Israel Corporation Ltd.

Condensed Consolidated Interim Financial Statements

As at September 30, 2018

(UNAUDITED)

Contents

Report of the Corporation's Board of Directors

For the Nine-Month and Three-Month Periods Ended September 30, 2018

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

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

This Directors' Report is submitted as part of the interim financial statements for the period ended September 30, 2018 (hereinafter – "the Interim Consolidated Financial Statements"). The report was prepared in accordance with the Securities Law (Periodic and Immediate Reports), 1970, and on the assumption that the reader is also in possession of the interim financial statements for the period ended September 30, 2017, and the Periodic Report for 2017.

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

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

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

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

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

5. On July 9, 2018, S&P Maalot gave notice of confirmation of the Corporation's rating of ilA/stable, with a stable rating outlook.

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

6. For details regarding the Corporation's liabilities – see the Immediate Report regarding the total liabilities based on repayment date that was published on November 15, 2018 (Reference No. 2018-01-109083). The information included therein is presented in this Report by means of references.

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

FINANCIAL POSITION AND RESULTS OF OPERATIONS

– The total sales for the three-month and nine-month periods ended September 30, 2018 amounted to about $1,371 million and about $4,146 million, respectively, compared with about $1,440 million and about $4,057 million, respectively, in the corresponding periods last year.

– The total net income attributable to the owners of the Corporation for the three-month and nine-month periods ended September 30, 2018 amounted to about $20 million and about $501 million, respectively, compared with net income attributable to the owners of the Corporation of about $42 million and about $54 million, respectively, in the corresponding periods last year. The income in the period of the report includes the Corporation's share in a net capital gain, in the amount of $394 million, recorded by ICL, due to completion of the transaction for sale of the Fire Safety and Oil Additives businesses during the first quarter.

– The total assets, as at September 30, 2018, amounted to about $10,040 million, compared with about $10,594 million, as at September 30, 2017, and compared with about $10,395 million, as at December 31, 2017.

– The current assets net of current liabilities, as at September 30, 2018 amounted to about $827 million, compared with about $948 million as at September 30, 2017, and compared with about $1,062 million, as at December 31, 2017.

– The balance of the non-current assets, as at September 30, 2018 amounted to about $6,822 million, compared with about $7,147 million as at September 30, 2017, and compared with about $6,851 million, as at December 31, 2017.

– The non-current liabilities, as at September 30, 2018, amounted to about $4,084 million, compared with about $5,570 million, as at September 30, 2017, and compared with about $5,276 million, as at December 31, 2017.

– The total equity as at September 30, 2018 amounted to about $3,565 million and the total equity attributable to the owners of the Corporation amounted to about $1,363 million, compared with total equity of $2,525 million and total equity attributable to the owners of the Corporation of $934 million as at September 30, 2017, and compared with total equity of about $2,637 and total equity attributable to the owners of the Corporation of about $1,013 million as at December 31, 2017.

Set forth below are the results of operations of the Group companies for the period July – September 2018 (for an analysis of the results of ICL and ORL – see their separate sections below):

– ICL finished the third quarter of 2018 with income of about $129 million, compared with income of about $84 million in the corresponding quarter last year.

– ORL finished the third quarter of 2018 with income of about $16 million, compared with income of about $92 million in the corresponding quarter last year. The third quarter of 2017 included the impact of early application of IFRS 9 (2013), which was not applied by Israel Corporation. Without the impact of early application of IFRS 9 (2013) in the corresponding quarter last year, ORL would have finished the third quarter of 2017 with income of about $72 million.

FINANCIAL POSITION AND RESULTS OF OPERATIONS (Cont.)

Set forth below are the results of operations of the Group companies for the period January – September 2018 (for an analysis of the results of ICL and ORL – see their separate sections below):

– ICL finished the period of the report with income of about $1,158 million, compared with income of about $209 million in the corresponding period last year. The income in the period of the report includes a net capital gain, in the amount of $829 million, as a result of completion of the transaction for sale of the Fire Safety and Oil Additives businesses during the first quarter.

– ORL finished the period of the report with income of about $187 million, compared with income of about $183 million in the corresponding period last year. The corresponding period last year included the impact of early application of IFRS 9 (2013), which was not applied by Israel Corporation. Without the impact of early application of IFRS 9 (2013) in the corresponding period last year, ORL would have finished the first nine months of 2017 with income of about $169 million.

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

	Three months ended September 30		Nine months ended September 30	
	2018	**2017**	**2018**	**2017**
	$ Millions			
ICL	**60**	40	(1)**549**	100
ORL(2)	**4**	24	**61**	60
Amortization of excess cost	**(3)**	(3)	**(9)**	(10)
Administrative, general, financing and other expenses of the Corporation's headquarters	**(25)**	(24)	**(73)**	(77)
Gain (loss) from re-measurement to fair value of collar options(3)	**(17)**	5	**(29)**	(15)
Tax income (expenses) of the Corporation's headquarters	**1**	–	**2**	(4)
	20	42	**501**	54

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

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

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

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

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

As at September 30, 2018, the total financial liabilities of the Corporation and of the wholly owned and controlled headquarters companies (hereinafter – "the Headquarters Companies") amounted to about $1,656 million. The balance of the fair value of the options in the financial transaction (hereinafter – "the Collar Options") economically reduces the liabilities by about $7 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 $18 million.

As at the date of the report, the investments of the Corporation and of the Headquarters Companies in liquid assets amounted to about $521 million, which are invested in short-term deposits in financial institutions, of which about $15 million thereof is deposited as collateral in favor of a loan. Subsequent to the date of the report, the Corporation released about $8 million that was deposited as security for a loan, as part of early repayment of a loan, in the amount of about $50 million. For details – see Note 5A(6) to the Interim Consolidated Financial Statements.

The net financial liabilities of the Corporation and of the Headquarters Companies as at the date of the report were about $1,110 million, compared with net debt balances of about $1,246 million and about $1,279 million as at December 31, 2017 and as at September 30, 2017, respectively. As at the date of the report, the net financial liabilities of the headquarters companies standing alone amounted to about $141 million.

In September 2014, the Corporation entered into a financial transaction with financial entities, in connection with 36.2 million shares of ICL, which were loaned to the financial entities. As part of the transaction, the financial entities provided the Corporation with an initial amount of about $191 million, which is essentially a loan. Closing of the financial transaction is being executed in increments during a period of three years, commencing from the end of 2016. Accordingly, and subject to the terms of the financial transaction, during the period of the report, the Corporation chose not to receive return of the transaction shares and it was credited for their value against payment of the loans and the interest accrued (hereinafter – "the Physical Settlement"). For additional details – see Note 16E(1)(j) to the annual financial statements. The balances of this loan, including accrued interest, as at September 30, 2018, September 30, 2017 and December 31, 2017, which is included in the Corporation's net debt, amounted to about $82 million, $148 million and about $128 million, respectively.

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

In the period of the report, the Corporation and the Headquarters Companies repaid liabilities in the amount of $553 million, of which payment of principal of the debentures (Series 7) (net of hedging transactions), in the amount of about $160 million, and early repayment of long-terms loans from banks, in the amount of $393 million. For additional details – see Note 5A(6) to the consolidated interim financial statements. Subsequent to the date of the report, the Corporation made early repayment of a loan, in the amount of $50 million (for details see Note 5A(6) to the consolidated interim financial statements) and signed an agreement with a bank for provision of a secured credit framework, in the amount of $60 million, for a period of two years commencing from signing date of the agreement, which may be used for loans for up to 3 years from signing date of the agreement. For additional details – see Note 5A(9) to the consolidated interim financial statements.

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

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

Corporation's credit rating (Cont.)

In addition, from time to time, the Corporation and the Headquarters Companies extend the repayment dates of long-term loans. As at the date of the report, the average duration of the balance of the loans and debentures of the Corporation and the Headquarters Companies is about 2.9 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 $80 million, and the Corporation received dividends from ORL, in the amount of about $21 million (there was no tax liability).

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

Corporation's credit rating

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

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

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

ISRAEL CHEMICALS LTD.

	7–9/2018		7–9/2017		1–9/2018		1–9/2017		2017	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
Sales	**1,371**	**–**	1,440	–	**4,146**	**–**	4,057	–	5,418	–
Gross profit	**458**	**33**	470	33	**1,347**	**32**	1,243	31	1,672	31
Operating income	**196**	**14**	180	13	**1,353**	**33**	440	11	629	12
Adjusted operating income*	**200**	**15**	215	15	**539**	**13**	484	12	652	12
Net income attributable to ICL's shareholders	**129**	**9**	84	6	**1,158**	**28**	209	5	364	7
Adjusted net income attributable to ICL's shareholders*	**134**	**10**	115	8	**353**	**9**	247	6	389	7
Adjusted EBITDA (1)	**295**	**22**	314	22	**842**	**20**	783	19	1,059	20
Cash flows from operating activities	**196**	**–**	176	–	**396**	**–**	570	–	847	–
Cash flows used for acquisition of property, plant and equipment and other assets	**145**	**–**	98	–	**393**	**–**	317	–	457	–

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

	7–9/2018	7–9/2017	1–9/2018	1–9/2017	2017
	$ millions				
Net income attributable to ICL's shareholders	**129**	84	**1,158**	209	364
Depreciation and amortization	**94**	97	**296**	286	390
Financing expenses, net	**23**	36	**92**	99	124
Taxes on income	**45**	62	**110**	145	158
Adjustments*	**4**	35	**(814)**	44	23
Total adjusted EBITDA	**295**	314	**842**	783	1,059

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

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

ISRAEL CHEMICALS LTD. (Cont.)

Adjustments to the operating income and the reported net income

	7–9/2018	7–9/2017	1–9/2018	1–9/2017	2017
			$ millions		
Operating income	**196**	180	**1,353**	440	629
Capital gain (1)	**–**	–	**(841)**	(6)	(54)
Impairment of assets (2)	**3**	18	**19**	18	32
Provision for early retirement and dismissal of employees (3)	**–**	–	**7**	15	20
Provision for legal claims (4)	**1**	17	**1**	17	25
Total adjustments to operating income	**4**	35	**(814)**	44	23
Total adjusted EBITDA	**200**	215	**539**	484	652
Net income attributable to the shareholders of ICL	**129**	84	**1,158**	209	364
Total adjustments to operating income	**4**	35	**(814)**	44	23
Adjustments to financing expenses (5)	**3**	3	**3**	3	–
Total tax impact of the above operating income and financing expenses adjustments	**(2)**	(7)	**6**	(9)	(4)
Tax assessment and deferred tax adjustments (6)	**–**	–	**–**	–	6
Total adjusted net income attributable to the shareholders of ICL	**134**	115	**353**	247	389

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

(2) Impairment in value and write-down of assets. In 2018, write-off of Rovita's assets following its divestment and write-off of an intangible asset regarding a specific ICL R&D project related to ICL's phosphate-based products. In 2017, relating to impairment of an intangible asset in Spain, write-down of an investment in Namibia and impairment of assets in China and the Netherlands.

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

(4) Provision for legal claims. In 2018, an increase of a provision in connection with prior periods in respect of royalties' arbitration in Israel, which was mostly offset by a VAT refund related to prior periods in Brazil (2002–2015). In 2017, a judgment relating to a dispute with the National Company for Roads in Israel regarding damage caused to bridges by Dead Sea Works, a decision of the European Commission concerning past grants received by a subsidiary in Spain, claims for damages related to the contamination of the water in certain wells at the Suria site in Spain, a provision in connection with prior periods in respect of royalties' arbitration in Israel, reversal of the provision for retroactive electricity charges in connection with prior periods and settlement of the dispute with Great Lakes (a subsidiary of Chemtura Corporation).

(5) Interest and linkage expenses. In 2018, increase of a provision related to the royalties' arbitration in Israel (see also above) and in 2017, relating to a decision of the European Commission in the third quarter which was fully offset by income in connection with the resolution of the Appeals Court for Tax Matters in Belgium in the following quarter.

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

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

ISRAEL CHEMICALS LTD. (Cont.)

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

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

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

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

ISRAEL CHEMICALS LTD. (Cont.)

Results of operations for the third quarter of 2018

Sales:

	$ millions			
	Sales	**Expenses**	**Operating income**	
Third quarter 2017 figures	1,440	(1,260)	180	
Total adjustments third quarter 2017 *	–	35	35	
Adjusted third quarter 2017 figures	1,440	(1,225)	215	
Divested businesses	(160)	85	(75)	
Adjusted third quarter 2017 figures (less divested businesses)	1,280	(1,140)	140	
Quantity	(33)	15	(18)	↓
Price	130	–	130	↑
Exchange rate	(6)	9	3	↑
Raw materials	–	(31)	(31)	↓
Energy	–	(1)	(1)	↓
Transportation	–	(7)	(7)	↓
Operating and other expenses	–	(16)	(16)	↓
Adjusted third quarter 2018 figures	**1,371**	**(1,171)**	**200**	
Total adjustments Q3 2018 *	–	4	4	
Third quarter 2018 figures	**1,371**	**(1,175)**	**196**	

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

Divested businesses – sale of the Fire Safety and Oil Additives (P_2S_5) businesses at the end of the first quarter of 2018 together with the sale of the Rovita business at the beginning of the third quarter of 2018.

Quantity – the negative quantity impact on the operating income resulted from a decrease in the quantities sold of potash, green phosphoric acid and phosphate-based food additives, partly offset by an increase in the quantities sold of dairy proteins, bromine-based flame retardants and phosphorous-based flame retardants.

Price – the positive impact on the sales and operating income derives mainly from an increase in the selling prices of potash (a $52 rise in the average realized price per ton compared to the corresponding quarter last year), phosphate fertilizers, acids and phosphate-based food additives (as part of the value-focused strategy) and a positive price impact throughout most of the Industrial Products segment's business lines.

Exchange rate – the positive impact on the operating income derives mainly from the devaluation of the shekel and the euro against the dollar decreasing production costs, partly offset by the devaluation of the euro against the dollar decreasing revenues.

Raw materials – the negative impact on the operating income derives mainly from an increase in sulphur prices, which increased costs of main raw materials throughout the phosphate value chain, together with an increase in the prices of raw materials used for bromine- and phosphorous-based flame retardants.

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

Operating and other expenses – the negative impact on the operating income derives mainly from an increase in royalties and sales commissions, as a result of higher revenue, together with insurance income in Israel, which was recorded in the corresponding quarter last year.

ISRAEL CHEMICALS LTD. (Cont.)

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

Sales: (Cont.)

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

	7–9/2018		7–9/2017	
	$ millions	%	$ millions	%
Europe	**446**	**33**	462	32
Asia	**352**	**26**	339	24
North America	**262**	**19**	345	24
South America	**204**	**15**	214	15
Rest of the world	**107**	**7**	80	5
Total	**1,371**	**100**	1,440	100

Europe – the decrease derives mainly from the divestiture of the Fire Safety, Oil Additives (P2S5) and Rovita businesses together with a decrease in the quantities sold of green phosphoric acid. The decrease was partly offset by an increase in potash quantities sold and phosphate fertilizers selling prices.

Asia – the increase derives mainly from an increase in the quantities sold and selling prices of phosphate fertilizers and bromine-based flame retardants together with an increase in the selling prices of potash and bromine-based industrial solutions. The increase was partly offset by a decline in green phosphoric acid and potash quantities sold.

North America – the decrease derives mainly from the divestiture of the Fire Safety and Oil Additives (P2S5) businesses. The decrease was partly offset by an increase in the selling prices and quantities sold of phosphate fertilizers and in the quantities sold of clear brine fluids.

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

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

Financing expenses, net

The net financing expenses in the third quarter of 2018 amounted to $23 million, compared with net financing expenses of $36 million in the corresponding quarter last year – a decrease of $13 million. The decrease derives mainly from a decrease, in the amount of $8 million, in respect of a change in the results of exchange rate differences and hedging transactions, together with a decline in the interest expenses, in the amount of $5 million, mainly due to the significant reduction of the net financial liabilities through use of the proceeds received from sale of the Fire Safety and Oil Additives (P_2S_5) businesses.

Tax expenses

The tax expenses in the third quarter of 2018 amounted to $45 million, reflecting an effective tax rate of about 26%. ICLs lower tax rate in 2018 compared with the corresponding quarter last year is mainly due to a decrease in the tax rate in the US, lower weight of profits before tax generated in the US following the divestiture of businesses at the end of the first quarter of 2018 and a decrease in the tax rate in Israel.

ISRAEL CHEMICALS LTD. (Cont.)

Results of operations for the period January – September 2018

Sales:

	$ millions		
	Sales	**Expenses**	**Operating income**
January – September 2017 figures	4,057	(3,617)	440
Total adjustments January – September 2017 *	–	44	44
Adjusted January – September 2017 figures	4,057	(3,573)	484
Divested businesses	(228)	128	(100)
Adjusted January – September 2017 figures (less divested businesses)	3,829	(3,445)	384
Quantity	(90)	86	(4)
Price	286	–	286
Exchange rate	121	(131)	(10)
Raw materials	–	(64)	(64)
Energy	–	(7)	(7)
Transportation	–	(22)	(22)
Operating and other expenses	–	(24)	(24)
Adjusted January – September 2018 figures	**4,146**	**(3,607)**	**539**
Total adjustments January – September 2018 *	–	**(814)**	**(814)**
January – September 2018 figures	**4,146**	**(2,793)**	**1,353**

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

Divested businesses – sale of the Fire Safety and Oil Additives (P_2S_5) businesses at the end of the first quarter of 2018 together with the sale of the Rovita business at the beginning of the third quarter of 2018.

Quantity – the moderate negative quantity impact on the operating income resulted mainly from a varied product-mix throughout ICL's different segments. Higher quantities sold of bromine-based flame retardants, phosphorous-based industrial solutions and flame retardants, dairy proteins and specialty agriculture products were more than offset by a decrease in the quantities sold of phosphate fertilizers, green phosphoric acid, bromine-based industrial solutions, phosphate-based food additives and potash.

Price – the positive impact on the sales and operating income derives mainly from an increase in the selling prices of potash (a $36 rise in the average realized price per ton compared to the corresponding period last year), phosphate fertilizers, specialty agriculture products, acids and phosphate-based food additives (as part of the value-focused strategy) and a positive price impact throughout most of the Industrial Products segment's business lines.

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

Raw materials – the negative impact on the operating income derives mainly from an increase in sulphur prices, which increased the costs of main raw materials throughout the phosphate value chain, raw materials used for bromine- and phosphorous-based flame retardants and various raw materials used for products of the Innovative Ag Solutions segment.

Energy – the negative impact on the operating income derives mainly from an increase in electricity and gas prices.

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

Operating and other expenses – the negative impact on the operating income derives mainly from an increase in royalties and sales commissions, as a result of higher revenue, together with insurance income and a capital gain due to sale of an office building in Israel, which were recorded in the corresponding period last year. This was partly offset by an income from sale of ICL Boulby's EUA (European Union Emissions Allowance) surplus and from an environmental-related provision which was recorded in the corresponding period last year.

ISRAEL CHEMICALS LTD. (Cont.)

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

Sales: (Cont.)

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

	1–9/2018		1–9/2017	
	$ millions	%	$ millions	%
Europe	**1,552**	**37**	1,453	36
Asia	**1,019**	**25**	946	23
North America	**744**	**18**	916	23
South America	**514**	**12**	506	12
Rest of the world	**317**	**8**	236	6
Total	**4,146**	**100**	4,057	100

Europe – the increase derives mainly from an increase in the quantities sold and selling prices of potash, selling prices of phosphate fertilizers and phosphorous-based flame retardants, and quantities sold of specialty agriculture products, together with the positive impact of the upward revaluation of the euro against the dollar. The increase was partly offset mainly as a result of divested businesses together with a decline in green phosphoric acid quantities sold.

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

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

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

Rest of the world – the increase derives mainly from an increase in the quantities sold of dairy proteins and clear brine fluids.

Financing expenses, net

The net financing expenses in the nine months ended September 30, 2018 amounted to $92 million, compared with $99 million in the corresponding period last year – a decrease of $7 million. The decrease derives mainly from a decline in the interest expenses, in the amount of $9 million, mainly due to the significant reduction of net financial liabilities, by use of proceeds received from the sale of the Fire Safety and Oil Additives (P_2S_5) businesses and a decrease, in the amount of $6 million, relating to the provisions for employee benefits. This decrease was partly offset by an increase in respect of exchange rate differences and the results of hedging transaction, in the amount of $9 million.

Tax expenses

The tax expenses in the nine months ended September 30, 2018 amounted to $110 million, reflecting an effective tax rate of about 9%, which is significantly lower than the Company's usual tax rate, mainly due to exempt income as a result of the divestment of the businesses at the end of the first quarter of 2018, the devaluation of the shekel against the dollar during the period, which positively impacted the shekel tax obligation in the Israeli subsidiaries and a decrease in tax provisions in Israel.

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

ISRAEL CHEMICALS LTD. (Cont.)

