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Form 121
Public

Israel Corporation Ltd.

Registrar Number: 520028010

Securities of the Corporation are listed in the Tel Aviv Stock Exchange

Short name: Israel Corporation

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Date of Transmission: September 24, 2014

Reference: 2014-01-164040

To:	To:
<u>The Securities Authority</u>	<u>The Tel Aviv Stock Exchange</u>
www.isa.gov.il	www.tase.co.il

Immediate Report

The Event: **Determining of the scope of sale and the share price of Israel Chemicals Ltd. ("ICL"), shares and entry into an underwriting agreement and a financial transaction**

Pursuant to the Company's immediate report dated March 19, 2014 (reference No.: 2014-01-017490) and September 12, 2014 (reference No.: 2014-01-156525), the Company hereby announces the following:

1. On September 24, 2014 the Company entered into transactions in connection with shares of ICL, as described herein, in a total scope of 78.4 million shares of ICL (which comprise 6.2% of ICL issued share capital), and the process of determining the price ("pricing") in connection with the sale of shares of ICL according to the ICL prospectus in the United States, has been completed.
2. In the framework of the sale offering by the Company, 36.2 million shares of ICL were sold to the public in the United States and to institutional investors in Israel. The expected total (net) consideration to the Company is approximately USD \$243 million.
3. In addition, the Company entered, with entities from the Morgan Stanley and Goldman Sachs groups (the "Financial Institutions"), into a financial transaction (of a derivative type¹) in relation to 36.2 million shares of ICL (the "Financial Transaction" or the "Transaction", and the "Transaction Shares", respectively), which were transferred to the names of the Financial Institutions as detailed below. As stated, in the framework of the financial transaction, the Financial Institutions will provide the Company an initial amount, which is in essence a loan amounting to USD \$191 million. Approximately 24 million shares of the Transaction Shares were offered for sale through underwriters in a prospectus ICL issued in New York.

¹ Variable Prepaid Forward based on ISDA agreement.

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4. Accordingly, in the framework of the aforesaid sale offering and Financial Transaction a total of approximately 60.2 million shares of ICL were sold by the Company and Financial Institutions, for a price of USD \$7 per ICL share. In connection with the aforesaid sale, the Company entered into an underwriting agreement with ICL and American underwriters (the “**Underwriting Agreement**”). Additionally, in the framework of the Underwriting Agreement the underwriters were granted an option to purchase (Green Shoe) up to approximately 6 million additional shares which is exercisable within 30 days. It is noted that the Underwriting Agreement includes, inter alia, representations and indemnification arrangements between the underwriters, ICL and the Company. It is also noted that the Company entered into an undertaking not to sell shares of ICL for a period of 180 days, subject to the agreed conditions.
5. ICL shares will be traded on the New York Stock Exchange (NYSE) as of today.² After the execution of the aforesaid transactions (and assuming the full exercise of the said option of the underwriters) the Company’s holding in ICL issued share capital is expected to be 49.1% in capital and 46.2% in voting rights. Following the sale, the Company will not record a profit and the expected increase in the Company’s capital is approximately USD \$150 million.
6. In respect of the Financial Transaction it shall be noted that on the dates set for the settlement of the transaction a settling of accounts will be made between the Company and the Financial Institutions of their undertakings regarding the transaction components, and all in accordance with the provisions of the Financial Transaction which its principals are described below:
 - 6.1. In the framework of the Financial Transaction the Company will receive protection from a decrease in the price of ICL share below an average price of 90% of the share price of ICL in the abovementioned sale offering of ICL shares on the New York Stock Exchange, and the Financial Institutions will benefit from an increase in the share price of ICL above an average price of 130%.
 - 6.2. Additionally, the Company transferred all of the Transaction Shares to the names of the Financial Institutions for the purpose of hedging their exposure, which will be entitled to execute any action in respect of the shares³.
 - 6.3. Settlement of the Financial Transaction is expected to be executed in installments, on a number of settlement dates that will occur over a period of approx. two to five years

² The transactions are expected to be closed on 29/9/2014. The aforesaid is forward looking information, and there is no certainty it will be materialized.

³ The Financial Institutions may purchase and sell ICL shares, from time to time, during the term of the Financial Transaction and in connection therewith or its termination.

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from the execution of the Financial Transaction⁴, and over an average period of three years and a half.

Subject to the terms of the Financial Transaction, the Company has the possibility, *inter alia*, to elect not to receive the Transaction Shares and the Company will be credited with their value against the payments due by the Company (“Physical Settlement”) or to receive the amount of shares and repay the amount of the loan, and if the Company had not notified its election, Physical Settlement will be executed. The Company has no commitment to paying the loan in cash or to adding collateral or additional shares

6.4. It is clarified, that the Company will not have voting rights for the Transaction Shares. Additionally it is clarified, that under the Financial Transaction, arrangements are included under which in the event of cash dividend distribution by ICL during the term of the Financial Transaction, the Company will be entitled to receive the dividend amount in respect of some of the Transaction Shares in accordance with a calculation model of the Financial Institutions.

6.5. In the Financial Transaction, provisions were stipulated, *inter alia*, in respect of representations and warranties of the Company (including indemnification provisions and restrictions on transactions in shares of ICL in the settlement period), and provisions regarding causes for early termination of the Transaction and events of default, which upon their occurrence, the Financial Institutions will have, *inter alia*, the possibility of terminating the Transaction without returning the Transaction Shares. Furthermore, the terms of the Transaction include provisions relating to the restructuring of the Transaction and/or adjustments by the Financial Institutions, during the term of the Transaction, including with respect to its various components, term and timeframes determined therein, *inter alia*, as a result of certain events in ICL or in its shares and due to changes in the relevant market conditions.

This release is not an offer of securities for sale in the United States. The shares may not be offered or sold in the United States absent registration or an exemption from registration, and any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from ICL that will contain detailed information about the company and management, as well as financial statements. [This paragraph is only included in the English translation].

⁴ It is noted, that the term of the Transaction and its settlement dates may change, *inter alia*, as a result of an early settlement of the Transaction as further detailed or as a result of amendments and adjustments during the course of the Transaction.

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Respectfully,

Israel Corporation Ltd.

The date when the event first became known to the corporation: September 24, 2014
Time: 02:00

The name of the authorized signatory to the report and the name of the authorized electronic signatory:
Maya Alcheh-Kaplan
Position: Vice President, General Counsel and Company Secretary

Date of signing: September 24, 2014