabla, CFO