In August 2018, ICL commenced operating under a uniform organizational structure whereby its activities will be divided into four segments:

– Industrial Products (Bromine);
– Potash;
– Phosphate Solutions; and
– Innovative Ag Solutions.

The comparative data was restated in order to reflect the change in the structure of the reportable segments, in accordance with that stated above.

Significant highlights and the business environment in ICL:

Industrial Products Segment

– During the third quarter of 2018 the price of elemental bromine in China increased compared to the second quarter of 2018 as the local bromine production was affected by strict environmental-related regulatory pressure and the upcoming winter.

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

– Clear brine fluids sales were higher compared to the corresponding quarter last year mainly due to continuation of the higher drilling activity in the Gulf of Mexico and a major Israeli gas drilling project, which was concluded at the end of the third quarter of 2018.

– Sales of phosphorous-based flame retardants in ICL's markets (US and Europe) increased compared to the corresponding quarter last year as a result of continuous strict environmental-related regulatory pressure in China which impacted competitors' supply and supported the segment's sale volume and prices.

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

Results of operations

	7–9/2018	7–9/2017	1–9/2018	1–9/2017	2017
			$ millions		
Total sales	**328**	289	**976**	890	1,193
Sales to external customers	**325**	286	**965**	881	1,179
Sales to internal customers	**3**	3	**11**	9	14
Segment profit	**95**	77	**267**	230	303
Depreciation and amortization	**16**	15	**47**	46	61
Capital expenditures	**14**	12	**38**	32	49

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Industrial Products Segment (Cont.)

Results of operations for the third quarter of 2018

Analysis of sales

	$ millions	
Total sales – third quarter 2017	**289**	
Quantity	20	⇧
Price	19	⇧
Exchange rate	–	⇔
Total sales – third quarter 2018	**328**	

Quantity – the increase derives mainly from an increase in the quantities sold of bromine-based flame retardants and phosphorous-based flame retardants, as well as industrial solutions.

Price – the increase derives mainly from an increase in the selling prices of bromine-based industrial solutions and flame retardants, phosphorous-based flame retardants and magnesia products.

Segment profit analysis

	$ millions	
Total segment profit – third quarter 2017	**77**	
Quantity	6	⇧
Price	19	⇧
Exchange rate	(2)	⇩
Raw materials	(5)	⇩
Energy	–	⇔
Transportation	–	⇔
Operating and other (expenses) income	–	⇔
Total segment profit – third quarter 2018	**95**	

Quantity – the positive impact on the segment's profit derives mainly from an increase in the quantities sold of bromine-based flame retardants and phosphorous-based flame retardants, as well as industrial solutions.

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

Raw materials – the negative impact on the segment's profit derives mainly from an increase in the prices of raw materials used for bromine- and phosphorous-based flame retardants.

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Industrial Products Segment (Cont.)

Results of operations for the period January – September 2018

Analysis of sales

	$ millions	
Total sales – January – September 2017	**890**	
Quantity	20	⇧
Price	52	⇧
Exchange rate	14	⇧
Total sales – January – September 2018	**976**	

Quantity – the increase derives mainly from an increase in the quantities sold of bromine-based flame retardants, phosphorous-based flame retardants and industrial solutions and magnesia products. The increase was partly offset by a decrease in the quantities sold of bromine-based industrial solutions.

Price – the increase derives mainly from an increase in the selling prices of bromine-based industrial solutions and flame retardants, phosphorous-based flame retardants and magnesia products.

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

Segment profit analysis

	$ millions	
Total segment profit – January – September 2017	**230**	
Quantity	–	⇔
Price	52	⇧
Exchange rate	(3)	⇩
Raw materials	(8)	⇩
Energy	(2)	⇩
Transportation	1	⇧
Operating and other (expenses) income	(3)	⇩
Total segment profit – January – September 2018	**267**	

Quantity – the increase in the quantities sold of bromine-based flame retardants, phosphorous-based flame retardants and industrial solutions and magnesia products was fully offset by a decrease in the quantities sold of bromine-based industrial solutions.

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

Exchange rate – the negative impact on the segment's profit derives mainly from the upward revaluation of the shekel and the euro against the dollar increasing production costs. This was partly offset by the upward revaluation of the euro against the dollar increasing revenues.

Raw materials – the negative impact on the segment's profit derives mainly from an increase in the prices of raw materials used for bromine- and phosphorous-based flame retardants.

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Potash Segment

Significant highlights and the business environment

– The Grain price index, which peaked in May/June this year, declined during the third quarter mainly due to the China/US trade dispute and positive crop yields projected for this year by the USDA (United States Department of Agriculture). Despite that stated above, fertilizer affordability is still favorable, mainly in Brazil, where the position of the farmers improved due to higher exports to China and due to devaluation of the Brazilian real against the dollar.

– Based on the WASDE (World Agricultural Supply and Demand Estimates) report published by the USDA in October 2018, the grain stock to use ratio for the 2018/2019 agricultural year is expected to decrease to 22.6%, compared with 25.2% at the end of the 2017/2018 agricultural year, and compared with 25.5% in the 2016/2017 agricultural year.

– The FAO (Food and Agriculture Organization of the UN) raised its October forecast for global cereal production in 2018 by 3 million tons since the previous report in September, to 2,591 million tons, which is still 63 million tons (2.4%) below last year's record high.

– Potash prices continued to firm during the third quarter of 2018, supported by healthy demand and delayed entry of new capacity. According to CRU (Fertilizer Week Historical Prices of October 2018), the average CFR Brazil price of granular Potash (all supply sources) for the third quarter of 2018 was $330 per ton, up by 7% and 23.8% compared to the second quarter of 2018 and the third quarter of 2017, respectively. Prices continued to firm in the fourth quarter and the current average prices in Brazil are around $350 per ton (CRU – Fertilizer Week Historical Prices of October 2018).

– On August 28, 2018, India signed a contract to import potash at $290 CFR, which reflects an increase of $50 per ton compared to last year's contract. The supply period is from September 2018 to June 2019. ICL has signed a contract to supply 775 thousand tons (including optional quantities) to its customers in India for the same period.

– On September 17, 2018, BPC signed the first Chinese MOP supply contract for 2018 at a price of $290 per ton CFR, which marks an increase of $60 per ton compared to last year's level, to be supplied up to June 2019. ICL has signed a contract to supply 905 thousand tons (excluding optional quantities) to its customers in China for the same period. Subsequent to the date of the report, on November 7, 2018, ICL signed framework agreements with Chinese customers for supply of potash for the upcoming three years (2019–2021) in the total amount of 3 million tons, plus options for an additional 0.75 million tons. The prices for the quantities supplied pursuant to the framework agreements will be determined on the supply date in accordance with the regular potash prices prevailing in the market.

– According to preliminary data from China, potash imports during January to September 2018 reached 5.56 million tons, a 1.4% increase compared to the corresponding period last year.

– According to the FAI (Fertilizer Association of India), potash imports during January to September 2018 amounted to 3.29 million tons, a 6.3% increase over the imports during the corresponding period last year. The Indian rupee experienced a significant weakness against the US dollar during the past few months, reaching almost 75 rupee per one US dollar. This may negatively impact future demand.

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Potash Segment (Cont.)

Significant highlights and the business environment (Cont.)

– According to ANDA (Brazilian National Fertilizer Association), potash imports into Brazil during the first nine months of 2018 amounted to 7.2 million tons, 3.2% increase over the comparable period in 2017.

– It looks like ramp-up of new capacity is slower than initially announced with technical challenges accounting for the majority of the delays. EuroChem just recently reported the first export shipment to South East Asia from its Usolskiy mine, while its VolgaKaliy mine is still experiencing water inflow in its cage shaft and start of the production is now delayed to 2019. The K+S Bethune mine in Canada is also ramping-up slower than previously announced and the Garlyk mine in Turkmenistan is still producing at low utilization rate.

– Potash segment is continuing optimization of its European mineral assets: ICL Iberia is progressing with construction of the new access tunnel to the mine in the Suria site and its completion is expected to take place at the end of 2019[1]. In September 2018, a definitive Urban Master Plan (PDU) was approved, constituting the next stage in the Suria site expansion. ICL continues to implement efficiency measures to reduce its cost per ton. Further to that stated in "Item 4" in ICL's Annual Report on Form 20-F for the year ended December 31, 2017 that provides details about the agreement with AkzoNobel for production and marketing of vacuum salt, the agreement provides a specific deadline (July 1, 2018) by which certain conditions precedent must be fulfilled. Since such conditions precedent were not met by the agreed deadline, ICL formally informed AkzoNobel that the agreement was automatically terminated once that deadline passed. ICL will continue to supply salt to AkzoNobel during the next two years pursuant to the supply agreements, which remain in force. ICL is exploring better options for the salt treatment in its potash facilities in Spain. Following correspondence between AkzoNobel and ICL, in which AkzoNobel challenged the automatic termination of the agreement, on August 2, 2018, AkzoNobel commenced arbitration proceedings in accordance with the agreement between the parties. ICL filed its response on October 2, 2018.

– ICL Boulby's mine in the UK ceased producing MOP at the end of the second quarter of 2018. Further to the losses recorded in 2017, ICL Boulby recorded notable losses in the third quarter of 2018 and is expected to continue to record losses throughout the transition process from potash to Polysulphate, which also included a two-week shutdown in part of the production facilities during the third quarter of 2018.

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

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Potash Segment (Cont.)

Significant highlights and the business environment (Cont.)

– Part of ICL's strategy is to continue to develop the FertilizerspluS platform (previously also referred to as semi-specialty fertilizers), mainly by utilizing Polysulphate as a base for a product portfolio including PotashpluS, PKpluS and others. During the third quarter of 2018, an improved quality of PotashpluS was achieved and commercial sales are expected to start by the end of 2018[2]. In the first nine months of 2018, total sales of FertilizerspluS reached $73 million.

– The new power station in Sodom became operational during the third quarter of 2018, including initiation of sales of electricity to Israeli Electric Company and other external customers.

– Metal magnesium – the magnesium business recorded a higher loss as a result of lower production due to raw-material availability. Global demand for magnesium remains constrained in China, Brazil and Europe while prices are under pressure due to increased Chinese exports as well as imports into the US from Russian, Kazakh and Turkish producers.

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

  On October 24, 2018, an anti-dumping and countervailing duty petition was filed to the International Trade Administration of the U.S. Department of Commerce and the U.S. International Trade Commission by a US magnesium competitor, alleging that imports of magnesium produced in Israel by Dead Sea Magnesium Ltd. are being subsidized and are being sold at less than fair value in the U.S. market. At this time it is not possible to determine whether either claim will be successful or whether tariffs in any particular amount will be imposed in the future. For additional information, see the Report of the Board of Directors of ICL, "Legal Proceedings", below.

[2] The estimates regarding sales of PotashpluS in the fourth quarter of 2018 in this paragraph constitute "forward-looking" information, which are based on, among other things, estimates of ICL's management. The actual scope of the sales may change due to, among other things, delays or equipment breakdowns or the quality of the material mined, changes in the levels of supply and demand, the product price in the market and the financial position of the customers. There is also a possible impact of the situation in the capital markets, including changes in the current exchange rates.

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Potash Segment (Cont.)

Results of operations

	7–9/2018	7–9/2017	1–9/2018	1–9/2017	2017
			$ millions		
Total sales	**409**	372	**1,108**	969	1,383
Potash sales to external customers	**321**	315	**867**	779	1,119
Potash sales to internal customers	**23**	12	**56**	51	71
Other and eliminations*	**65**	45	**185**	139	193
Gross profit	**171**	141	**446**	345	539
Segment profit	**97**	65	**235**	163	282
Depreciation and amortization	**32**	32	**101**	92	128
Capital expenditures	**72**	41	**223**	151	270
Average realized price (in $)**	**287**	235	**271**	235	236

* Mainly includes Polysulphate produced in a UK mine, salt produced in underground mines in UK and Spain, magnesium-based products and sales of electricity produced in Israel.

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

Potash – production and sales

	7–9/2018	7–9/2017	1–9/2018	1–9/2017	2017
			Thousands of tons		
Production	**1,151**	1,181	**3,657**	3,470	4,773
Total sales (including internal sales)	**1,200**	1,394	**3,402**	3,539	5,039
Closing inventory	**655**	597	**655**	597	400

July – September 2018

Production – in the third quarter of 2018, production of potash was 30 thousand tons lower than in the corresponding quarter last year, mainly due to stoppage of the potash operation in ICL Boulby at the end of the second quarter of 2018, as part of the transition to the Polysulphate production. This decrease was partly offset by increased production in ICL Dead Sea.

Sales – the quantity of potash sold in the third quarter of 2018, was 194 thousand tons lower than in the corresponding quarter last year, mainly due to a decrease in potash sales to Asia, as a result of the delay in the signing of contracts with China and India, and lower sales to South America.

January – September 2018

Production – in the first nine months of 2018, production of potash was 187 thousand tons higher than in the corresponding period last year, due to increased production in ICL Dead Sea and ICL Iberia, despite the stoppage of the potash operation in ICL Boulby at the end of the second quarter of 2018, as part of the transition to the Polysulphate production. The increased production in ICL Iberia derived mainly from an efficiency plan implemented at the beginning of 2018 and from higher ore grade in the mining area in the first quarter of 2018.

Sales – the quantity of potash sold in the first nine months of 2018, was 137 thousand tons lower than in the corresponding period last year, mainly due to a decrease in potash sales to South America.

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Potash Segment (Cont.)

Results of operations for the third quarter of 2018

Analysis of sales

	$ millions
Total sales – third quarter 2017	**372**
Quantity	(15)
Price	54
Exchange rate	(2)
Total sales – third quarter 2018	**409**

Quantity – the decrease derives mainly from a decrease in potash quantities sold, mainly to Asia.

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

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

Segment profit analysis

	$ millions
Total segment profit – third quarter 2017	**65**
Quantity	(9)
Price	54
Exchange rate	1
Energy	(1)
Transportation	(4)
Operating and other (expenses) income	(9)
Total segment profit – third quarter 2018	**97**

Quantity – the negative impact on the segment's profit derives mainly from a decrease in potash quantities sold, mainly to Asia.

Price – the positive impact on the segment's profit derives from an increase in potash selling prices.

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

Operating and other (expenses) income – the negative impact on the segment's profit derives mainly from an increase in royalties and sales commissions, as a result of higher revenue, together with expenses recorded in connection with DSW's collective labor agreement signed in the previous quarter.

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Potash Segment (Cont.)

Results of operations for January – September 2018

Analysis of sales

	$ millions	
Total sales – January – September 2017	**969**	
Quantity	(6)	⬇
Price	120	⬆
Exchange rate	25	⬆
Total sales – January – September 2018	**1,108**	

Quantity – the decrease derives mainly from a decrease in potash quantities sold, mainly to South America.

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

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

Segment profit analysis

	$ millions	
Total segment profit – January – September 2017	**163**	
Quantity	(4)	⬇
Price	120	⬆
Exchange rate	(8)	⬇
Energy	(4)	⬇
Transportation	(16)	⬇
Operating and other (expenses) income	(16)	⬇
Total segment profit – January – September 2018	**235**	

Quantity – the moderate negative impact on the segment's profit derives mainly from a decrease in potash quantities sold, mainly to South America.

Price – the positive impact on the segment's profit derives from an increase in potash selling prices.

Exchange rate – the negative impact on the segment's profit derives mainly from the upward revaluation of the euro and the shekel against the dollar increasing production costs. This decrease was partly offset by the upward revaluation of the euro against the dollar increasing revenues.

Energy – the moderate negative impact on the segment's profit derives mainly from an increase in electricity and gas prices.

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

Operating and other (expenses) income – the negative impact on the segment's profit derives mainly from an increase in royalties and sales commissions, as a result of higher revenue, from expenses recorded in connection with DSW's collective labor agreement signed in the previous quarter and from a capital gain due to sale of an office building in Israel, recorded in the corresponding period last year. This decrease was partly offset by an income from the sale of ICL Boulby's EUA (European Union Emissions Allowance) surplus.

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

ISRAEL CHEMICALS LTD. (Cont.)

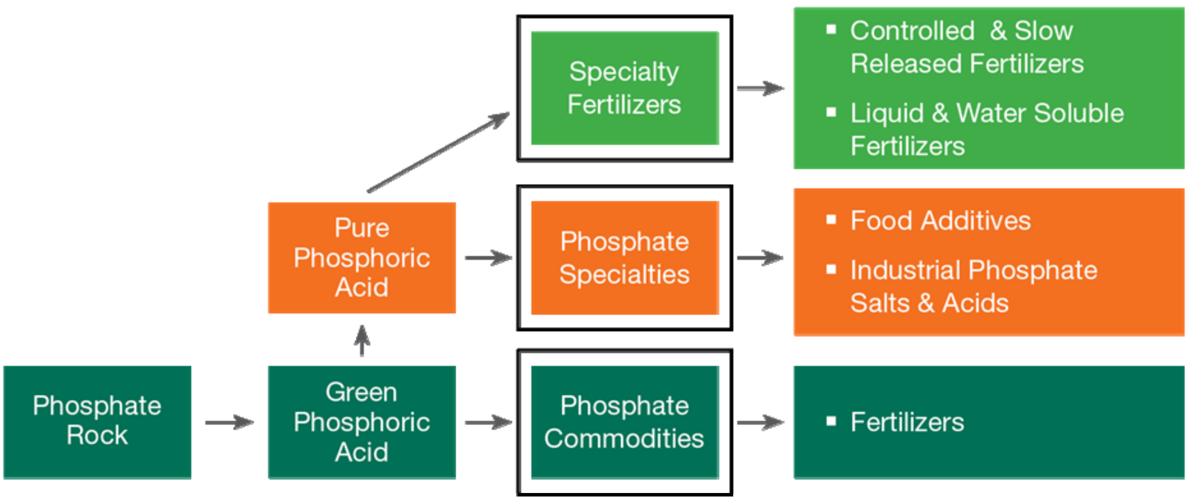
Main developments and the business environment in ICL: (Cont.)

Phosphate Solutions Segment

The strategy of Phosphate Solutions segment is to be a leading provider of value added specialty solutions based on phosphate for the Industrial, Food and Agriculture markets. The segment's goal is to outgrow the market by enhancing its customer relationships and at the same time optimizing its upstream capabilities directed towards specialties products. The segment operates in two main streams: Phosphate Specialties and Phosphate Commodities. The diversification into higher value-added specialty products leverages ICL's integrated business model and provides it with additional margins on top of the commodity margin. For additional information, see "Performance Overview".

Phosphate Solutions results in the third quarter of 2018 improved compared to the corresponding quarter last year. The improved performance was supported by higher prices of Commodities and Specialties. This was partly offset by the increase in sulphur prices and lower volumes sold.

Phosphate Solutions: Backward Integrated Value Chain



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

ISRAEL CHEMICALS LTD. (Cont.)

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

Phosphate Solutions Segment (Cont.)

Significant highlights and the business environment

Set forth below are the main highlights relating to Phosphate Specialties:

Phosphate Specialties includes phosphate-based food applications and industrial applications, both of which are downstream parts of ICL's phosphate value chain, as well as a dairy proteins business. Excluding the divestment of Rovita at the beginning of the third quarter of 2018, global sales of Phosphate Specialties increased by approximately 4% compared to the corresponding quarter last year, to $303 million, while higher prices drove a growth in profit of approximately 18%, to $46 million.

- Phosphate acids' performance was favorably impacted by demand from new European customers that used to import acids in the past. This compensated for lower volumes sold as a result of higher prices. Performance also benefitted from higher volumes and improved pricing, supported by market conditions in the United States, in anticipation of imposition of tariffs on imported Chinese products which became effective September 24th. In China, ongoing growth is driven by price increases and diversification of the acid customer base. Results in South America continued to be solid as a result of higher prices, while acid exports from Brazil to other South American countries remained stable.

- The phosphate salts' performance was favorably driven by increased prices which more than compensated for increased costs of certain raw materials. The European sales of phosphate-based food additives to the bakery and dairy markets were similar to the third quarter last year while sales to the meat market were negatively impacted by the transition to a new distributor in Russia. In North America, revenues from industrial salts increased compared to the corresponding quarter last year due to higher volumes and improved pricing, while food salts experienced volume losses in the Americas in the lower-premium product lines. Continued growth in China was driven by an increase in the YPH Joint Venture's local market share for salts, predominantly in the body care markets, as well as ongoing efforts to penetrate new end markets.

- The Paints and Coatings business experienced ongoing strong performance globally during the third quarter of 2018. Sales increase was driven both by strong volumes and higher selling prices.

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

- In July 2018, ICL divested and transferred the assets and business of Rovita GmbH, which produces a commodity milk protein. In the corresponding quarter of 2017, the business reported sales of $9 million and an operating loss of approximately $1 million.

Set forth below are the main highlights in Phosphate Commodities:

- The results in the third quarter of 2018 were positively impacted by higher prices, which were partly offset by higher sulphur prices.

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Phosphate Solutions Segment (Cont.)

Significant highlights and the business environment (Cont.)

Set forth below are the main highlights in Phosphate Commodities: (Cont.)

- The phosphate market continued to firm moderately during the third quarter of 2018. Improved demand, higher sulphur prices and a slower than expected ramp-up of new production in Morocco and Saudi Arabia, led to price increases. Higher sulphur prices and environmental-related regulatory pressure increased Chinese production costs and squeezed the margins of the Chinese producers.

- Market observers are forecasting stability in global phosphate fertilizers prices until the end of 2018[3], when higher supply is expected to come from the ramping-up of Saudi Arabia Wa'ad al Shamal facility and increased Chinese exports, which could lead to price decreases in 2019.

- Sulphur prices continued their upward trend which started in the third quarter of 2016. The average price CFR China during the third quarter of 2018 reached $162 per ton, 12% up on the second quarter of 2018 and 39% up on the third quarter of 2017. At the end of September 2018, sulphur prices reached $183 per ton CFR China and this upward trend is expected to continue in the fourth quarter (according to CRU – Fertilizer Week Historical Prices, October 2018).

- Brazil phosphate fertilizer (SSP, TSP, MAP and DAP) imports during January to September 2018 totaled 4.06 million tons, down 5.3% on imports during the first nine months of 2017. The main decline was in the import of MAP and DAP, of 11% and 30% respectively, while imports of SSP and TSP increased by 26% and 1.8% respectively, during the same period.

- The Moroccan producer, OCP signed contracts for supply of phosphoric acid to Indian buyers for the fourth quarter of 2018 at a price of $768 per ton P_2O_5 CFR, an increase of $10 per ton compared to the third quarter of 2018. This increase comes after an increase of $28 per ton was agreed to in the third quarter 2018.

- According to data of FAI (Fertilizer Association of India), DAP imports during the first nine months of 2018 increased by 45.7% to 4.48 million tons compared to the corresponding period last year. On the other hand, domestic DAP production, decreased by 25% compared to the corresponding period last year, to 2.74 million tons, mainly due to the increase in phosphoric acid prices.

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

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Phosphate Solutions Segment (Cont.)

Significant highlights and the business environment (Cont.)

Average prices (according to CRU – Fertilizer Week Historical Prices, September 2018):

	7–9/2018	4–6/2018	7–9/2017	% change compared with 4–6/2018	% change compared with 7–9/2017
	Dollar/ton FOB Morocco				
DAP	**441**	419	**352**	5%	25%
TSP	**354**	323	**271**	10%	31%
Phosphate rock (BPL 68%–72%)	**96**	89	**86**	8%	12%

For information regarding the permits for gypsum ponds of ICL Rotem – see Note 6B(5) to the Company's condensed consolidated interim financial statements as at September 30, 2018.

For information regarding the developments in the agriculture market and FertilizerspluS products, which are mainly based on Polysulphate – see the Report of the Board of Directors of ICL "Potash – Significant Highlights and Business Environment" above

Results of operations

	7–9/2018	7–9/2017	1–9/2018	1–9/2017	2017
	$ millions				
Total sales	**530**	520	**1,604**	1,550	2,037
Sales to external customers	**513**	495	**1,530**	1,478	1,938
Sales to internal customers	**17**	25	**74**	72	99
Segment profit	**63**	52	**170**	126	149
Depreciation and amortization	**39**	44	**130**	127	172
Capital expenditures	**42**	42	**123**	125	154

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

ISRAEL CHEMICALS LTD. (Cont.)

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

<u>Phosphate Solutions Segment</u> (Cont.)

Significant highlights and the business environment (Cont.)

Phosphate Solutions – Backward Integrated Value Chain

	7–9/2018	7–9/2017	1–9/2018	1–9/2017	2017
	Thousands of tons				
Phosphate rock					
Production	**1,232**	1,096	**3,681**	3,779	4,877
Green phosphoric acid					
Used for production of phosphate commodities	**148**	108	**400**	336	451
Used for production of phosphate specialties	**77**	72	**228**	206	281
Other	**5**	5	**15**	22	28
Phosphate fertilizers					
Production	**615**	490	**1,685**	1,539	2,094
Sales*	**614**	564	**1,726**	1,790	2,291
Pure phosphoric acid					
Production	**73**	70	**220**	203	275

* To external customers

July – September 2018

– <u>Production of phosphate rock</u> – in the third quarter of 2018, production of phosphate rock was higher by 136 thousand tons than in the corresponding quarter last year, mainly due to a shutdown at ICL Rotem Zin plant during the third quarter of 2017, as a result of decreased phosphate rock sales due to lower prices and as a result of a discontinuation of sales to a major Israeli customer.

– <u>Green phosphoric acid</u> – in the third quarter of 2018, green phosphoric acid used for production of phosphate commodities was higher by 40 thousand tons than in the corresponding quarter last year, mainly due to increased production of phosphate fertilizers in YPH Joint Venture. Green phosphoric acid used for production of phosphate specialties in the third quarter of 2018, was higher by 5 thousand tons than in the corresponding quarter last year, mainly due to the segment's strategy for increasing production of phosphate-based specialty products.

– <u>Production of phosphate fertilizers</u> – in the third quarter of 2018, production of phosphate fertilizers was higher by 125 thousand tons than in the corresponding quarter last year, mainly due to increased production of phosphate fertilizers in YPH Joint Venture.

– <u>Sales of phosphate fertilizers</u> – the quantity of phosphate fertilizers sold in the third quarter of 2018 was 50 thousand tons higher than in the corresponding quarter last year, mainly due to an increase in sales to North America and in China by the YPH Joint Venture.

– <u>Production of pure phosphoric acid</u> – in the third quarter of 2018, production of pure phosphoric acid was higher by 3 thousand tons than in the corresponding quarter last year, mainly due to reduced production in the third quarter of 2017 at ICL Rotem.

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Phosphate Solutions Segment (Cont.)

Significant highlights and the business environment (Cont.)

Phosphate Solutions – Backward Integrated Value Chain (Cont.)

January – September 2018

– Production of phosphate rock – in the first nine months of 2018, production of phosphate rock was lower by 98 thousand tons than in the corresponding period last year, mainly due to maintenance activities in YPH Joint Venture together with adjustment of the production volumes to the business environment.

– Green phosphoric acid – in the first nine months of 2018, green phosphoric acid used for production of phosphate commodities was higher by 64 thousand tons than in the corresponding period last year, mainly due to increased production of phosphate fertilizers in YPH joint venture. Green phosphoric acid used for production of phosphate specialties in the first nine months of 2018, was higher by 22 thousand tons than in the corresponding period last year, mainly due to the segment's strategy of increasing production of phosphate-based specialty products.

– Production of phosphate fertilizers – in the first nine months of 2018, production of phosphate fertilizers was higher by 146 thousand tons than in the corresponding period last year, mainly due to increased production of phosphate fertilizers in YPH Joint Venture.

– Sales of phosphate fertilizers – the quantity of phosphate fertilizers sold in the first nine months of 2018 was 64 thousand tons lower than in the corresponding period last year, mainly due to a decrease in sales in China by YPH Joint Venture.

– Production of pure phosphoric acid – in the first nine months of 2018, production of pure phosphoric acid was higher by 17 thousand tons than in the corresponding period last year, mainly due to reduced production in the first nine months of 2017, which was related to a shortage of 4D acid in ICL Rotem.

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Phosphate Solutions Segment (Cont.)

Significant highlights and the business environment (Cont.)

Results of operations for the third quarter of 2018

Analysis of sales

	$ millions	
Total sales – third quarter 2017	**520**	
Divested businesses	(9)	
Total sales – third quarter 2017 (less divested businesses)	**511**	
Quantity	(27)	⬇
Price	52	⬆
Exchange rate	(6)	⬇
Total sales – third quarter 2018	**530**	

Divested businesses – sale of the assets and business of Rovita at the beginning of the third quarter of 2018.

Quantity – the decrease derives mainly from the phosphate commodities, due to a decrease in green phosphoric acid (partly due to the segment's strategy of increasing production of phosphate-based specialty products). This trend was enhanced by a decrease in quantities of phosphate-based food additives in the phosphate specialties business (partly as a result of the value-focused strategy), which was partly offset by an increase in dairy proteins quantities sold, mainly to the Chinese market.

Price – the segment benefited from a positive price impact throughout most of the phosphate chain. The increase derives mainly from selling prices of phosphate fertilizers together with phosphate-based acids and food additives (mainly as part of the value-focused strategy).

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

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Phosphate Solutions Segment (Cont.)

Significant highlights and the business environment (Cont.)

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

Segment profit analysis

	$ millions	
Total segment profit – third quarter 2017	**52**	
Divested businesses	1	
Total segment profit – third quarter 2017 (less divested businesses)	**53**	
Quantity	(9)	↓
Price	52	↑
Exchange rate	2	↑
Raw materials	(21)	↓
Energy	–	⇔
Transportation	(3)	↓
Operating and other (expenses) income	(11)	↓
Total segment profit – third quarter 2018	**63**	

Divested businesses – sale of the assets and business of Rovita at the beginning of the third quarter of 2018.

Quantity – the negative impact on the segment's profit derives mainly from the phosphate commodities, due to the decrease in green phosphoric acid quantities. In the phosphate specialties business the decrease in quantities of phosphate-based food additives was fully offset by an increase in quantities of dairy proteins sold.

Price – the segment benefited from a positive price impact throughout most of the phosphate-chain, as described above.

Raw materials – the negative impact on the segment's profit derives mainly from higher sulphur prices which increased the costs of the main raw materials throughout the phosphate value chain.

Operating and other (expenses) income – the negative impact on the segment's profit derives mainly from an insurance income in Israel, recorded in the corresponding quarter last year.

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Phosphate Solutions Segment (Cont.)

Significant highlights and the business environment (Cont.)

Results of operations for January – September 2018

Analysis of sales

	$ millions	
Total sales – January – September 2017	**1,550**	
Divested businesses	(9)	
Total sales – January – September 2017 (less divested businesses)	**1,541**	
Quantity	(99)	⬇
Price	104	⬆
Exchange rate	58	⬆
Total sales – January – September 2018	**1,604**	

Divested businesses – sale of the assets and business of Rovita at the beginning of the third quarter of 2018.

Quantity – the decrease derives mainly from the phosphate commodities, due to a decrease of green phosphoric acid (partly due to the segment's strategy of increasing production of phosphate-based specialty products) and phosphate fertilizers quantities sold. This trend was enhanced by a decrease in quantities sold of phosphate-based food additives in the phosphate specialties business (partly as a result of the segment's value-focused strategy), which was partly offset by an increase in dairy proteins quantities sold, mainly to the Chinese market.

Price – the segment benefited from a positive price impact throughout most of the phosphate chain. The increase derives mainly from selling prices of phosphate fertilizers, together with phosphate-based acids and food additives (mainly as part of value-focused strategy).

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

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Phosphate Solutions Segment (Cont.)

Significant highlights and the business environment (Cont.)

Results of operations for January – September (Cont.)

Segment profit analysis

	$ millions
Total segment profit – January – September 2017	**126**
Divested businesses	1
Total segment profit – January – September 2017 (less divested businesses)	**127**
Quantity	(6)
Price	104
Exchange rate	3
Raw materials	(43)
Energy	(1)
Transportation	(6)
Operating and other (expenses) income	(8)
Total segment profit – January – September 2018	**170**

Divested businesses – sale of the assets and business of Rovita at the beginning of the third quarter of 2018.

Quantity – the moderate negative impact on the segment's profit derives mainly from the phosphate commodities, and was mostly offset by an increase in the phosphate specialties business. The decrease was mainly in green phosphoric acid quantities and phosphate fertilizers, together with a decrease in quantities of phosphate-based food additives. The increase in the phosphate specialties business was mainly due to dairy proteins quantities sold coupled with a positive product-mix.

Price – the segment benefited from a positive price impact throughout most of the phosphate-chain, as described above.

Exchange rate – the moderate positive impact on the segment's profit derives mainly from the upward revaluation of the euro against the dollar increasing revenues. This increase was partly offset by the upward revaluation of the shekel against the dollar increasing production costs.

Raw materials – the negative impact on the segment's profit derives mainly from higher sulphur prices which increased the costs of the main raw materials throughout the phosphate value chain.

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

Operating and other (expenses) income – the negative impact on the segment's profit derives mainly from insurance income in Israel partly offset by an environment-related provision, both recorded in the corresponding period last year.

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Innovative Ag Solutions Segment

ICL's new Innovative Ag Solutions ("IAS") segment was established on the foundations of ICL's specialty fertilizers business.

The segment aims to achieve global leadership by creating new solutions for its customers, leveraging what ICL believes are the segment's strengths, which include, among others, R&D capabilities, vast agronomic experience, global footprint, backward integration to potash and phosphate and chemistry know-how.

The specialty fertilizers business produces liquid, soluble, slow-release and controlled-release fertilizers.

The IAS segment will also function as ICL's innovative arm, which will seek to focus on R&D, as well as implement digital innovation.

Significant highlights and the business environment

– Higher sales volumes and prices led to higher revenues. However, higher expenses, including raw-material costs and costs related to realignment of the segment, resulted in lower profit margins.

– Sales in Europe and China increased compared to the third quarter of 2017, while remaining flat in the US.

– Sales volumes of specialty agriculture products increased in most product lines including coated fertilizers, liquid NPK, straight fertilizers and traded materials. In addition, an increase was recorded in the prices of straight fertilizers (mainly MKP and PeKacid).

– Sales to the Turf and Ornamental market were stable. The severe drought across Europe during the quarter led to limited application, mainly in the Turf and Landscape market. This was offset by an increase in the sales of wetting agents and liquid fertilizers, as well as controlled-release and water-soluble fertilizers for ornamental horticulture.

Results of operations

	7–9/2018	7–9/2017	1–9/2018	1–9/2017	2017
			$ millions		
Total sales	**161**	154	**594**	536	692
Sales to external customers	**157**	149	**577**	523	671
Sales to internal customers	**4**	5	**17**	13	21
Segment profit	**7**	9	**55**	48	56
Depreciation and amortization	**5**	4	**14**	13	19
Capital expenditures	**3**	2	**8**	7	12

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Innovative Ag Solutions Segment (Cont.)

Results of operations for the third quarter of 2018

Analysis of sales

	$ millions	
Total sales – third quarter 2017	**154**	
Quantity	4	⇧
Price	3	⇧
Exchange rate	–	⇔
Total sales – third quarter 2018	**161**	

Quantity – the increase derives mainly from specialty agriculture products.

Price – the increase derives mainly from an increase in the selling prices of straight fertilizers.

Segment profit analysis

	$ millions	
Total segment profit – third quarter 2017	**9**	
Quantity	1	⇧
Price	3	⇧
Exchange rate	–	⇔
Raw materials	(3)	⇩
Energy	–	⇔
Transportation	–	⇔
Operating and other (expenses) income	(3)	⇩
Total segment profit – third quarter 2018	**7**	

Quantity – the minor positive impact on the segment's profit derives mainly from specialty agriculture products.

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

Raw materials – the negative impact on the segment's profit derives from an increase in most of the segment's raw materials prices, mainly ammonia and caustic soda.

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

ISRAEL CHEMICALS LTD. (Cont.)

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

Innovative Ag Solutions Segment (Cont.)

Results of operations for January – September of 2018

Analysis of sales

	$ millions	
Total sales – January – September 2017	**536**	
Quantity	26	⬆
Price	9	⬆
Exchange rate	23	⬆
Total sales – January – September 2018	**594**	

Quantity – the increase derives mainly from specialty agriculture products, largely from straight fertilizers, solid TPP and chemicals.

Price – the increase derives mainly from an increase in the selling prices of straight fertilizers.

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

Segment profit analysis

	$ millions	
Total segment profit – January – September 2017	**48**	
Quantity	8	⬆
Price	9	⬆
Exchange rate	3	⬆
Raw materials	(12)	⬇
Energy	–	⇔
Transportation	–	⇔
Operating and other (expenses) income	(1)	⬇
Total segment profit – January – September 2018	**55**	

Quantity – the positive impact on the segment's profit derives mainly from specialty agriculture products.

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

Exchange rate – the positive impact on the segment's profit derives mainly from the upward revaluation of the euro against the dollar.

Raw materials – the negative impact on the segment's profit derives from an increase in most of the segment's raw materials prices, mainly ammonia and caustic soda.

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

ISRAEL CHEMICALS LTD. (Cont.)

Set forth below are the highlights of the changes in the cash flows of ICL in the third quarter of 2018, compared with the corresponding quarter last year:

Net cash provided by operating activities:

In the third quarter of 2018, the cash flows provided by operating activities increased by $20 million compared with the corresponding quarter last year. The strong results in the current quarter compared with the corresponding quarter last year more than compensated for the increase in the net working capital. The increase was achieved despite the notable contribution from the highly cash generating divested fire safety and oil additives businesses in Q3 2017.

Net cash used in investing activities:

The cash flows used in investing activities in the third quarter of 2018 amounted to $149 million compared with $119 million in the corresponding quarter last year. This increase was mainly from an increase in cash flows used for investments in property, plant and equipment (e.g., investing in the P9 pumping station), in the amount of $47 million. The increase was partly offset by a decrease in deposits.

Net cash used in financing activities:

In the third quarter of 2018, there was an increase of $66 million in the cash flows used in financing activities compared with the corresponding quarter last year. This increase derives mainly from an increase in the net short-term and long-term loan repayments and a higher dividend payment in the amount of $24 million, compared with the corresponding quarter last year.

Debt movement:

As at September 30, 2018, ICL's net financial liabilities amounted to 2,205 million, a decrease of $832 million compared to December 31, 2017. The significant decrease of the net financial liabilities derives mainly from use of proceeds received from sale of the Fire Safety and Oil Additives (P_2S_5) businesses.

The total amount of the securitization facility framework is $350 million. As at September 30, 2018, ICL had utilized approximately $348 million of the securitization facility's framework.

In addition, ICL has long-term credit facilities of $2,026 million and €60 million, of which $1,946 million was unutilized as at September 30, 2018. As part of its efforts to reduce its finance expenses, on October 29, 2018, ICL entered into an agreement according to which, its commitment under certain revolving credit facility agreements will be reduced by a total aggregate amount of $655 million, to an amount of $1.2 billion (hereinafter – "the Agreement"). In accordance with the Agreement, the maturity date of the $1.2 billion revolving credit facility was extended from March 2022 to March 2023, with two extension options (at the banks' option) of an additional one year each, so that the final maturity date, if all options are exercised, will be March 2025. All the other material original terms of the revolving credit facility agreements remained unchanged. The Agreement will enter into effect in November 2018.

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

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

ISRAEL CHEMICALS LTD. (Cont.)

Debt movement: (Cont.)

On May 31, 2018, ICL completed a private offering of senior unsecured notes (hereinafter – "the Series F Debentures") to institutional investors pursuant to Rule 144A and Regulation S under the U.S. Securities Act of 1933, as amended, in a total amount of $600 million, due in 2038. The Series F Debentures carry an annual coupon of 6.375%, to be paid in semi-annual installments on May 31 and November 30 of each year, commencing November 30, 2018 and until the repayment date. The Series F Debentures were rated BBB– by S&P Global Inc. and Fitch Rating Inc. with a stable rating outlook. For further information, see Note 5B(5) to the condensed consolidated interim financial statements. Subsequent to the date of the report, on October 31, 2018, ICL's Board of Directors authorized ICL to repurchase from time to time up to $80 million of ICL's series D debentures due in 2024, which following completion of the tender offer for the Series D debentures on May 29, 2018, amount to approximately $184 million, by means of one or more privately negotiated transactions, at a price which does not exceed the market price of each such repurchase.

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

In July 2018, ICL and YTH agreed to convert their owners' loans in the YPH joint venture (in which each company holds 50%) in the amount of $146 million into equity by issuing shares. As a result, the "non-controlling interests" equity balance was increased by $73 million.

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

Critical accounting estimates

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

Board of Directors and members of senior management

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

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

ISRAEL CHEMICALS LTD. (Cont.)

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

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

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

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

On August 29, 2018, Dr. Miki Haran ceased serving as an external director of ICL.

The Annual General Meeting of ICLs shareholders ("the AGM") was held on August 20, 2018, and all items on the Agenda were approved, as follows:

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

2. Appointment of Dr. Nadav Kaplan as a new external director of ICL. Following his appointment and further to the resolution of the AGM, Dr. Kaplan is entitled to receive a compensation identical to that granted to ICL's other incumbent external director, Ms. Ruth Ralbag, until conclusion of her first term in office, i.e. until January 9, 2021, as well as the insurance, indemnification and exemption arrangements as currently in effect for ICL's directors. Pursuant to the resolution of ICL's Compensation Committee and Board of Directors dated July 15, 2018, as of January 10, 2021, Dr. Kaplan shall be compensated according to the schedules provided in the Compensation Regulations respecting a Rank E company. Furthermore, ICL's Compensation Committee and Board of Directors resolved, on the same occasion, that beginning in January 10, 2021, the method of relative compensation practiced by the Company until such date shall cease, and as of such date all directors entitled to compensation for their service shall be compensated in accordance with the schedules provided in the Compensation Regulations respecting a Rank E company;

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

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

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

ISRAEL CHEMICALS LTD. (Cont.)

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

5. Approval of an equity compensation for the year 2019 to each of ICL's directors, as may serve from time to time, excluding the Chairman of ICL's Board of Directors, Mr. Johanan Locker, and the directors who are officeholders in ICL's controlling shareholder, Israel Corporation Ltd., Messrs. Aviad Kaufman, Avisar Paz and Sagi Kabla, to be granted on January 1, 2019, in the form of restricted ordinary shares, with a value per grant of NIS 310,000 (approximately $85,635). For further information, see Note 5B(2) to the condensed consolidated interim financial statements;

6. Approval of equity compensation for 2018 to the Chairman of ICL's Board, Mr. Johanan Locker. For further information, see Note 5B(1) and (2) to the condensed consolidated interim financial statements;

7. Approval of the annual bonus for 2017 in an amount of NIS 1,198,000 (approx. $330,939) and a special bonus in an amount of NIS 1,800,000 (approx. $497,238), to ICL's retired Acting CEO, Mr. Asher Grinbaum. Pursuant to the AGM's resolution, out of the special bonus the amount of NIS 1,270,000 (approx. $350,830), reflecting the relative portion of the special bonus for Mr. Grinbaum as Acting CEO in 2017, was paid immediately following the shareholders' approval, while the amount of NIS 530,000 (approx. $146,408), reflecting the relative portion of the special bonus for the period Mr. Grinbaum had served as Acting CEO in 2018 (i.e., until May 2018), will be paid during 2019 and subject to certain conditions to be met.

On May 9, 2018, ICL's Board of Directors decided, after receiving the recommendation and approval of ICL's Audit Committee from May 8, 2018, to appoint Mr. Amir Meshulam as ICL's new Internal Auditor. On August 2018, Mr. Amir Meshulam entered into office, replacing ICL's previous Internal Auditor, Mr. Shmulik Daniel, who served in his position since August 2014 and left on retirement.

Further to the structural adjustments of ICL's business segments, as described under "Performance Overview", as of August 31, 2018, Mr. Noam Goldstein serves as President of the Potash Segment, Ms. Anat Tal as President of the Industrial Products Segment, Mr. Ofer Lifshitz as President of the Phosphate Solutions Segment, and Mr. Eli Glazer as President of the Innovative Ag Solutions Segment. In addition, as of August 31, 2018 Mr. Noam Goldstein, Ms. Anat Tal and Ms. Miri Mishor, SVP Global IT are considered executive officeholders of ICL.

Also further to the structural changes in ICL, Mr. Hezi Israel, EVP, ICL Corporate Development, M&A and Strategy is no longer considered an executive officeholder of ICL.

Subsequent to the date of the report, on November 1, 2018, Mrs. Ilana Fahima joined ICL as EVP, Global HR, replacing Mr. Yakir Menashe, who was appointed to the position of EVP, Global Procurement as of such date. As of the date of her appointment, Mrs. Fahima will be considered as executive officeholder of ICL. Mrs. Fahima's terms of compensation, as well as her entitlement to the insurance, indemnification and exemption arrangements as are currently in effect for ICL's Executive Officers, were approved by ICL's HR & Compensation Committee and Board of Directors on October 25, 2018 and October 31, 2018, respectively.

Risk factors

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

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

Further to that stated in Section 8.2.12 of the Periodic Report for 2017, in connection with an application for certification of a derivative action filed against ICL, the five highest-paid senior ICL officers and the members of ICL's Board of Directors, regarding the payment of annual bonuses for the years 2014 and 2015, in April 2018, the applicant filed his reply to ICL's response to the said application for certification of a derivative action. In addition, on May 2, 2018, the Supreme Court accepted ICL's appeal in connection with the District Court's decision to reject ICL's request to submit the report of the Special External Committee established by ICL's Board of Directors for purposes of examining all the aspects arising from the application for certification ("the Special Committee's Report"), and determined that the Special Committee's Report will be submitted as evidence to the District Court. The Supreme Court further ruled that the applicant shall bear a portion of ICL's expenses in connection with its request for appeal.

Further to that stated in Section 8.2.12 of the Periodic Report for 2017, in connection with an application for permission to appeal filed with the Supreme Court following a decision rendered by the Tel Aviv District Court in January 2018, to deny a motion for discovery and perusal of documents under Section 198A of the Companies Law, 5759-1999, filed by a shareholder of ICL as part of a preliminary proceeding for the filing of an application for certification of a derivative action relating to the manner of execution and termination of the Harmonization project, on October 11, 2018, the Supreme Court has rejected the application for permission to appeal, and imposed upon the applicant the legal expenses and attorneys' fees incurred by the respondent.

Anti-dumping and Countervailing Duty petition by a US magnesium competitor

Subsequent to the date of the report, on October 24, 2018, U.S. Magnesium LLC filed petitions for the imposition of anti-dumping and countervailing duties with the International Trade Administration of the U.S. Department of Commerce and the U.S. International Trade Commission, alleging that imports of magnesium produced in Israel by Dead Sea Magnesium Ltd. are being subsidized and are being sold at less than fair value in the U.S. market. In November 2018, the U.S. Department of Commerce will decide whether or not to initiate an investigation into these petitions. On December 8, 2018, the U.S. International Trade Commission is expected to make a determination whether these petitions, and the related investigations, should proceed. If these petitions proceed and are successful, these petitions could result in the imposition of tariffs on future imports. However, it is not possible to determine at this time whether either claim will be successful or whether tariffs in any particular amount will be imposed in the future.

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

Other Information

ICL ranked among top global suppliers for its sustainability efforts by Ecovadis and joins the 'Together for Sustainability' initiative

Subsequent to the date of the report, on October 9, 2018 ICL announced that it received the Silver ranking by EcoVadis, a company that monitors the sustainability efforts of 33,000 companies with global supply chains and ranks their corporate social responsibility ("CSR") activities.

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

ISRAEL CHEMICALS LTD. (Cont.)

Other Information (Cont.)

ICL ranked among top global suppliers for its sustainability efforts by Ecovadis and joins the 'Together for Sustainability' initiative (Cont.)

The Silver ranking places ICL among the top 7% of 33,000 global supply companies in all categories, in the top 11% related to environmental activities, and in the top 6% related to labor practices.

Subsequent to the date of the report, in October 2018, ICL joined the Together for Sustainability ("TFS") initiative, a global supplier sustainability initiative which will enable ICL's global procurement organization to enhance its engagement with the supply chain and increase ICL's confidence in the good practices of its suppliers.

The high ranking by EcoVadis together with the TFS initiative, join other achievements recorded by ICL in the sustainability area, and mark a major sustainability milestone to reflect ICL's commitment to continuous improvement in all sustainability areas.

Sale of the entire holdings of PotashCorp in ICL

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

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

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

Sale of Rovita

On June 5, 2018, ICL entered into an agreement for the sale of the assets and business of its subsidiary, Rovita, for no consideration (hereinafter – "the Agreement"). Rovita produces commodity milk protein products, using by-products from the whey protein business of Prolactal, which is part of ICL's Specialty Solutions segment. As part of the sale, ICL signed a long-term supply agreement with the buyer whereby the buyer will continue to purchase by-products from the whey protein business of Prolactal. In July 2018, ICL completed the sale transaction. For further information – see Note 5B(3) to consolidated interim 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 2017 (hereinafter – "the Periodic Report")

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

Section 8.10 to the Periodic Report – Activity Segments

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

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

In September 2018, a definitive Urban Master Plan (PDU) was approved, constituting the next stage in the Suria site expansion. For additional details – see the Report of the Board of Directors, ICL Section "Significant Events and Business Environment –Potash" above.

During the third quarter of 2018, ICL signed contracts for supply of potash to its customers in India and China. In addition, subsequent to the date of the report, on November 7, 2018, ICL signed framework agreements for supply of potash with customers in China. For additional details – see the Report of the Board of Directors, ICL Section "Significant Events and Business Environment –Potash" above.

ICL Phosphate Solutions – on March 28, 2018, ICL completed the transaction for sale of the Fire Safety and Oil Additives (P_2S_5) businesses, and in July 2018, the transaction for sale of all the assets and businesses of the subsidiary Rovita was completed. For additional details – see Notes 5B(4) and 5B(7) to the consolidated interim financial statements.

Subsequent to the date of the report, on October 9, 2018, ICL announced that it received the Silver ranking by EcoVadis as a result of its efforts in the area of sustainability. Subsequent to the date of the report, in October 2018, ICL joined the Together for Sustainability initiative. For additional details – see the Report of the Board of Directors, ICL Section "Other Information" above.

Section 8.22 to the Periodic Report – Business Strategy

In August 2018, ICL commenced operating in an organizational structure that was conformed it to ICL's strategy that was announced earlier this year. ICL's activities are broken down into four segments: Industrial Products; Potash; Phosphate Solutions; and Innovative Ag Solutions.

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

During the third quarter of 2018, the new power station in Sodom was placed into service. For additional details – see Note 5B(3) to the consolidated interim 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 2017 (hereinafter – "the Periodic Report") (Cont.)

Section 8.15 to the Periodic Report – Liquidity and Sources of Capital

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

On May 10, 2018 and on June 21, 2018, respectively, the credit rating agency S&P Global confirmed ICL's international credit rating, BBB– with a stable rating outlook, and the credit rating agency S&P Ma'alot confirmed ICLs credit rating, 'ilAA' with a stable rating outlook. For additional details – see Note 5B(6) to the consolidated interim financial statements.

On May 29, 2018, ICL completed a cash tender offer for any and all of its debentures Series D, and on May 31, 2018, ICL completed a private offering of new senior unsecured notes (debentures (Series F)) to institutional investors. Subsequent to the date of the report, on October 31, 2018, ICL's Board of Directors approved acquisition, from time to time, of up to $80 million from ICL's debentures (Series F) the repayment date of which was set for 2024. For additional details – see Note 5B(5) to the consolidated interim financial statements.

In July 2018, ICL and YTH reached agreement regarding conversion of shareholders' loans, in the amount of $146 million, which were granted to the YTH joint venture (in which each company holds 50%) into equity by means of an issuance of shares. For additional details – see Note 5B(9) to the consolidated interim financial statements.

Subsequent to the date of the report, on October 29, 2018, ICL signed an agreement for reduction of part of the credit frameworks. For additional details – see Note 5B(10) to the consolidated interim financial statements.

Section 8.14 to the Periodic Report – Directors, Senior Management and Employees

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

For additional details regarding the results of the vote of the General Meetings held on April 24, 2018 and on August 20, 2018 – see the Report of the Board of Directors, ICL Section "Board of Directors and Members of Senior Management" above.

Section 8.14 to the Periodic Report – Compensation

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

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

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

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

ISRAEL CHEMICALS LTD. (Cont.)

Update of the Description of the ICL's Business in the Periodic Report for 2017 (hereinafter – "the Periodic Report") (Cont.)

Section 8.14 to the Periodic Report – Human Resources

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

Section 8.21 to the Periodic Report – Legal Proceedings

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

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

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

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

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

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

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

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

Subsequent to the date of the report, in October 2018, a request for certification of a class action claim was filed against Dead Sea Works Ltd. and its subsidiaries in connection with a bromine leak that occurred in June 2018 within the premises of Dead Sea Works. For additional details – see Note 6B(10) the consolidated interim financial statements.

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

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

ISRAEL CHEMICALS LTD. (Cont.)

Update of the Description of the ICL's Business in the Periodic Report for 2017 (hereinafter – "the Periodic Report") (Cont.)

For an update regarding a request for certification of a derivative claim in connection with the manner of managing and termination of the Harmonization project – see the Report of the Board of Directors, ICL Section "Legal Proceedings" above.

Subsequent to the date of the report, on October 24, 2018, U.S. Magnesium LLC filed petitions for the imposition of anti-dumping and countervailing duties with the International Trade Administration of the U.S. Department of Commerce and the U.S. International Trade Commission, alleging that imports of magnesium produced in Israel by Dead Sea Magnesium Ltd. are being subsidized and are being sold at less than fair value in the U.S. market. For additional details – – see the Report of the Board of Directors, ICL Section "Legal Proceedings" above.

OIL REFINERIES LTD.

In the period of the report and mainly in the third quarter of 2018, the price of Brent crude oil ("Brent"), continued to increase, and was affected mainly by the decision of the OPEC member states to limit oil production, with other countries, such as Russia, joining this decision, and the effects of the sanctions on Iranian crude oil exports. At the same time, the increase in oil production by non-OPEC countries, especially the US, continued and had a moderating effect on the rise in crude oil prices. In the period of the report, Brent traded between $60 and $84 per barrel.

At the end of the third quarter of 2018, the Brent price was set at $84 per barrel. Subsequent to the date of the report and up to the publication date of ORL's report, the Brent price fell and proximate to the publication date, the Brent price was fixed at $68 per barrel.

In the period of the report, the price of Ural crude oil, which is heavy crude oil, compared to the Brent prices (which is light crude oil), traded at an average discount of $1.4 per barrel, compared with $1.1 per barrel in the corresponding period last year. The volatility of the difference between heavy and light oil was vast, ranging between $0 and $3 per barrel, mainly due to the increase in the supply of Ural heavy crude oil substitutes on the one hand, which lowered the Ural price in the first quarter of 2018 and the reduction in the supply of Iranian heavy oil which led to increas in ural price during rest of 2018, so that in the third quarter the average discount was $1.0 per barrel.

In the period of the report, the crude oil futures market was backwardation at an average of $0.2 per barrel, and in the third quarter of 2018 at an average level of $0.01 per barrel per month, continuing the trend that began in the second quarter of 2017. Subsequent to the date of the report, the market continued to be backwardation at an average of $0.2 / barrel / month.

Refining Margins:

Reuters Ural margin

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

The Reuters Ural margin weakened in the period of the report compared with the corresponding period last year. The main cause is the sharp rise in the price of crude oil, which led to a temporary decline in margins. Furthermore, in the third quarter of 2017 margins reached a peak in the last decade due to the impact of Hurricane Harvey on the US refining industry, which led to a particularly high margin during this period. Subsequent to the date of the report and up to shortly before the publication date of the report, the average Reuters Ural margin was $4.0 per barrel.

Bloomberg Average Ural margin

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

OIL REFINERIES LTD. (Cont.)

Refining Margins: (Cont.)

Bloomberg weighted-average Ural margin (Cont.)

Unlike the Reuters Ural margin, the Bloomberg Ural margin includes partial hydrocracking capacity and full use of natural gas as source of energy. Nonetheless, there may be a significant disparity between the Average Bloomberg Ural margin and ORL's refining margins, among other things, because ORL's refining facility is different, it refines a variety of types of crude oil and interim materials by optimization of its facilities, as well as the prices of natural gas, crude oil and distillates, which are different from those used for calculating the Bloomberg Ural margin. Therefore, the comparison with this margin does not constitute an accurate benchmark for estimating ORL's refining margin, particularly for short periods.Subsequent to the date of the report and up to shortly before the publication date of Bazan's report, the Average Bloomberg Ural margin was $5.2 per barrel.

Average Mediterranean Basin transportation diesel, gasoline and fuel oil margins compared with Brent crude oil (USD per barrel)

The stable trend of the diesel fuel margin continued while strengthening compared to the corresponding periods last year. The gasoline margin weakened during the period of the report, especially towards the end of the third quarter and thereafter, mainly as a result of the decline in demand at the end of the travel season.

The fuel oil margin weakened significantly during the reporting period and particularly in the second quarter of 2018 compared to the corresponding periods last year, mainly due to surplus supply in the Mediterranean region. Subsequent to the period of the report and up to shortly before publication of ORL's statements, there has been a noticeable strengthening in the fuel oil margin.

According to the Ministry of National Infrastructures information, the consumption of domestic distillates (fuel, transportation, industry and heating) decreased by 1% in the period of the report compared to the corresponding period last year, and decreased by 6% in the third quarter of 2018 compared to the corresponding quarter last year. The consumption of domestic distillates (fuel, transportation, industry and heating) decreased by 2% in the period of the report compared to the corresponding period last year, and by 5% in the third quarter of 2018 compared to the corresponding quarter last year.

Refining Volume

The decrease in refining volume in the third quarter of 2018 is mainly due to the shutdown of some of ORL's facilities, in particular the CDU 3 and hydrocracker facilities, for periodic maintenance work that ended as at the reporting date.

Polymers

The prices of row materials, used for polymers activity, particularly naphtha prices, increased in the period of the report compared with the corresponding period last year, parallel to the increase in crude oil prices. Polypropylene prices increased in the period of the report compared with the corresponding period last year, parallel to the increase in raw material and energy prices, and the polyethylene prices decreased. The increase in the polypropylene price compared with the polyethylene price is due to, among other things, surplus demand for polypropylene in Europe. In the period of the report, the difference between the price of polypropylene and the price of naphtha was higher compared with the corresponding period last year and the difference between the price of polyethylene and the price of naphtha was lower compared to the corresponding period last year. This was against the background of an increase in the price of naphtha and the concurrent increase in the demand for polypropylene. In the third quarter of 2018, the differences were lower than in the corresponding quarter last year. The decrease in volume of polymer production at Carmel Olefins in the Reporting Period is mainly due to planned maintenance work on the ethylene facility, which was carried out in the first quarter of 2018. The loss of profits due to the foregoing maintenance work was covered by insurance.

OIL REFINERIES LTD. (Cont.)

Results of operations

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

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

	7-9.2018	7-9.2017	Change	1-9.2018	1-9.2017	Change
Revenue	**1,533**	1,446	6%	**4,898**	4,030	22%
Reported EBITDA	**94**	169	(44%)	**441**	455	(3%)
Depreciation	**44**	36	(1)22%	**129**	108	(1)19%
Other expenses, net (2)	**5**	3	67%	**17**	9	(3)89%
Operating profit	**45**	130	(65%)	**295**	338	(13%)
Financing expenses, net	**27**	19	42%	**68**	102	(33%)
Income tax	**2**	19	(5)(89%)	**40**	52	(4)(23%)
Net profit	**16**	92	(83%)	**187**	183	2%
Fuel segment adjustments (*)	**29**	13		**(48)**	(42)	
Adjusted EBITDA	**123**	182	(32%)	**393**	413	(5%)
Adjusted operating profit	**74**	143	(48%)	**247**	297	(17%)
Net adjusted profit	**45**	105	(57%)	**139**	142	(2%)

(*) See below for details regarding the components of the adjustments in the fuel segment.
(1) The increase in depreciation expenses is mainly due to the effects of initial application of IFRS 16.
(2) Includes amortization of excess costs.
(3) The increase is mainly due to a loss from impairment of the assets of the oil operations in the amount of about \$10 million, offset by other income of \$2 million.
(4) The decrease is mainly due to a decrease in pre-tax profit in the period and from non-recurring taxes in the amount of \$8 million in the corresponding period last year for a dividend that was distributed.
(5) The decrease is mainly due to a decrease in pre-tax profit.

During the period of the report, periodic maintenance was performed at some of ORL's production facilities, in particular CDU 3 and the hydrocracker facilities, which had ended as at the date of the report. In ORL's estimation, the total estimated loss of profits incurred in the third quarter of 2018 amounted to \$45 million. In addition, in the third and fourth quarters of 2018 periodic maintenance work was carried out in all the Ducor facilities, which as at the approval date of the report had ended. ORL estimates that the total estimated loss of profits incurred by Ducor amounts to \$3 million (mainly in the third quarter).

OIL REFINERIES LTD. (Cont.)

Results of operations (Cont.)

Results of operations for the period July – September 2018

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

Revenues from sales by areas of activity:

	Revenues ($ millions)			Average price of product mix ($ per ton)		
	7–9/2018	**7–9/2017**	**Change**	**7–9/2018**	**7–9/2017**	**Change**
Fuels Segment	**1,382**	1,266	116	**657**	452	(1)205
Polymers Segment – Carmel Olefins	**171**	172	(2)(1)	**1,396**	1,245	151
Polymers Segment – Ducor	**47**	60	(13)	**1,548**	1,326	222
Total Polymers Segment	**218**	232	(14)			
Aromatics Segment – Gadiv	**129**	104	(3)25	**889**	686	203
Adjustments and others	**(196)**	(156)	(40)			
Total consolidated income	**1,533**	1,446	87			

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

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

	July–September	
	2018	**2017**
	$ millions	
Increase (decrease) in the accounting income		
Impacts of timing differences (1)	**1**	(14)
Impacts of adjustment of value of inventory to market value, net (2)	**20**	23
Impacts of changes in fair value of derivatives and realizations (3)	**8**	4
Total adjustments in the fuels' segment	**29**	13

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

OIL REFINERIES LTD. (Cont.)

Results of operations (Cont.)

Results of operations for the period July – September 2018 (Cont.)

Analysis of ORL's Fuels segment refining margins and comparison with the various benchmark margins

Set forth below is table summarizing data relating to ORL's refining margins and Reuters and Average Bloomberg Ural margins:

	July–September		
	2018	2018	2017
	Reported	Pro forma*	Reported
	$ millions		
Reported margin – dollar per ton	44.4	51.2	62.8
Adjustments in the fuels' segment – dollar per ton	15.0	11.3	4.9
Adjusted margin – dollar per ton	59.4	62.5	67.7
Adjusted margin – dollar per barrel	8.1	8.6	9.3
Bloomberg Average Ural margin – dollar per barrel	6.2	6.2	7.2
Reuters Ural margin – dollar per barrel	5.2	5.2	6.4

* The proforma margins for the current quarter and the corresponding quarter shown in the above table were computed as follows:

1. The estimated loss of profits in the amount of $45 million was added to ORL's actual refining margin for the third quarter, so that the adjusted margin for the third quarter is about $160 million.

2. The adjusted margin was divided by 18.7 million barrels for the third quarter, the representative number of barrels of crude oil and interim materials processed by ORL in the third quarter.

The decrease in ORL's pro forma refining margin in the third quarter of 2018 compared with the corresponding quarter last year is mainly due to a decline in the benchmark margins due to the Huricane Harvey in 2017.

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

OIL REFINERIES LTD. (Cont.)

Results of operations (Cont.)

Results of operations for the period January – September 2018

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

Revenues from sales by areas of activity:

	Revenues ($ millions)			Average price of product mix ($ per ton)		
	1–9/2018	**1–9/2017**	**Difference**	**1–9/2018**	**1–9/2017**	**Difference**
Fuels Segment	**4,366**	3,492	874	**603**	458	(1)145
Polymers Segment – Carmel Olefins	**528**	518	(2)10	**1,397**	1,253	144
Polymers Segment – Ducor	**164**	172	(8)	**1,523**	1,279	244
Total Polymers Segment	**692**	690	2			
Aromatics Segment – Gadiv	**396**	244	(3)152	**849**	706	143
Adjustments and others	**(556)**	(396)	(160)			
Total consolidated income	**4,898**	4,030	868			

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

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

	January–September	
	2018	**2017**
	$ millions	
Increase (decrease) in the accounting income		
Income from timing differences (1)	**(45)**	(3)
Income from adjustment of value of inventory to market value, net (2)	**–**	(4)
Impacts of changes in fair value of derivatives and realizations (3)	**(3)**	(35)
Total adjustments in the fuels' segment	**(48)**	(42)

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

OIL REFINERIES LTD. (Cont.)

Results of operations (Cont.)

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

Set forth below is table summarizing data relating to ORL's refining margins and Reuters and Average Bloomberg Ural margins:

	January–September			
	2018	**2018**	**2017**	**2017**
	Reported	**Pro forma***	**Reported**	**Pro forma***
	$ millions			
Reported margin – dollar per ton	**57.8**	**58.2**	59.2	63.9
Adjustments in the fuels' segment – dollar per ton	**(6.7)**	**(6.2)**	(5.8)	(5.4)
Adjusted margin – dollar per ton	**51.1**	**52.0**	53.4	58.5
Adjusted margin – dollar per barrel	**7.0**	**7.1**	7.3	8.0
Average Bloomberg Ural margin – dollar per barrel	**5.9**	**5.9**	6.2	6.2
Reuters Ural margin – dollar per barrel	**4.5**	**4.5**	5.8	5.8

* The proforma margins for the current quarter and the corresponding quarter shown in the above table were computed as follows:

1. The estimated loss of profits of $45 million ($61 million in the corresponding period last year) was added to the actual refining margin of ORL for the relevant period, so that the adjusted margin for the period was $399 million ($449 million in the corresponding period last year).

2. The adjusted margin was divided by the total number of barrels for the period of the report of 56 million barrels (the median number of barrels of crude oil and interim materials of 18.7 million barrels processed by ORL per quarter plus the actual number of barrels processed in the first half of 2018 (56 million barrels in the corresponding period last year).

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

Other developments in the period of the report and thereafter

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

OIL REFINERIES LTD. (Cont.)

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

1. (Cont.)

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

2. Further to that stated in Section 9.6.2.3 and Section 9.6.2.4 of the Periodic Report for 2017, regarding penetration of fuel substitutes into the market, subsequent to the period of the report, the Ministry of Energy published a draft of the "Energy Sector Goals for 2030" ("the Draft"). The Draft describes, inter alia, the objectives of the energy sector with regard to transportation fuels, and industry. According to the document: "In the transportation sector: the goal is a complete cessation of the use of polluting fuel products in land transportation, to be replaced by electric vehicles and compressed natural gas (CNG) powered vehicles. Accordingly, from 2030, all vehicles powered by gasoline or diesel oil will be banned from entering Israel, and 100% of all new vehicles in Israel will be powered by electricity and CNG. Progress will be gradual ..." "In the industrial sector: the goal is cessation of the use of gasoline, Liquefied Petroleum Gas (LPG) and diesel oil, and their replacement with cleaner and more efficient energy sources. For heavy industry – a continuous use of natural oil, for smaller industry – connecting consumers to a natural gas supply network" The Draft further states: "... realization of the energy economy objectives for the year 2030 ... it will be possible, in a few years, to supply most of the industry needs through one refinery, relying on imports of the remaining fuel products. It should be noted that this issue raises additional aspects, including dependence on one refinery, aspects of competition and influences on Israeli industry. These issues can be considered if the economy progresses in reducing the use of liquid fuels ...".

   ORL consistently reviews the developments in Israel and worldwide in the markets for the products that it produces, drafts plans and adapts itself, strategically, to these developments.

   As at the approval date of the report, ORL has submitted to the Ministry of Energy its response to the draft document, explainint that even given the prohibition on importing into Israel gasoline or diesel driven vehicles as of 2030, taking into accour the significant contribution of ORL to the economy and its ability, as a flexible combination of refining and petrochemical facilities, producing many other products other than land transportation fuels, ORL will be able to adapt its product mix to the changes that will occur regarding the demand for fuel products and there is no justification to consider future reduction in the volume of the refining industry in Israel and the closure of the refinery.

   The information regarding the policies of the Ministry of Energy, as it will ultimately be determined and regarding the scope and timing of its application, to the extent applied, along with the possible impacts on ORL, if any, constitue "forward-looking" information, which ORL is not able to assess and which depend on many different factors over which ORL does not have control, including, decisions that will be made by regulatory agencies, technological changes, conformance of infrastructures, developments in this area in markets outside of Israel, and others.

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

OIL REFINERIES LTD. (Cont.)

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

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

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

   ORL welcomes the government's intention to hold a strategic discussion at the national level, in cooperation with all relevant government bodies, concerning the future of the ORL Group in the Haifa Bay area. ORL is cooperating with the taskforce in order to formulate a strategic, worthy and sustainable alternative under the auspices and responsibility of the State, for the further development of the ORL Group. ORL submitted all the information it was requested to submit for the purpose of the said examination, including with reference to various alternatives, among others, transfer of all or part of the activities of the ORL Group from the Haifa Bay area, and a future decision to discontinue in the future all or part of ORL's activities in the Haifa Bay area. The information was provided at the Council's request further to that stated in the Council's letter dated May 16, 2018 "… in order that unilateral work will not be performed based on imprecise data, and in order that the ORL Group will be able to provide its insights with respect to the process and to achieve optimal results for all parties". In the period of the report and thereafter, ORL was in contact regarding this matter with the National Economic Council and additional parties of the inter-ministerial team and others and, among other things, it presented its importance to the Israeli economy, in general, and to the energy industry, in particular, and made it clear that it will take full advantage of all its legal rights.

   In October 2018, various reports were published in the media, according to which the conclusions of the report of the Consulting Company were that it would be possible to close ORL's operations as of 2025; that the Council chairman intends to recommend that the government make a decision on this matter, and that the income from alternative use of the land will lower the vast expense involved, inter alia, for the payment of compensation. Following these publications, ORL applied to the National Economic Council to receive a copy of the report in order to be able to refer to it and to respond to its conclusions, if at all. At the time of publication of the report, the National Economic Council and the Prime Minister's Office refused to send the report to ORL and the National Economic Council claimed that it was not responsible for media reports, which, according to them, were inaccurate and did not confirm or refute any of the information presented in these publications. Following the refusal to provide ORL the report, ORL filed a petition with the High Court of Justice.

   ORL intends to act by all means, including holding discussions with all the relevant bodies in order to find a sustainable solution for ORL and all the relevant stakeholders.

OIL REFINERIES LTD. (Cont.)

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

5. (Cont.)

As at the approval date of the report, ORL has no further information regarding the conclusions of the report prepared by the Consulting Company and it is unable to assess the outcome of the taskforce's work, if and when such results will be presented to the Government and regarding the timing and content of the Government's decision, to the extent a decision on the matter is made.

6. Further to that stated in Section 9.14.2.2 of the Periodic Report for 2017, in the period of the report, ORL continued to adopt intensive measures to reduce benzene emissions from its premises and submitted to the Ministry additional immediate plans for reducing emissions, including plans for modifying/discontinuing activities and it is presently implementing these plans. The Ministry of Environmental Protection has notified ORL that if, after implementation of its plans, emission concentrations will continue to be measured that exceed the daily benzene emission concentration as provided in the Regulations, the Ministry will consider additional measures, including the use of its powers under Section 46 of the Clean Air Law that enable ordering discontinuance of the use of an emissions' source, in whole or in part. ORL believes that completion of the plans it is implementing will lead to further reduction of benzene emissions from its premises, but at this stage it cannot be certain that immediately, at the boundaries of its premises, no further deviations from the regulations will be measured[4].

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

UPDATE REGARDING DESCRIPTION OF THE CORPORATION'S BUSINESS

Set forth below are significant updates and/or changes in the Corporation's business that occurred from the publication date of the of the Corporation's Annual Report for 2017 on March 22, 2018 and up to the publication date of this report[5]:

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

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

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

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

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

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

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

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

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

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

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

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[5] Update of the Corporation's business is prepared in accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 1970, and includes significant changes or new developments in the Corporation's business that occurred from the publication date of the Corporation's Annual Report for 2017 and up to the publication date of this report. Unless it is expressly determined otherwise or where the context of the matters requires otherwise, all the terms and expressions used in this report shall have the meaning existing for them in the Corporation's Periodic Report for 2017, which was published on March 22, 2018 (Ref. No. 2018-01-028525) (hereinafter – "the Periodic Report"). Every reference to an Immediate Report includes as part of this document all the information included in the Immediate Report as stated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Q. Regarding ICL's notification of signing of contracts for sale of potash to a customer in India – see the Corporation's Immediate Report dated August 30, 2018 (Ref. No. 2018-01-082479).

R. Regarding an investors' presentation published by ICL – see the Corporation's Immediate Report dated September 13, 2018 (Ref. No. 2018-01-086727).

S. Regarding rejection of a request for leave to appeal filed against ICL regarding disclosure and perusal of documents in connection with the Harmonization project – see the Corporation's Immediate Report dated October 14, 2018 (Ref. No. 2018-01-095856).

T. Regarding ICL's notifications of signing of framework agreements for sale of potash to customers in China – see the Corporation's Immediate Reports dated October 14, 2018 (Ref. No. 2018-01-095859) and November 8, 2018 (Ref. No. 2018-01-105954).

U. Regarding the decision of an appeals board with respect to the use made by ICL of Pond 5 in Rotem's plant in Israel and ICL's intention to submit a request for a building and use permit for Pond 5 – see the Corporation's Immediate Report dated October 25, 2018 (Ref. No. 2018-01-100560).

V. Regarding ICL's financial statements as at September 30, 2018 and an investors' presentation published by ICL further thereto – see the Corporation's Immediate Reports dated November 1, 2018 (Ref. Nos. 2018-01-103002 and 2018-01-103011, as applicable). In addition, regarding ICL's financial statements as at September 30, 2018 in Hebrew and ICL's Report of the Board of Directors provided by ICL for purposes of inclusion in the Corporation's report – see the Corporation's Immediate Reports dated November 5, 2018 (Ref. Nos. 2018-01-104484 and 2018-01-104487, as applicable).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For additional details regarding legal proceedings – see Note 6A to the interim consolidated financial statements as at September 30, 2018.

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

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

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

To Section 22 of Paragraph A of the Periodic Report – Transactions with the Controlling Shareholder

Subsequent to the date of the report, on October 4, 2018, the General Meeting of the Corporation's shareholders approved extension of the validity if the indemnification certificate for the Corporation's officers, where the Corporation's controlling shareholders would be considered as having a personal interest in approval of the extension of their validity. For additional details – see the Corporation's Immediate Reports dated August 23, 2018 (Ref. Nos. 2018-01-080514 and 2018-01-080520), their amended Report dated September 13, 2018 (Ref. No. 2018-01-087141), and the Corporation's Immediate Report dated October 4, 2018 (Ref. No. 2018-01-092208).

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

For a report of the holdings of interested parties and officers of the Corporation – see the Immediate Report dated October 7, 2018 (Ref. No. 2018-01-092640).

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

For details with respect to changes that took place in the Corporation's capital subsequent to the date of the Periodic Report – see the Immediate Reports dated March 29, 2018 (Ref. Nos. 2018-01-032440 and 2018-01-032677), April 8, 2018 (Ref. No. 2018-01-035107), April 10, 2018 (Ref. No. 2018-01-036481) and October 25, 2018 (Ref. No. 2018-01-100920).

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

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

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

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

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

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

For a report regarding the position of the Corporation's senior officers – see the Immediate Report dated August 26, 2018 (Ref. No. 2018-01-080916).

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

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

B. Subsequent to the date of the report, on October 4, 2018, the General Meeting of the Corporation's shareholders approved extension of the validity if the indemnification certificate for the Corporation's officers, where the Corporation's controlling shareholders would be considered as having a personal interest in approval of the extension of their validity. For additional details – see the Corporation's Immediate Reports dated August 23, 2018 (Ref. Nos. 2018-01-080514 and 2018-01-080520), their amended Report dated September 13, 2018 (Ref. No. 2018-01-087141), and the Corporation's Immediate Report dated October 4, 2018 (Ref. No. 2018-01-092208).

ADDITIONAL INFORMATION INCLUDED IN THE AUDITORS' REVIEW REPORT

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

Without qualifying our above-mentioned conclusion, we direct attention to that stated in Note 6.C.4 regarding certain legal proceedings and other contingencies against ORL and its subsidiaries, which in the estimation of the managements of the defendant companies, based on the opinion of their legal advisors, it is not possible to predict at this point the impact thereof on the financial statements, if any, and accordingly, no provision in respect thereof has been included in the financial statements.

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

November 15, 2018

Israel Corporation Ltd.

Condensed Consolidated Interim Financial Statements

As at September 30, 2018

(Unaudited)

In Millions of U.S. Dollars

Israel Corporation Ltd.
Condensed Consolidated Interim Financial Statements
At September 30, 2018
Unaudited

Contents

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

Introduction

We have reviewed the accompanying financial information of Israel Corporation Ltd. and its subsidiaries comprising of the condensed consolidated interim statement of financial position as at September 30, 2018 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine-month and three-month periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of financial information for these interim periods in accordance with IAS 34 "*Interim Financial Reporting*", and are also responsible for preparation of financial information for these interim periods in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on financial information for these interim periods based on our review.

Scope of the Review

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

Conclusion

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

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

Emphasis of matter paragraph (drawing of attention)

Without qualifying our above-mentioned conclusion, we direct attention to that stated in Note 6.C.4 regarding certain legal proceedings and other contingencies against ORL and its subsidiaries, which in the estimation of the managements of the defendant companies, based on the opinion of their legal advisors, it is not possible to predict at this point the impact thereof on the financial statements, if any, and accordingly, no provision in respect thereof has been included in the financial statements.

Somekh Chaikin
Certified Public Accountants (Isr.)

November 15, 2018

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Financial Position

	At September 30		At December 31
	2018	2017	2017
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Assets			
Cash and cash equivalents	**139**	229	159
Short-term investments and deposits	**569**	607	558
Loan to related company	**–**	–	240
Trade receivables	**1,000**	1,056	932
Inventories	**1,225**	1,208	1,226
Other receivables and debit balances, including derivative instruments	**285**	225	260
Assets held for sale	**–**	122	169
Total current assets	**3,218**	3,447	3,544
Non-Current Assets			
Investments in associated companies accounted for using the equity method of accounting	**611**	553	578
Investments measured at fair value through other comprehensive income	**149**	253	212
Loan to related company	**–**	236	–
Derivative instruments	**73**	115	128
Deferred tax assets	**112**	139	132
Other non-current assets	**379**	303	309
Property, plant and equipment	**4,628**	4,509	4,571
Intangible assets	**870**	1,039	921
Total non-current assets	**6,822**	7,147	6,851
Total assets	**10,040**	10,594	10,395

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Financial Position

	At September 30		At December 31
	2018	2017	2017
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Liabilities			
Credit from banks and others	**1,004**	994	901
Trade payables	**686**	694	790
Provisions	**50**	83	78
Other payables and credit balances, including derivative instruments	**651**	728	670
Liabilities held for sale	**–**	–	43
Total current liabilities	**2,391**	2,499	2,482
Non-Current Liabilities			
Debentures and long-term loans	**3,044**	4,468	4,192
Derivative instruments and other non-current liabilities	**10**	10	7
Provisions	**199**	180	193
Liabilities for deferred taxes	**287**	289	242
Long-term provisions for employee benefits	**544**	623	642
Total non-current liabilities	**4,084**	5,570	5,276
Total liabilities	**6,475**	8,069	7,758
Equity			
Share capital and premium	**326**	326	326
Capital reserves	**(175)**	(110)	(117)
Capital reserve in respect of transactions with controlling shareholder	**190**	190	190
Retained earnings	**1,022**	528	614
Total equity attributable to the owners of the Corporation	**1,363**	934	1,013
Holders of non-controlling interests	**2,202**	1,591	1,624
Total equity	**3,565**	2,525	2,637
Total liabilities and equity	**10,040**	10,594	10,395

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

Approval date of the financial statements: November 15, 2018

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Income

	For the				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Sales	**4,146**	4,057	**1,371**	1,440	5,418
Cost of sales	**2,802**	2,819	**913**	972	3,753
Gross profit	**1,344**	1,238	**458**	468	1,665
Research and development expenses	**42**	40	**13**	12	55
Selling, transportation and marketing expenses	**588**	557	**191**	194	746
Administrative and general expenses	**199**	195	**65**	62	267
Other expenses	**67**	70	**31**	35	100
Other income	**(878)**	(37)	**(19)**	(16)	(109)
Operating income	**1,326**	413	**177**	181	606
Financing expenses	**224**	301	**66**	97	382
Financing income	**(54)**	(134)	**(20)**	(40)	(170)
Financing expenses, net	**170**	167	**46**	57	212
Share in income of associated companies accounted for using the equity method of accounting	**55**	55	**1**	22	74
Income before taxes on income	**1,211**	301	**132**	146	468
Taxes on income	**108**	149	**45**	62	162
Income for the period	**1,103**	152	**87**	84	306
Attributable to:					
Owners of the Corporation	**501**	54	**20**	42	135
Holders of non-controlling interests	**602**	98	**67**	42	171
Income for the period	**1,103**	152	**87**	84	306
Income per share attributable to the owners of the Corporation: (in dollars)					
Basic and diluted income per share	**65.60**	6.97	**2.67**	5.77	17.81

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Comprehensive Income

	For the Nine Months Ended September 30		For the Three Months Ended September 30		Year Ended December 31
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Income for the period	**1,103**	152	**87**	84	306
Components of other comprehensive income (loss) that will be recognized in future periods in the statement of income					
Foreign currency translation differences in respect of foreign activities	**(83)**	129	**(24)**	39	151
Net change in fair value of cash flow hedges transferred to the statement of income	**17**	(14)	**(3)**	3	(16)
Group's share in other comprehensive income of companies accounted for using the equity method of accounting	**13**	1	**3**	5	5
Effective portion of the change in fair value of cash flow hedges	**(15)**	15	**3**	(3)	17
Net change in fair value of financial assets available for sale	**–**	(11)	**–**	40	(57)
Taxes on income in respect of other components of other comprehensive income	**–**	4	**–**	(1)	5
Total	**(68)**	124	**(21)**	83	105
Components of other comprehensive income (loss) that will not be recognized in future periods in the statement of income					
Actuarial gains (losses) from defined benefit plans, net	**51**	(4)	**(5)**	5	(17)
Net change in investments measured at fair value through other comprehensive income	**(52)**	–	**7**	–	–
Share of the Group in other comprehensive income (loss) of investee companies accounted for using the equity method of accounting	**1**	–	**(1)**	–	–
Taxes on income in respect of other components of other comprehensive income	**(2)**	–	**7**	(2)	3
Total	**(2)**	(4)	**8**	3	(14)
Other comprehensive income (loss) for the period, net of tax	**(70)**	120	**(13)**	86	91
Comprehensive income for the period	**1,033**	272	**74**	170	397
Attributable to:					
Owners of the Corporation	**478**	111	**16**	84	179
Holders of rights non-controlling interests	**555**	161	**58**	86	218
Comprehensive income for the period	**1,033**	272	**74**	170	397

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

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

	Attributable to the owners of the Corporation						Non-controlling interests	Total equity
	Share capital and premium	Translation reserve for foreign activities	Capital reserves	Capital reserve for transactions with controlling shareholder	Retained earnings	Total		
	(Unaudited)							
	$ millions							
For the nine months ended September 30, 2018								
Balance at January 1, 2018 (audited)	**326**	**(157)**	**40**	**190**	**614**	**1,013**	**1,624**	**2,637**
Impact of first-time application of IFRS 9*	**–**	**–**	**(14)**	**–**	**(5)**	**(19)**	**–**	**(19)**
Balance at January 1, 2018 (audited)	**326**	**(157)**	**26**	**190**	**609**	**994**	**1,624**	**2,618**
Share-based payments in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**17**	**17**
Expiration of options granted to employees in a subsidiary	**–**	**–**	**–**	**–**	**1**	**1**	**(1)**	**–**
Dividend to holders of non-controlling interests in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(93)**	**(93)**
Dividends to equity holders	**–**	**–**	**–**	**–**	**(120)**	**(120)**	**–**	**(120)**
Sale of shares of subsidiary while retaining control	**–**	**2**	**–**	**–**	**11**	**13**	**24**	**37**
Conversion of debt of a subsidiary (see Note 5B9)	**–**	**–**	**–**	**–**	**–**	**–**	**73**	**73**
Issuance of shares of a subsidiary to holders of non-controlling interests	**–**	**–**	**–**	**–**	**(3)**	**(3)**	**3**	**–**
Income for the period	**–**	**–**	**–**	**–**	**501**	**501**	**602**	**1,103**
Other comprehensive income (loss) for the period, net of tax	**–**	**(37)**	**(9)**	**–**	**23**	**(23)**	**(47)**	**(70)**
Balance at September 30, 2018	**326**	**(192)**	**17**	**190**	**1,022**	**1,363**	**2,202**	**3,565**
For the nine months ended September 30, 2017								
Balance at January 1, 2017 (audited)	322	(231)	63	190	460	804	1,457	2,261
Share-based payments in a subsidiary	–	–	–	–	–	–	13	13
Expiration of options granted to Corporation employees	4	–	(4)	–	–	–	–	–
Dividend to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	(62)	(62)
Sale of shares of subsidiary while retaining control	–	3	–	–	16	19	22	41
Income for the period	–	–	–	–	54	54	98	152
Other comprehensive income (loss) for the period, net of tax	–	61	(2)	–	(2)	57	63	120
Balance at September 30, 2017	326	(167)	57	190	528	934	1,591	2,525

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

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

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

	Attributable to the owners of the Corporation						Non-controlling interests	Total equity
	Share capital and premium	Translation reserve for foreign activities	Capital reserves	Capital reserve for transactions with controlling shareholder	Retained earnings	Total		
	(Unaudited)							
	$ millions							
For the three months ended September 30, 2018								
Balance at July 1, 2018 (unaudited)	**326**	**(181)**	**10**	**190**	**997**	**1,342**	**2,091**	**3,433**
Share-based payments in a subsidiary	–	–	–	–	–	–	**4**	**4**
Expiration of options granted to employees in a subsidiary	–	–	–	–	**1**	**1**	**(1)**	–
Dividend to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	**(30)**	**(30)**
Sale of shares of subsidiary while retaining control	–	–	–	–	**4**	**4**	**7**	**11**
Conversion of debt of a subsidiary (see Note 5B9)	–	–	–	–	–	–	**73**	**73**
Income for the period	–	–	–	–	**20**	**20**	**67**	**87**
Other comprehensive income (loss) for the period, net of tax	–	**(11)**	**7**	–	–	**(4)**	**(9)**	**(13)**
Balance at September 30, 2018	**326**	**(192)**	**17**	**190**	**1,022**	**1,363**	**2,202**	**3,565**
For the three months ended September 30, 2017								
Balance at July 1, 2017 (unaudited)	326	(185)	33	190	480	844	1,510	2,354
Share-based payments in a subsidiary	–	–	–	–	–	–	2	2
Dividend to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	(17)	(17)
Sale of shares of subsidiary while retaining control	–	1	–	–	5	6	10	16
Income for the period	–	–	–	–	42	42	42	84
Other comprehensive income for the period, net of tax	–	17	24	–	1	42	44	86
Balance at September 30, 2017	326	(167)	57	190	528	934	1,591	2,525

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

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

	Attributable to the Corporation's shareholders						Non-controlling interests	Total capital
	Share capital and premium	Translation reserve for foreign activities	Capital reserves	Capital reserve for transactions with controlling shareholder	Retained earnings	Total		
	$ millions							
Balance at January 1, 2017	322	(231)	63	190	460	804	1,457	2,261
Share-based payments in a subsidiary	–	–	–	–	–	–	16	16
Expiration of options granted to employees of a subsidiary	–	–	–	–	5	5	(5)	–
Expiration of options granted to employees of the Corporation	4	–	(4)	–	–	–	–	–
Dividend to holders of non-controlling interests in a subsidiary	–	–	–	–	–	–	(92)	(92)
Sale of shares of a subsidiary while retaining control	–	4	–	–	21	25	30	55
Income for the year	–	–	–	–	135	135	171	306
Other comprehensive income (loss) for the year, net of tax	–	70	(19)	–	(7)	44	47	91
Balance at December 31, 2017	326	(157)	40	190	614	1,013	1,624	2,637

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Cash Flows

	For the Nine Months Ended September 30		For the Three Months Ended September 30		Year Ended December 31
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from operating activities					
Income for the period	**1,103**	152	**87**	84	306
Adjustments:					
Depreciation and amortization	**299**	305	**94**	113	397
Impairment in value of assets	**17**	–	**3**	–	28
Financing expenses, net	**121**	178	**60**	34	224
Share in income of associated companies accounted for using the equity method of accounting	**(55)**	(55)	**(1)**	(22)	(74)
Other capital losses (gains), net	**–**	(6)	**–**	3	–
Loss (gain) on sale of businesses	**(841)**	–	**–**	3	(51)
Share-based payment transactions	**17**	13	**4**	2	16
Loss (gain) from re-measurement to fair value of collar options	**29**	15	**17**	(5)	7
Taxes on income	**108**	149	**45**	62	162
	798	751	**309**	274	1,015
Change in inventories	**(59)**	105	**(17)**	81	57
Change in trade and other receivables	**(125)**	(40)	**61**	(96)	21
Change in trade and other payables	**(24)**	(147)	**(110)**	(12)	(57)
Change in provisions and employee benefits	**(72)**	(10)	**(21)**	(22)	(4)
	518	659	**222**	225	1,032
Income taxes paid, net	**(37)**	(63)	**(18)**	(22)	(132)
Dividends received	**21**	35	**–**	–	35
Net cash provided by operating activities	**502**	631	**204**	203	935
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment	**2**	12	**–**	–	12
Short-term deposits and loans, net	**(25)**	85	**(51)**	15	140
Proceeds from sale of businesses, net of transactions costs	**906**	6	**(1)**	–	6
Net proceeds from sale of shares of company accounted for using the equity method of accounting	**–**	56	**–**	–	224
Acquisition of property, plant and equipment and intangible assets	**(393)**	(317)	**(145)**	(98)	(457)
Collection of long-term loans from related company	**200**	–	**–**	–	–
Interest received	**45**	3	**3**	1	6
Receipts from (payments for) derivative transactions not used for hedging, net	**(21)**	29	**4**	(14)	37
Net cash provided by (used in) investing activities	**714**	(126)	**(190)**	(96)	(32)

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

Israel Corporation Ltd.
Condensed Consolidated Interim Statements of Cash Flows

	For the				
	Nine 1Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from financing activities					
Dividend paid to holders of non-controlling interests	**(93)**	(94)	**(30)**	(17)	(124)
Receipt of long-term loans and issuance of debentures	**1,714**	1,104	**140**	251	1,174
Repayment of long-term loans and debentures*	**(2,553)**	(1,311)	**(240)**	(264)	(1,756)
Dividend paid to the owners of the Corporation	**(120)**	–	**–**	–	–
Short-term credit from banks and others, net	**(18)**	(21)	**64**	13	(28)
Receipts from (payments for) derivative transactions used for hedging, net	**1**	1	**(2)**	–	3
Interest paid*	**(149)**	(164)	**(43)**	(51)	(218)
Net cash used in financing activities	**(1,218)**	(485)	**(111)**	(68)	(949)
Increase (decrease) in cash and cash equivalents	**(2)**	20	**(97)**	39	(46)
Cash and cash equivalents at beginning of the period	**164**	211	**242**	190	211
Cash and cash equivalents held as part of assets held for sale	**–**	–	**–**	–	(5)
Effect of exchange rate fluctuations on balances of cash and cash equivalents	**(23)**	(2)	**(6)**	–	(1)
Cash and cash equivalents at the end of the period	**139**	229	**139**	229	159

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

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

Israel Corporation Ltd.
Notes to the Unaudited Condensed Consolidated Interim Financial Statements
At September 30, 2018

Note 1 – The Reporting Entity

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

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

Note 2 – Basis of Preparation of the Financial Statements

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

The condensed consolidated interim financial statements were prepared in accordance with IAS 34, "Financial Reporting for Interim Periods" and do not include all of the information required in complete, annual financial statements. These statements should be read together with the financial statements for the year ended December 31, 2017 (hereinafter – "the Annual Financial Statements"). In addition, these financial statements were prepared in accordance with the provisions of Section D of the Securities Regulations (Periodic and Immediate Reports) 1970.

The condensed, consolidated, interim financial statements were approved for publication by the Corporation's Board of Directors on November 15, 2018.

B. Use of estimates and judgment

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

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

Note 3 – Significant Accounting Policies

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

First-time application of new accounting standards

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

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

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

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

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

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

Initial recognition and measurement of financial assets and financial liabilities

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

Note 3 – Significant Accounting Policies (Cont.)

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

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

Financial assets – classification and subsequent measurement

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

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

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

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

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

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

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

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

Note 3 – Significant Accounting Policies (Cont.)

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

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

Financial assets – classification and subsequent measurement (Cont.)

Impairment in value

Credit-impaired financial assets:

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

Presentation of impairment losses:

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

Financial liabilities – classification, subsequent measurement and gains and losses

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

Change in terms of financial liabilities

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

Note 3 – Significant Accounting Policies (Cont.)

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

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

Hedge accounting

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

Cash-flow hedge

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

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

New standards not yet adopted

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

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

Method of application and expected effects

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

Note 3 – Significant Accounting Policies (Cont.)

New standards not yet adopted (Cont.)

Method of application and expected effects (Cont.)

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

Main Expedients that the Group intends to elect:

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

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

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

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

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

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

ORL (an associated company) has made early adoption of the Standard commencing from January 1, 2018. Since Israel Corporation does not intend to make early adoption of the Standard, Israel Corporation makes adjustments to ORL's financial statements in its financial statements. The impact of the Standard on ORL's net income and equity in the period of the report is not material. For details regarding the impact of the application on ORL's financial statements – see Note 5C(7) below.

Note 4 – Information on Activity Segments

A. General

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

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

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

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

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

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

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

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

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

Note 4 – Information on Activity Segments (Cont.)

B. (Cont.)

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

C. Information relating to Business Segments

	ICL	ORL	Adjustments (1)	Total
	Unaudited			
	$ millions			
For the nine months ended September 30, 2018				
Sales to external customers	4,146	4,898	(4,898)	4,146
EBITDA income (2)	842	393	(397)	838
Depreciation and amortization	313	138	(135)	316
Financing income	(33)	(28)	7	(54)
Financing expenses	125	96	3	224
Share in income of equity-accounted investees	–	–	(55)	(55)
Unusual or one-time income and adjustments	*(824)	(40)	60	(804)
	(419)	166	(120)	(373)
Income before taxes	1,261	227	(277)	1,211
Taxes on income	110	40	(42)	108
Income for the period	1,151	187	(235)	1,103

* See note 5.B.7
(1) Most of the adjustments stem from the ORL segment.
(2) See Section B., above.

Note 4 – Information on Activity Segments (Cont.)

C. Information relating to Business Segments (Cont.)

	ICL	ORL	Adjustments (1)	Total
	Unaudited			
	$ millions			
For the nine months ended September 30, 2017				
Sales to external customers	4,057	4,030	(4,030)	4,057
EBITDA income (2)	783	413	(417)	779
Depreciation and amortization	300	117	(112)	305
Financing income	(82)	(10)	(42)	(134)
Financing expenses	181	112	8	301
Share in income of equity-accounted investees	(2)	–	(53)	(55)
Extraordinary or non-recurring expenses (income) and adjustments	43	(41)	59	61
	440	178	(140)	478
Income before taxes	343	235	(277)	301
Taxes on income	145	52	(48)	149
Income for the period	198	183	(229)	152

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

Note 4 – Information on Activity Segments (Cont.)

C. Information relating to Business Segments (Cont.)

	ICL	ORL	Adjustments (1)	Total
	Unaudited			
	$ millions			
For the three months ended September 30, 2018				
Sales to external customers	1,371	1,533	(1,533)	1,371
EBITDA income (2)	295	123	(124)	294
Depreciation and amortization	97	47	(47)	97
Financing income	(19)	(6)	5	(20)
Financing expenses	42	32	(8)	66
Share in income of equity-accounted investees	1	–	(2)	(1)
Unusual or one-time expenses (income) and adjustments	2	31	(13)	20
	123	104	(65)	162
Income before taxes	172	19	(59)	132
Taxes on income	45	3	(3)	45
Income for the period	127	16	(56)	87

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

Note 4 – Information on Activity Segments (Cont.)

C. Information relating to Business Segments (Cont.)

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

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

Note 4 – Information on Activity Segments (Cont.)

C. Information relating to Business Segments (Cont.)

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

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

Note 4 – Information on Activity Segments (Cont.)

D. Sales by Geographic Areas

	1–9/2018		1–9/2017		7–9/2018		7–9/2017		1–12/2017	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
Europe	**1,552**	**37**	1,453	36	**446**	**33**	462	32	1,918	35
Asia	**1,019**	**25**	946	23	**352**	**26**	339	24	1,342	25
North America	**744**	**18**	916	23	**262**	**19**	345	24	1,175	22
South America	**514**	**12**	506	12	**204**	**15**	214	15	666	12
Rest of the world	**317**	**8**	236	6	**107**	**7**	80	5	317	6
Total	**4,146**	**100**	4,057	100	**1,371**	**100**	1,440	100	5,418	100

E. Sales by Main Countries

	1–9/2018		1–9/2017		7–9/2018		7–9/2017		1–12/2017	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
United States	**688**	**17**	850	21	**245**	**18**	314	22	1,091	20
China	**556**	**13**	511	13	**226**	**16**	208	14	724	13
Brazil	**472**	**11**	450	11	**189**	**14**	197	14	594	11
United Kingdom	**303**	**7**	245	6	**86**	**6**	79	5	328	6
Germany	**289**	**7**	284	7	**80**	**6**	93	6	378	7
France	**211**	**5**	198	5	**71**	**5**	74	5	265	5
Spain	**203**	**5**	201	5	**60**	**4**	61	4	264	5
Israel	**160**	**4**	130	3	**56**	**4**	34	2	171	3
Australia	**111**	**3**	57	1	**40**	**3**	31	2	85	2
Italy	**101**	**2**	89	2	**31**	**2**	24	2	121	2
Other	**1,052**	**26**	1,042	26	**287**	**22**	325	24	1,397	26
Total	**4,146**	**100**	4,057	100	**1,371**	**100**	1,440	100	5,418	100

Note 5 – Additional Information

A. The Corporation and the Headquarters Companies

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

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

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

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

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

   <u>Set forth below are the financial covenants</u>

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

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

Note 5 – Additional Information (Cont.)

A. The Corporation (Cont.)

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

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

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

5. Further to that stated in Note 10.B to the annual financial statements, the Corporation continued making a "physical settlement" pursuant to the terms of the Financial Transaction, and as a result, during the period of the report, the number of shares held by the Corporation declined by a total of about 8,004 thousand shares, and as at September 30, 2018, the rate of the Corporation's holdings in ICL's issued share capital was about 46.9%, compared with 47.6% at the beginning of the year. As at the date of the report, the balance of the shares remaining under the "physical settlement" was about 13.3 million shares, and the balance of the period of the Financial Transaction is about 1 year. 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 $24 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, on November 15, 2018, closing out of the Financial Transaction was completed with reference to an additional quantity of about 2,286 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 46.7%.

Note 5 – Additional Information (Cont.)

A. The Corporation (Cont.)

6. As stated in Note 16E(1) to the annual financial statements, during the period of the report the Corporation and the Headquarters Company made early repayment of loans, in the aggregate amount of $200 million, and a deposit was released, in the amount of about $8 million, which was deposited as security in favor of a certain loan, as stated. In addition, on May 10, 2018, the Corporation made early repayment of a loan, in the amount of $193.3 million, with a consortium of banks, as mentioned in Note 16E to the annual financial statements. As a result, financing expenses were recorded, in the amount of about $1.7 million, in respect of an early repayment commission. Subsequent to the date of the report, on November 1, 2018, the Corporation made early repayment of a loan, in the amount of $50 million, from Bank C, as mentioned in Note 16E (1) to the annual financial statements, and a deposit was released, in the amount of about $8 million, which was deposited as security in favor of the loan. As a result, in the third quarter of 2018 the Corporation recorded financing expenses, in the amount of about $0.6 million, in respect of an early repayment commission.

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

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

9. Subsequent to the date of the report, on October 25, 2018, the Corporation signed a secured credit framework with a bank, in the amount of $60 million. The secured credit framework is for a period of two years from the date it was received and may be used for loans for up to 3 years from the date it was received. Various limitations were included in the loan agreement, including continued control of the Corporation by its present controlling shareholders and continued control by the Corporation of ICL. The loan agreement also includes various other causes of action as are customary in credit agreements.

Note 5 – Additional Information (Cont.)

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

1. Non-marketable options

Grant date	Entitled employees	Number of instruments (thousands)	Issuance details	Instrument terms	Vesting conditions	Expiration date
May 14, 2018	ICL's CEO	385	An issuance of non-marketable and non-transferrable options, for no consideration, under the 2014 Equity Compensation Plan (Amended) to 508 ICL officers and senior employees in Israel and overseas, to ICL's CEO and to the Chairman of ICL's Board of Directors.	Upon exercise, each option may be converted into one ordinary share of NIS 1 par value of ICL.	3 equal tranches: (1) one third at the end of 12 months after the grant date; (2) one third at the end of 24 months after the grant date; (3) one third at the end of 36 months after the grant date.	May 14, 2025
March 6, 2018	Officers and senior employees of ICL	5,554				March 6, 2025
August 20, 2018	Chairman of ICL's Board of Directors	403				August 20, 2025

Additional Details	March 2018 Options Grant	May 2018 Options Grant	August 2018 Options Grant
Share price	NIS 15.15 ($4.38)*	NIS 16.54 ($4.63)*	NIS 19.05 ($5.20)*
Original exercise price	NIS 14.52 ($4.20)*	NIS 15.76 ($4.42)*	NIS 18.06 ($4.93)*
Expected volatility	28.9%	28.8%	28.4%
Expected life of options (in years)	7	7	7
Risk-free interest rate	0.03%	0.01%	0.05%
Total fair value	$8 million	$0.6 million	$0.7 million
Dividend – exercise price	Reduced on the "ex-dividend" date by the amount of the dividend per share	Reduced on the "ex-dividend" date by the amount of the dividend per share	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.

Note 5 – Additional Information (Cont.)

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

1. Non-marketable options (Cont.)

The options issued to the employees in Israel are covered by the provisions of Section 102 of the Israeli Income Tax Ordinance. The issuance will be performed through a trustee under the Capital Gains Track. The fair value of the options was calculated using the Black & Scholes model for pricing options. The exercise price is set according to the average closing share price in the TASE during the 30 trading days prior to the grant date and is linked to the CPI that is known on the date of payment. In a case of distribution of a dividend by 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 expiration date of the options is 7 years from the grant date.

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

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

The cost of grants complying with ICL's policy relating to "Rule 75" (accelerated vesting period for employees which their age plus their years of employment in ICL exceeds 75) is recognized in the income statements commencing from the date of the grant and up to the date on which the employee complies with "Rule 75" or up to the vesting date – whichever occurs first.

Note 5 – Additional Information (Cont.)

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

2. Restricted shares

<table>
<tr><th>Grant date</th><th>Entitled employees</th><th>Number of instruments (thousands)</th><th>Additional information</th><th>Instrument terms</th><th>Vesting conditions</th><th>Fair value on grant date ($ millions)</th></tr>
<tr><td>March 6, 2018</td><td>Officers and senior employees</td><td>1,726</td><td rowspan="4">The value of the restricted shares was determined according to the closing price on the TASE on the most recent trading day preceding the grant date.</td><td rowspan="4">An issuance for no consideration, under the 2014 Equity Compensation Plan (as amended).</td><td rowspan="3">3 equal tranches: (1) one third at the end of 12 months after the grant date; (2) one third at the end of 24 months after the grant date; (3) one third at the end of 36 months after the grant date.</td><td>8</td></tr>
<tr><td>May 14, 2018</td><td>ICL's CEO</td><td>121</td><td>0.6</td></tr>
<tr><td>August 20, 2018</td><td>Chairman of ICL's Board of Directors</td><td>47</td><td>0.2</td></tr>
<tr><td>August 20, 2018</td><td>Directors of ICL</td><td>*81</td><td>Allotment in January 2019</td><td>0.4</td></tr>
</table>

* The estimated number of shares is based on the share price as at August 19, 2018. The final number of shares will be based on the share price as at December 31, 2018, which the day preceding the actual grant date of the shares.

At General Meeting of ICL's shareholders held on August 20, 2018, an annual and special bonus was approved for the exiting Acting CEO, Mr. Asher Greenbaum, in respect of 2017, in the amount of NIS 1,198,000 (about $330,939) and a special bonus in the amount of NIS 1,800,000 (about $497,238). Further to the decision of the Annual General Meeting, the amount of NIS 530,000 (about $146,408), reflecting the proportionate amount of the special bonus to Mr. Greenbaum in respect of the period wherein he served as ICL's Acting CEO in 2018 (that is, up to May 2018) will be paid during 2019 and is subject to fulfillment of certain conditions.

3. Further to that stated in Note 20C(2)(d) to the annual financial statements, regarding the new power station in Sodom, Israel (hereinafter – "the Power Station"), on August 6, 2018, the process of receipt of all the approvals was completed and the Power Station commenced operating on a full-scale basis. ICL intends to operate the Power Station concurrently with the continued operation of the existing power station, which will be operated in a "hot back-up" format for production of electricity and steam.

Note 5 – Additional Information (Cont.)

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

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

5. Debentures

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

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

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

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

Note 5 – Additional Information (Cont.)

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

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

   Impact of sale of the businesses

	As at September 30, 2018
	($ millions)
Cash and cash equivalents	1
Trade and other receivables	34
Inventory	59
Property, plant and equipment	26
Intangible assets	64
Trade payables and other current liabilities	(28)
Deferred tax liabilities	(3)
Net asset and liabilities	**153**
Consideration received in cash *	942
Taxes paid	(35)
Less cash belonging to the activities	(1)
Net cash received	**906**

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

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

9. In July 2018, ICL and YTH agreed to convert their owner's loans in the YPH joint venture (each company holds 50%), in the amount of $146 million, into equity by means of an issuance of shares. As a result, the share of the "non-controlling interests" in the equity increased by $73 million.

10. Further to Note 16F to the annual financial statements, subsequent to the date of the report, on October 29, 2018, ICL signed an agreement whereby its commitment under certain Revolving Credit Facility agreements will be reduced by the amount of $655 million to $1.2 billion (hereinafter – "the Agreement"). In accordance with the Agreement, the conclusion date of the said credit facility ($1.2 billion) was extended from March 2022 to March 2023, with two options to extend by the banks for one additional year each time, so that if all options are executed the final maturity date will be March 2025. All the other material original terms of the Revolving Credit Facility agreements remained unchanged. The agreement will enter into effect in November 2018.

Note 5 – Additional Information (Cont.)

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

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

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

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

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

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

6. On August 9, 2018, ORL received a notification from the New General Workers Union (hereinafter – "the Histadrut") of a labor dispute, pursuant to Sections 5A and 5B of the Law for Settlement of Labor Disputes. ORL rejected the Histadrut's contentions and the said notification, and in its opinion the content of the said notification and its circumstances do not justify and do not give rise to grounds for notification of a labor dispute. Subsequent to the date of the report, on November 4, 2018, ORL received a notification from the New General Workers Union of cancellation of announcement of the labor dispute and the strike.

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

Note 5 – Additional Information (Cont.)

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

7. (Cont.)

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

In addition, commencing from the initial application date of the Standard, depreciation expenses are recognized in respect of usage right assets (in place of the lease expenses included in the EBITDA), which are mainly presented in the cost of sales, and financing expenses relating to the lease liability. The said impact is reflected in an increase in ORL's consolidated EBITDA in the nine months ended September 30, 2018 of about $21 million (in the third quarter of 2018, in the amount of about $7 million). The impact on ORL's net income in the first nine months and the third quarter of 2018 is not material.

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

8. Subsequent to the period of the report, the Ministry of Energy issued a draft document "Energy Sector Goals for 2030" ("the Draft"), which describes, among other things, the objectives of the energy sector for transportation fuels and industry, which include a gradual cessation of the use of polluting fuel products in land transportation, to be replaced by electric vehicles and vehicles powered by compressed natural gas (CPG) and the replacement of gasoline, LPG and diesel oil in industry with cleaner and more efficient energy sources. The Draft further stipulated that given the fulfillment of the Energy Sector Goals for 2030, in a few more years it will be possible to supply most of the industry needs through one refinery, relying on imports of the remaining fuel products. As at the publication date of the report, ORL submitted its position regarding the Draft to the Ministry of Energy, emphasizing its significant contribution to the Israeli economy in general, and to the energy sector and industry in Israel in particular, and clarified that taking into account ORL's considerable contribution to the economy and its operational and commercial ability, the ORL Group will be able to adapt the product mix that it manufactures and markets to the changing market conditions, and there is no justification to consider a reduction in the volume of the refining industry in Israel or the closure of the refinery. As at the date of the report, ORL is unable to assess the results of the public hearing, any final recommendations of the Ministry of Energy, if and when these recommendations are presented to the Government, and the content of the Government's decisions, if and when they are received, and the rate of their implementation, if any, and the extent of their effect on ORL.

Note 5 – Additional Information (Cont.)

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

Condensed data regarding associated company – ORL

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

Condensed data regarding the interim statement of position:

	September 30 2018	September 30 2017	December 31 2017
	(Unaudited)	(Unaudited)	(Audited)
		$ millions	
Country of Incorporation		ISRAEL	
Rate of ownership rights*	**33.02%**	**33.08%**	**33.06%**
Current assets	**1,730**	1,501	1,604
Non-current assets	**2,461**	2,372	2,411
Current liabilities	**(1,182)**	(1,061)	(1,204)
Non-current liabilities	**(1,650)**	(1,690)	(1,607)
Total net assets (100%)	**1,359**	1,122	1,204

Condensed data regarding the interim statement of income:

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
			$ millions		
Revenues	**4,898**	4,030	**1,533**	1,446	5,624
Income for the period , net	**187**	183	**16**	92	262
Other comprehensive income (loss)	**41**	(14)	**10**	(5)	(11)
Total comprehensive income	**228**	169	**26**	87	251

Note 6 – Contingent Liabilities, Commitments and Concessions

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

A. The Corporation

(1) On October 16, 2013, V-Cars filed a monetary claim in the District Court in Tel-Aviv (essentially identical to the claim filed in the United States against the Corporation that was rejected) against the Corporation. On dates from February 28, 2016 through March 2, 2016, four consecutive days of proof hearings were held at the conclusion of which the case was set for written summations. The plaintiff and the Corporation have submitted their summations in the case. On June 3, 2018, a court decision was rendered by Judge Fargo rejecting the claim in full. On July 18, 2018, the plaintiff filed a notice of appeal. Subsequent to the date of the report, on October 7, 2018, the Corporation filed a counter-appeal in the Supreme Court regarding the lack of an award of legal expenses in favor of Israel Corporation. An Order for summation of the contentions has not yet been issued. A hearing date has been set for September 9, 2019. In the Corporation's estimation, based on an opinion of its legal advisors, the chances appeal will be accepted are remote.

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

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

A. The Corporation (Cont.)

(3) On December 31, 2014, a request for certification of a claim as a derivative claim was filed in the District Court of Tel-Aviv–Jaffa (Economic Division) ("the Request for Certification"), by two shareholders who allegedly hold together 42 of the Corporation's shares (hereinafter – "the Plaintiffs"), against the Corporation, Messrs. Gideon Langholz, Oded Degany, Zehavit Cohen and Michael Bricker (who serve as Corporation directors) (hereinafter – "the Directors") and against Trigger Foresight (a limited partner) (hereinafter – "Trigger Foresight"). A copy of the statement of claim was attached to the Request for Certification. On December 10, 2015, a preliminary hearing was held on the request for the approval and thereafter the case was set for hearings of the proofs. The Plaintiffs filed a request with the Court for discovery of documents. On May 15, 2016, the Court's decision was received wherein it determined that there is no place for hearing the request for discovery of documents prior to hearing the Request for Certification. On June 13, 2016, the Plaintiffs filed a request for leave to appeal in connection with the Court's decision to reject the request for discovery of documents (hereinafter – "the Request for Leave to Appeal"). On August 9, 2016, a notice and request was filed on behalf of the Plaintiffs and Trigger Foresight whereby they have reached agreements with each other. On October 26, 2016, a decision was rendered by the Supreme Court on the Request for Leave to Appeal whereby, in brief, the Request for Leave to Appeal was accepted in part and it was ruled that protocols of the Special Committee for the period determined are to be submitted to the District Court in order to determine whether to allow reading of the documents while a balancing is to be made between the relevance of these documents to that contended in the Request for Leave to Appeal and the claims of confidentiality raised by the Corporation. On November 8, 2016, a notification was filed on behalf of Israel Corporation with respect to delivery of documents (confidential documents) for the Court's perusal, to which were attached (in a sealed envelope for the Court's perusal only) the required protocols, and the parts the Corporation believes are confidential – were marked as such. On January 17, 2017, the Court's decision was rendered, which accepted the Corporation's position regarding application of the attorney/client privilege to the documents delivered to the Court, as noted above, and the Court determined that under the circumstances of the matter there is no justification to negate the privilege. Accordingly, the Court instructed the Corporation to transfer the said documents for perusal by the requesting parties, while "blacking out" the confidential sections protected by the privilege. On March 19, 2017, the Plaintiffs filed a request to summon witnesses, wherein they requested the Court to summon Prof. Asher Blass for questioning, who prepared the opinion regarding the debt arrangement that is the subject of the request for certification of Antropi Investigation Services Ltd., and Mr. Nir Gilad. On May 9, 2017, the Court accepted the request to summon witnesses and instructed that Prof. Asher Blass and Mr. Nir Gilad be summoned to appear. On June 28, 2017, July 3, 2017 and July 19, 2017 hearings were held on the proofs. Additional hearings on the proofs were scheduled for November 2018 and April 2019. At this early and preliminary stage of the proceeding, it is difficult for the Corporation, based on the opinion of its legal advisors, to assess the chances of the proceeding and its risks. In any event, a derivative claim (even if it is ultimately approved as a derivative claim) does not create actual monetary exposure to the Corporation itself.

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

A. The Corporation (Cont.)

(4) On January 15, 2015, a request was filed on behalf of Mr. Mordochai Gavrielli (hereinafter – "the Plaintiff"), as part of a proceeding for certification of a claim as a class action, in the amount of NIS 32.3 million (hereinafter – "the Request"), against the Corporation and, based on that alleged in the Request, against the members of the Corporation's Board of Directors, the Corporation's CEO on the relevant dates, the Corporation's CFO on the relevant dates (hereinafter – "the Officers") and the Corporation's controlling shareholder (hereinafter jointly and severally – "the Respondents"). The Plaintiff held 5 of the Corporation's shares between the dates October 14, 2014 through December 3, 2014. As part of an Immediate Report of the Corporation dated December 31, 2014, a notification was provided whereby there was a clerical error in the Report of the Board of Directors as at September 30, 2014, which was published on November 25, 2014 (hereinafter – "the Board of Directors"). Pursuant to that alleged in the Request, the clerical error is a "significant error in description of the financial position of the subsidiary", and this error caused the Plaintiff and additional shareholders, who bought and sold their shares during the period between November 25, 2014 (prior to the start of trading) through December 31, 2014 (after the close of trading) (hereinafter – "the Alleged Misleading Period"), to sustain significant harm. On January 5, 2016, a preliminary hearing on the claim was held. On May 17, 2016, a court hearing was held wherein the Plaintiff (regarding his affidavit), the expert on its behalf (regarding his opinion) and a declarant on behalf of the Corporation (on his affidavit) were questioned. On July 18, 2016, the requesting party filed summations on his behalf and on November 14, 2016, the respondents filed summations on their behalf, and on November 22, 2016, the requesting party submitted response summations. On December 6, 2017, a decision was rendered by the District Court (the Hon. D. Karat-Meir) with respect to the request for certification of the claim as a class action. The Court accepted the request and approved filing of a class action on behalf of a defined and limited group of shareholders of Israel Corporation, who according to the contention suffered harm due to the clerical error. On December 20, 2017, a decision was rendered by the District Court (the Hon. Magen Altuvia) wherein the parties were requested to provide their positions regarding the Court's suggestion to enter into a time-limited reconciliation proceeding before the Hon. Tzvi Zilbertal (retired) and/or any other mediator. On December 31, 2017, notifications were filed on behalf of both the requesting party and the respondents. On December 31, 2017, a further decision was rendered by the District Court (the Hon. Magen Altuvia) instructing (further to the notifications of agreement on behalf of the parties) to transfer the dispute to a time-limited reconciliation proceeding before the Hon. Tzvi Zilbertal (retired), as well as with respect to extension of the hearing dates until another decision is rendered. On February 13, 2018, the first reconciliation meeting was held. Subsequent to the date of the report, on November 13, 2018, the parties filed a compromise arrangement with the Court and requested approval thereof. The Corporation included a provision that properly reflects, in the estimation of the Corporation's management, the cost that will be paid with a probability of more than 50%. The Corporation has insurance coverage for its liability stemming from the claim, subject to customary exceptions in the policy and, accordingly, an indemnification asset was recognized.

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

A. The Corporation (Cont.)

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

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

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

A. The Corporation (Cont.)

(6) (Cont.)

On December 13, 2017, some of the defendants, including the said officers, filed a request for summary dismissal, as stated. The Liquidators of Better Place filed their response to the request for summary dismissal in March 2018, and on April 15, 2018, the reply of the defendants to response of the Liquidators was submitted. On April 22, 2018, the Liquidators of Better Place filed a request with the Court to transfer the hearing of the claim to another party (in place of the Hon. Judge Groskopf who was appointed to serve on the Supreme Court) and on April 29, 2018, an objection to the request was filed on behalf of the defendants, as stated, and on May 3, 2018, the response of Liquidators to the request was submitted. On May 16, 2018, the liquidators of Better Place submitted to the President of the District Court for the Central District a request for determination of a new judge in the case – this being due to appointment of the judge sitting in the case to a position on the Supreme Court, as stated above. On the same date, the Hon. Judge Yaakov Shinman ruled that only after a decision on the requests for summary judgment to be issued by the Hon. Judge Grosskopf, will a judge be determined accordingly. On September 12, 2018, the decision of the Hon. Judge Grosskopf was issued whereby the request for summary dismissal was accepted (and an additional request for summary dismissal was accepted that was filed by other defendants) and the claim was entirely denied while determining that the defendants have the general defense of discretion and the presumption of appropriateness thereunder. Subsequent to the date of the report, on November 4, 2018, the Liquidators filed an appeal in the Supreme Court with respect to the decision of the Hon. Judge Grosskopf. As part of the appeal, the Liquidators are petitioning to cancel the court decision in full or, alternatively, to grant them permission to file an amended statement of claim. It is further noted that, to the best of the Corporation's knowledge, on February 5, 2018, the Bankruptcy Court in Delaware (the court in the place of incorporation of Better Place) rejected a request for summary dismissal filed by some of the defendants, including three of the former officers of the Corporation, based on the contention that Delaware law does not have a foundation for the causes of action in the claim filed against them.

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

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

A. The Corporation (Cont.)

(7) (Cont.)

Contentions of the requesting party with respect to the Energean Transaction

As part of the Request for Certification, the requesting party contends with respect to the Energean Transaction, among other things, in brief and based on an expert's opinion that was attached to the Request for Certification, that the Group Companies were required to enter into a transaction with themselves with respect to the manner of allocation of the economic benefits obtained in the joint negotiations (hereinafter – "the Intercompany Transaction"). The requesting party contends that the failure to carry on negotiations for obtaining an intercompany transaction and the lack of an intercompany transaction adversely impacts ORL and prejudices, since it apparently does not receive the share of the economic benefits it is entitled to due to its significant purchasing power and its contribution to the negotiations with Energean. Also pursuant to the requesting party's position, in brief, there were significant defects in the Energean Transaction, including: the transaction was brought for approval by the General Meeting of ORL's shareholders while concealing material details and on the basis of a defective factual and economic infrastructure, which negates the validity of approval granted (that was granted as noted), since the infrastructure relates mainly to the Energean Transaction and not to the Intercompany Transaction, which is the reason why the General Meeting was convened in the first place; no intercompany process was carried on, or any other appropriate proceeding in order to allocate the intercompany benefits between the Group Companies; no disclosure was made to the General Meeting of ORL's shareholders of, among other things, the matter of the combined scope of the benefits obtained jointly, the economic price of the agreement ORL could have obtained itself, due to its own independent purchasing power, as well as to the benefit each of the Group Companies would have obtained separately, taking into account the purchasing power and the contribution each of the Group Companies made to the joint negotiations.

It was further asserted in the Request for Certification that the Energean Transaction is an extraordinary transaction in which the controlling shareholder of ORL has a personal interest, and it is not in ORL's best interest, since according to the contention of the requesting party, even if it is approved by the General Meeting of ORL's shareholders (that was granted as noted) such approval will not be valid due to the alleged defects in the format of the undertaking, as stated, in the disclosure provided to the General Meeting of ORL's shareholders and in the economic opinion published shortly before its approval. Additional contentions were raised with reference to this transaction, including the question of its being for the benefit of ORL and it was "at market terms". The requesting party contends that the respondents breached their duty of trust, good faith and fairness to ORL, taking into account, among other things, the fact that ORL's business opportunity was exploited for the needs of other companies controlled by the controlling shareholder, the Board of Directors and the controlling shareholder were in a position of a conflict of interests regarding which proper disclosure was not made, and there were defects in the undertakings, disclosure and non-approval of the transaction as required.

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

A. The Corporation (Cont.)

(7) (Cont.)

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

In addition, it was argued that the Board of Directors breached their duty of caution to ORL due to, among other things, the format for carrying on the negotiations and the undertaking in said transaction and its non-approval as required, and that the members of ORL's Audit Committee did not fulfill their obligations in this regard. Regarding the Corporation, it is contended in the Request for Certification, among other things, that the controlling shareholders of ORL (including the Corporation) and ORL's Board of Directors acted in cooperation in order to hold a deficient, defective and misleading discussion of approval of the Energean Transaction, and the benefitted, are benefitting and will continue to benefit from part of the benefit conferred on them, at ORL's expense.

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

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

A. The Corporation (Cont.)

(7) (Cont.)

Contentions of the requesting party with respect to the Tamar Transaction

Regarding the Tamar Transaction, the requesting party contends, in brief, among other things, and based on an expert's opinion that was attached to the Request for Certification, that the Tamar Transaction was also an extraordinary transaction that was not approved by ORL as required, and also raises additional contentions with respect to this transaction, including questions of whether it was in ORL's benefit and whether it was at market terms. Regarding the Corporation, it is contended in the Request for Certification, among other things, that ORL's controlling shareholders (including the Corporation) and ORL's Board of Directors acted in cooperation in order to violate the provisions of law and to prevent a discussion and decision with respect to the Tamar Transaction at the General Meeting of ORL's shareholders. Thus, so it is argued, ORL's controlling shareholders negated the ability to examine the transaction and/or to decide to enter into an undertaking with another party and/or in another format and/or to fundamentally change the terms of the transaction. Regarding the Tamar Transaction, among other things, declaratory reliefs were requested in connection with not holding an intercompany process as required according to the requesting party's approach (see above), and regarding in appropriate approval and lack of validity of the Tamar Transaction vis-à-vis ORL, including surplus gas that was acquired in the framework thereof pursuant to agreements that are part of the terms of the Tamar Transaction, as asserted in the Request for Certification; as well as reliefs in the form of compensation to ORL by the respondents, jointly and severally, and/or return of the amount of the benefits the additional parties to the Transaction apparent obtained, at ORL's expense, plus a "coefficient" demanded or, alternatively, return of the amount of the "profit gained by ORL's controlling shareholders from the said transactions" – whichever is higher (where it is contended that ORL is entitled to compensation at the highest level, as stated above). The requesting party noted in the Request for Certification that it is unable to estimate the amount of the claim at this juncture however it is more than NIS 2.5 million. It was also requested by the requesting party, among other things, that after certification of the claim as a derivative claim (if certified), the Court will approve attorney's fees that will be calculated based on the benefit and/or benefits obtained to ORL and in general. In its decision on January 11, 2018, the Court instructed that the responses to the Request for Certification be submitted within 60 days, and that a copy of the Request for Certification be provided to the State Attorney General, who will give notice within 30 days of the filing date of the responses, as stated, it he intends to join the proceeding. On February 14, 2018, the respondents, the representation of which in the proceeding was arranged on the said date, filed an agreed-to request for approval of a hearing arrangement. On August 7, 2018, a response was submitted on behalf of the Corporation and on behalf of additional respondents. Subsequent to the date of the report, on October 18, 2018, a request was filed on behalf of the State to extend the date for submission of a position by a representative of the State Attorney General regarding his intention to appear in the proceeding (or not), such that it will be filed within 30 days, and on the same date, the Court approved this request. A pretrial hearing was scheduled for December 20, 2018. At this preliminary stage of the proceedings, it is difficult to assess the chances of this proceeding and its risks.

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

A. The Corporation (Cont.)

(8) Derivative Claim 68729-11-17, Roi Hahami v. Oil Refineries et al – during December 2017, a request was filed in the District Court in Tel-Aviv for certification of a derivative claim (hereinafter – "the Request for Certification"), in the name of Oil Refineries Ltd. (hereinafter – "ORL"), against O.P.C. Rotem Ltd. (hereinafter – "OPC") and against directors of ORL and directors of the Corporation. The subject matter of the Request for Certification is a contractual undertaking from 2011 for sale of electricity from OPC to ORL during a period of years, in an overall scope estimated in the Request for Certification in the amount of $800 million to $900 million. The requesting party contends that this is a transaction that was made without approval, this being, among other things, due to its being an extraordinary transaction for ORL since: it was not made in the ordinary course of ORL's business; it could have a material impact on ORL's profits; and there is an indication that it was not made at market terms. The requesting party further contends that the controlling shareholder of ORL had a personal interest in the transaction and, therefore, the undertaking in the transaction was required to receive the approval of the General Meeting of ORL's shareholders – approval that was not received. The reliefs requested in the Request for Certification are: (a) a declaration that the undertaking between ORL and OPC is invalid, or may be cancelled; (b) an Order for prevention of execution of the transaction until after all the required approvals for it have been received; (c) a determination that OPC must return to ORL the amounts paid to OPC in connection with the transaction or, alternatively, part of the said payment; (d) charging all the respondents to compensate ORL for the damages caused to it as a result of the undertaking in the transaction. The requesting party contends in the Request for Certification that, in light of the fact that the Corporation held on the relevant dates 80% of OPC's shares (directly and indirectly), but only 37% of the shares of ORL, the Corporation had a "real interest to worsen ORL's terms in the transaction for acquisition of electricity from OPC, and to become enriched thereby". The requesting party further contends that the transaction involves a large monetary amount, and that "to the extent the amount of the transaction is higher and more significant, there is a greater fear of an adverse impact on the Company's [ORL – the undersigned] benefit and exploitation of the position of the controlling shareholder to become enriched at the Company's expense". In addition, the requesting party contended that "there is a heavy fear that Israel Corporation actually made use of its control over ORL advance its energy business and to establish an energy arm, while using ORL as a main and foremost anchor customer, without proper consideration to ORL". Specifically, the requesting party contended that in its role as the main and largest customer of OPC, ORL should have received preferable terms in the undertaking compared with other customers of OPC, however, as a practical matter, ORL received "similar terms" to other customers "this being due to the fact that the transaction favored Israel Corporation and was intended to help it to establish a private power station". It was also asserted that the Corporation "utilized ORL's purchasing power (as a consumer of natural gas) in order to reduce the operating costs of the Rotem power station … but, on the other hand – Israel Corporation neutralized the same purchasing power of ORL in the transaction for acquisition of electricity with OPC …". It was also argued in the Request that since the Corporation knew that the undertaking between ORL and OPC was made with the required approvals (this being, among other things, due to double service of one of the officer in both ORL and the Corporation) – the undertaking is not valid regarding it.

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

A. The Corporation (Cont.)

(8) (Cont.)

The requesting party contends that the Corporation "steered the activities of ORL and the activities of OPC Rotem, in all that relating to acquisition of the electricity", the Corporation "unfavorably exploited its power of control in ORL and formulated the illegal transaction, the Corporation placed itself in a position of conflicting interests, the Corporation "exploited its power of control in ORL in order to become enriched at ORL's expense", [*ed.* and] the Corporation did nothing with respect to convening a General Meeting of the shareholders of ORL even though it knew there was a need for such a General Meeting. Thus, the requesting party contends, the Corporation breached the duty of good faith and fairness imposed on it and, accordingly, it must be charged for compensation in respect of the damages caused to ORL. The requesting party did not quantify the damages he alleges were caused to ORL but, rather, claimed that clarification of the amount of the damages must be left to a stage after certification of the claim as a derivative claim. Nonetheless, the requesting party noted that there are a number of indications that damages were sustained. It is noted that even though the initial monetary relief demanded in the claim is to determine that every payment made by ORL to OPC is invalid, and even though the scope of the payments (in the entire transaction, both in the part already executed and in the part not yet executed) is estimated by the requesting party at $800 million to $900 million, such relief was not directed against the Corporation – since against it, as stated, relief was requested of compensation for damages only. On July 10, 2018, the Corporation submitted its response. On the same date, ORL submitted a request for summary dismissal of the Request for Certification. The Corporation joined the ORL's request for summary dismissal. After the response of the requesting party was submitted on September 6, 2018, and the reply of the Corporation subsequent to the date of the report on October 29, 2018, on October 31, 2018 the Court rejected the request for summary dismissal and ruled that the contentions therein require a complex factual clarification that should be executed in the stage of the hearing on the Request for Certification. Taking into account the legal material on which the allegations against the Corporation are based, along with the factual data transferred to us up to now – it appears that the chances that the contentions against the Corporation will ultimately be rejected are higher than the chances that they will be accepted.

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

B. ICL

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

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

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

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

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

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

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

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

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

B. ICL (Cont.)

(2) (Cont.)

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

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

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

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

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

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

B. ICL (Cont.)

(4) (Cont.)

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

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

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

On May 16, 2018, ATD filed an administrative petition against the Appeals Committee, wherein it requests the Court to order that: (1) the Appeals Committee's ruling is void, as well as any permit issued by virtue thereof for Ponds 4 and 5; (2) the "relief" in implementation of the outline plan applying to the region, as provided in the Appeals Committee's ruling, constitutes a breach of the provisions of the outline plan applying to the region; and (3) the Local Committee shall act to enforce the law and abstain from further planning procedures and permits until such enforcement actions are taken. On October 11, 2018, the Court approved a settlement agreement between ATD and ICL and gave it the force of a court decision. The approved settlement includes various agreements, the main ones being withdrawal of the said petition in return for a re-deliberation by the Appeals Committee of its aforementioned resolution (regarding both parts of Pond 5), after the settlement agreement is submitted for review by the Appeals Committee. Subsequent to the date of the report, on October 24, 2018, the Appeals Committee approved use of the "relief" in implementation of the provisions of the outline plan applying to both sections of Pond 5, as described above – this being up to December 31, 2020. The building and use permits for Pond 5 are expected to be issued in early November 2018, subject to the Company meeting all permit requirements.

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

B. ICL (Cont.)

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

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

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

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

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

B. ICL (Cont.)

(9) Further to Note 20D(1) to the Annual Financial Statements, in connection with the royalty arbitration proceedings, in March 2018, ICL filed a counter-opinion in respect of the State's claim to an additional amount as a result of an alleged underpayment of royalties. Subsequent to the date of the report, in October 2018, an additional decision of the arbitrators was received regarding part of the remaining unresolved disputes. As a result, ICL increased its provisions by the amount of about $11 million (before interest and linkage). The final calculation is subject to the arbitrators' approval. The remaining unresolved disputes (including the material disputes), have not yet been decided. ICL believes it is more likely than not, that the State's main arguments, which have not yet been decided, will be rejected by the arbitrators. As at the date of the report, in ICL's estimation it has sufficient provisions in its books.

(10) Subsequent to the date of the report, in October 2018, an application for certification of a class action was filed with the Beer Sheva Magistrate Court against Dead Sea Works Ltd. and Dead Sea Bromine Company Ltd., with respect to a bromine leak that occurred in June 2018, within the premises of Dead Sea Works. According to the plaintiff, the alleged air pollution caused an environmental hazard and a health risk to passersby and to those present in the vicinity of the plant, as well as to the settlements Neot Hakikar and Ein Tamar, and the blocking of Route 90. According to the statement of claim, the Court is requested to award compensation for the alleged damages, in the total amount of about NIS 1.5 million (about $0.4 million). As at the date of the report, considering the early stage of the proceeding, ICL is unable to assess the chances the application will be accepted.

C. ORL

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

(2) As stated in Note 20B(3)(e) to the Annual Financial Statements, in the first quarter of 2018 a shareholder of ORL (K.R.N.A.) requested from the District Court in Tel-Aviv to certify a claim it filed as a derivative claim in the name of ORL against OPC, ICL, the Corporation and the controlling shareholders thereof and the directors that served in the Corporation in 2012 (at the time of approval of the transaction with Tamar) and/or that served therein in 2017 (at the time of approval of the transaction with Energean), in connection with transactions for acquisition of natural gas from Tamar and Energean, based on the contention that the transactions were not approved as required and that the two transactions are not in the best interest of ORL and are not on market terms. Subsequent to the period of the report, ORL and the other respondents filed their responses to the request.

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

B. ORL (Cont.)

(2) (Cont.)

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

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

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

Note 7 – Financial Instruments

Fair value

(1) Fair value compared with book value

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

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

	As at					
	September 30, 2018		September 30, 2017		December 31, 2017	
	Book value	Market value	Book value	Market value	Book value	Market value
	Unaudited		Unaudited		Audited	
			Millions of dollars			
Debentures	**2,776**	**2,822**	2,815	2,936	2,770	2,884
Long-term loans from financial institutions	**588**	**580**	1,044	1,066	999	1,026

Note 7 – Financial Instruments (Cont.)

Fair value (Cont.)

(2) Hierarchy of fair value

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

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

	September 30 2018	September 30 2017	December 31 2017
	(Unaudited)	(Unaudited)	(Audited)
		Book Value	
		$ millions	
Assets			
Investments measured at fair value through other comprehensive income* (1)	**149**	253	212
Derivatives used for accounting hedge (1)	**18**	27	29
Derivatives used for economic hedge (1)	**81**	77	86
Call (put) options on ICL shares (collar) (2)	**7**	46	47
	255	403	374
Liabilities			
Derivatives used for accounting hedge (1)	**9**	1	1
Derivatives used for economic hedge (1)	**29**	15	6
	38	16	7

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

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

Note 7 – Financial Instruments (Cont.)

Fair value (Cont.)

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

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

	For the				
	Nine Months Ended September 30		**Three Months Ended September 30**		**Year Ended December 31**
	2018	**2017**	**2018**	**2017**	**2017**
	Unaudited		**Unaudited**		**Audited**
	Millions of dollars				
Opening balance	**47**	74	**27**	45	74
Closing of financial transaction*	**(13)**	(17)	**(3)**	(5)	(25)
Settlement in respect of dividend adjustment component	**2**	4	**–**	1	5
Total losses recognized in the statement of income:					
Realized	**(2)**	(4)	**–**	(1)	(5)
Unrealized	**(27)**	(11)	**(17)**	6	(2)
Closing balance	**7**	46	**7**	46	47

* See Note 5.A.5

** For details regarding the basis for determination of the fair value of financial instruments at Level 2 and Level 2 – see the consolidated financial statements for 2017, Note 33G.

Israel Corporation Ltd.

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

As at September 30, 2018

(Unaudited)

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

Contents

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

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

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970 of Israel Corporation Ltd. (hereinafter – "the Company") as at September 30, 2018 and for the nine-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.4 to the Company's consolidated financial statements regarding certain legal proceedings and other contingencies against ORL and its subsidiaries, which in the estimation of the managements of the defendant companies, based on the opinion of their legal advisors, it is not possible to predict at this point the impact thereof on the financial statements, if any, and accordingly no provision in respect thereof has been included in the financial statements.

Somekh Chaikin
Certified Public Accountants (Isr.)

November 15, 2018

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

	At September 30		At December 31
	2018	**2017**	**2017**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Assets			
Cash and cash equivalents	**37**	100	54
Short-term deposits	**476**	521	468
Loan to investee company	**–**	150	175
Loan to related company	**–**	–	240
Other receivables and debit balances	**7**	2	5
Derivative instruments	**9**	26	29
Total current assets	**529**	799	971
Non-Current Assets			
Investments in investee companies	**2,173**	1,679	1,730
Loans to wholly-owned subsidiaries	**208**	127	130
Loan to related company	**–**	236	–
Other assets	**5**	–	–
Derivative instruments	**26**	59	64
Total non-current assets	**2,412**	2,101	1,924
Total assets	**2,941**	2,900	2,895

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

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

	At September 30		At December 31
	2018	**2017**	**2017**
	(Unaudited)		(Audited)
	In Millions of U.S. Dollars		
Current Liabilities			
Current maturities in respect of non-current liabilities	**333**	343	254
Other payables and credit balances	**59**	58	72
Derivative instruments	**4**	2	–
Total current liabilities	**396**	403	326
Non-Current Liabilities			
Debentures and long-term loans	**1,174**	1,561	1,554
Derivative instruments	**6**	–	–
Long-term balances	**2**	2	2
Total non-current liabilities	**1,182**	1,563	1,556
Total liabilities	**1,578**	1,966	1,882
Equity			
Share capital and premium	**326**	326	326
Capital reserves	**(175)**	(110)	(117)
Capital reserve for transactions with controlling shareholder	**190**	190	190
Retained earnings	**1,022**	528	614
Total equity attributable to the owners of the Corporation	**1,363**	934	1,013
Total liabilities and equity	**2,941**	2,900	2,895

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

Approval date of the financial statements: November 15, 2018

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

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

	For the				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2018	2017	**2018**	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Administrative and general expenses	**5**	5	**2**	2	7
Other expenses, net	**19**	17	**17**	(5)	9
Operating loss (income)	**24**	22	**19**	(3)	16
Financing expenses	**94**	106	**23**	34	136
Financing income	**(22)**	(53)	**(1)**	(14)	(68)
Financing expenses, net	**72**	53	**22**	20	68
Share in income of investee companies, net	**595**	136	**60**	59	226
Income before taxes on income	**499**	61	**19**	42	142
Taxes on income (tax benefit)	**(2)**	7	**(1)**	–	7
Income for the period attributable to the owners of the Corporation	**501**	54	**20**	42	135

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

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at September 30, 2018
Condensed Interim Statements of Comprehensive Income Information

	For the				
	Nine Months Ended September 30		**Three Months Ended September 30**		**Year Ended December 31**
	2018	**2017**	**2018**	**2017**	**2017**
	(Unaudited)		**(Unaudited)**		**(Audited)**
	In Millions of U.S. Dollars				
Income for the period attributable to the owners of the Corporation	**501**	54	**20**	42	135
Components of other comprehensive income (loss) that will be recognized in future periods in the statement of income					
Effective portion of the change in fair value of cash flow hedges	**(15)**	15	**3**	(3)	17
Net change in fair value of cash flow hedges transferred to the statement of income	**17**	(14)	**(3)**	3	(16)
Other comprehensive income (loss) in respect of investee companies, net	**(25)**	59	**(6)**	38	47
Total	**(23)**	60	**(6)**	38	48
Components of other comprehensive income (loss) that will not be recognized in future periods in the statement of income					
Other comprehensive income (loss) in respect of investee companies, net	**–**	(3)	**2**	4	(4)
Total	**–**	(3)	**2**	4	(4)
Other comprehensive income (loss) for the period, net of tax	**(23)**	57	**(4)**	42	44
Total comprehensive income for the period attributable to the owners of the Corporation	**478**	111	**16**	84	179

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

Israel Corporation Ltd.

Condensed Interim Separate-Company Financial Information as at September 30, 2018

Condensed Interim Statements of Cash Flows Information

	For the				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from operating activities					
Income for the period attributable to the owners of the Corporation	**501**	54	**20**	42	135
Adjustments:					
Financing expenses, net	**72**	53	**22**	20	68
Share in income of investee companies, net	**(595)**	(136)	**(60)**	(59)	(226)
Capital loss, net	**–**	3	**–**	–	3
Loss on re-measurement to fair value of collar options	**29**	15	**17**	(5)	7
Taxes on income (tax benefit)	**(2)**	7	**(1)**	–	7
	5	(4)	**(2)**	(2)	(6)
Change in receivables and payables	**(8)**	1	**(1)**	2	2
	(3)	(3)	**(3)**	–	(4)
Income tax paid, net	**(2)**	(4)	**(1)**	(2)	(4)
Dividends received from investee companies	**98**	113	**23**	14	138
Net cash provided by operating activities	**93**	106	**19**	12	130
Cash flows from investing activities					
Short-term deposits and loans, net	**(25)**	144	**(48)**	36	205
Net proceeds from sale of shares of investee company	**–**	56	**–**	–	56
Collection of long-term loan from related company	**200**	–	**–**	–	–
Collection (payment) of long-term loans from (to) investee companies	**86**	(150)	**–**	–	(175)
Interest received	**45**	3	**2**	1	5
Receipts (payments) in respect of settlement of derivatives for economic hedging, net	**(2)**	(10)	**(4)**	(4)	(11)
Net cash provided by (used in) investing activities	**304**	43	**(50)**	33	80

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

Israel Corporation Ltd.
Condensed Interim Separate-Company Financial Information as at September 30, 2018
Condensed Interim Statements of Cash Flows Information

	For the				
	Nine Months Ended September 30		Three Months Ended September 30		Year Ended December 31
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	In Millions of U.S. Dollars				
Cash flows from financing activities					
Dividend paid	**(120)**	–	**–**	–	–
Receipt of long-term loans and issuance of debentures	**238**	208	**–**	–	208
Repayment of long-term loans and debentures*	**(464)**	(277)	**–**	(5)	(369)
Interest paid*	**(68)**	(79)	**(18)**	(26)	(96)
Receipts (payments) for settlement of derivatives used for hedging, net	**1**	1	**(2)**	–	3
Net cash used in financing activities	**(413)**	(147)	**(20)**	(31)	(254)
Net increase (decrease) in cash and cash equivalents	**(16)**	2	**(51)**	14	(44)
Cash and cash equivalents at the beginning of the period	**54**	97	**87**	86	97
Effect of exchange rate fluctuations on balances of cash and cash equivalents	**(1)**	1	**1**	–	1
Cash and cash equivalents at the end of the period	**37**	100	**37**	100	54

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

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

Additional Information

General

The interim separate-company financial information is presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970, and the Tenth Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970, regarding separate-company financial information of an entity. The interim separate-company financial information should be read together with the separate-company financial information as at December 31, 2017 and together with the consolidated financial statements as at December 31, 2017 and the condensed and consolidated financial statements as at September 30, 2018.

In this separate-company interim financial information:

A. The Corporation – Israel Corporation Ltd.

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

C. ORL – Oil Refineries Ltd. and its subsidiaries.

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

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

Additional Information

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

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

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

D. Subsequent to the date of the report, on October 31, 2018, the Board of Directors of ICL decided to distribute a dividend, in the amount of $66 million, about $0.05 per share. The dividend will be distributed on December 19, 2018. The share of the Corporation's and the headquarters companies – about $31 million.

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

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

Israel Corporation Ltd.

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

As at September 30, 2018

(Unaudited)

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

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

For this purpose, the members of management are:

Avisar Paz, CEO;

Sagi Kabla, CFO

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

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

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

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

In the Annual Report regarding the effectiveness of the internal control over the financial reporting and the disclosure, which was attached to the Periodic Report for the period ended December 31, 2017 (hereinafter – "the Latest Annual Report regarding the Internal Control"), the Board of Directors and Management evaluated the Corporation's internal control; based on this evaluation, the Corporation's Board of Directors and Management reached the conclusion that the internal control as stated, as at December 31, 2017, is effective.

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

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

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

Management Representation

Declaration of the CEO

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

I, Avisar Paz, declare that:

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

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

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

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

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

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

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

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

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

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

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

November 15, 2018

Avisar Paz, CEO

Management Representation

Declaration of the most Senior Officer in the Finance Area

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

I, Sagi Kabla, declare that:

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

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

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

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

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

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

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

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

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

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

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

November 15, 2018

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Sagi Kabla, CFO