

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

Israel Corporation Ltd.

Registrar Number: 520028010

**Form 121
Public**

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

Short name: Israel Corporation

Address: P.O.B. 20456, Tel Aviv 61204

Tel: 03-6844517, 6844500, Fax: 03-6844587

Email: MAYAAK@ISRAELCORP.COM

Date of Transmission: December 17, 2014

Reference: 2014-01-223590

To:

The Securities Authority

www.isa.gov.il

To:

The Tel Aviv Stock Exchange

www.tase.co.il

Immediate Report

The Event: ICL - Phosphates Transaction

Attached hereto is an immediate report of Israel Chemicals Ltd.

The date when the event first became known to the corporation: December 16, 2014

Time: 14:30

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: December 17, 2014



December 16, 2014

Strategic Alliance with Yunnan Yuntianhua Group

Pursuant to page 10 of the Company's registration statement on Form F-1 filed with the U.S. Securities and Exchange Commission on September 23, 2014 (the "F-1") and to section 1.1 of the company's MD&A for the 2013 3Q statements, with respect to negotiations with a third party for the engagement in operations relating to mining, production, marketing and sale of phosphate rock and related downstream products in emerging markets, the Company hereby wishes to report, that it has entered today, through ICL (Shanghai) Investment Co., Ltd. ("ICL China"), its wholly-owned subsidiary, into agreements with Yunnan Yuntianhua Co. Ltd. ("Listco") and related companies thereof for the investment of \$452 million in consideration of (1) 15% strategic holding in Listco, one of China's leading chemical companies with a strategic focus on the phosphate value chain and a strong advantage in mineral resources and (2) 50% ownership in a joint venture (the "JV Company") that will operate a fully integrated world-scale phosphate platform in China.

Strategic Investment in Listco

ICL will enter into a Private Placement Agreement, pursuant to which Listco will issue to ICL China 15% of Listco's issued and outstanding shares on a fully diluted basis immediately following the closing of the issuance of such shares. The shares will be purchased by ICL China at a 10% discount from Listco's average share price over the twenty trading days prior to November 25, 2014, for a total purchase price of approximately US\$ 269 million in cash (the "Strategic Investment").

Listco is a public company with its shares listed and traded on the Shanghai Stock Exchange of the People's Republic of China ("PRC") and is controlled (53.8%) by Yunnan Yuntianhua Group Co. Ltd., a Chinese state-owned enterprise. Listco is one of China's leading chemical companies with a strategic focus on the phosphate value chain and a strong advantage in mineral resources, providing high-quality products and services across the agriculture and engineered materials industries with approximately \$9 billion in annual revenues and \$570 in EBITDA in 2013.

The new shares will be subject to a three-year lock-up period as required under the PRC laws. ICL will have the right to nominate two directors out of eleven directors in Listco and recommend three candidates for certain senior management of the phosphate business of Listco. The board of directors of Listco will establish a sub-committee (the "Phosphate Committee") to oversee and supervise Listco's phosphate business and make recommendations



to the board of directors of Listco regarding the strategy and operation of the phosphate businesses. The Phosphate Committee will consist of four members, two of whom will be represented by ICL directors.

Formation of the JV Company

Together with the execution of the Private Placement Agreement, the Company entered into a Capital Increase Agreement with Yunnan Phosphoric Chemicals Group Corporation Limited ("YPC"), a wholly owned subsidiary of Listco, pursuant to which ICL China and YPC will establish an equally owned (50%-50%) Sino-foreign equity joint venture company. The financial results of the JV Company will be consolidated into ICL's financial statements.

The initial purchase price for the JV transaction is approximately US\$ 183 million and is subject to future price adjustments based on the carve out processes. ICL's share in the JV Company's Enterprise value (EV) is approximately US\$290 million. The total consideration for the transactions described hereunder shall be financed from the Company's internal resources.

The JV Company will initially own and operate substantially all of the assets and businesses of YPC's Haikou Mine Branch Company (including the permits, assets and businesses of both the Haikou Mine and the Baitacun Mine) and acquire, through several carve out processes, (i) the downstream phosphate fertilizer business currently operated by the Three Circle Branch of the Listco and (ii) the performance phosphate business currently operated by Yunnan Tianchuang Sci-Tech Co. Ltd. and Yunnan BK Giulini Tianchuang Phosphate Co. Ltd., making the Company an integrated phosphate producer from upstream phosphate rock business to downstream phosphate fertilizer business and performance phosphate business (collectively, the "JV Transactions").

Following closing, the JV Company will own and operate the following assets:

- A world-scale phosphate rock mine that currently operates approximately 2.5 million tonnes of phosphate rock annually for the next 30 years, and which will become the JV Company's full backward integration as a competitive phosphate platform;
- An integrated world-scale phosphate operation with annual capacity of 700,000 tonnes of phosphoric acid, 850,000 tonnes of fertilizers, 60,000 tonnes of purified phosphoric acid, 120,000 tonnes of specialty fertilizers and 65,000 tonnes of specialty phosphates for the food and engineered materials markets and approximately 1,850,000 tonnes of sulfuric acid.



It is the intention of ICL to consolidate the current operations in China with the JV Company, which will be a fully integrated phosphate company with upstream and downstream operations, including product development, production and sales and marketing activities.

The JV Company's business scope shall be (i) the procurement, mining, processing, beneficiation, marketing and sale of phosphate rock or beneficiated rock and (ii) the research and development, production, sales and distribution of phosphoric acid, phosphate based fertilizers and related downstream products.

The objective of the JV Company is to be a leading company in (i) the exploration and beneficiation of phosphate rock and (ii) the production and sale of phosphoric acid, phosphate based specialty fertilizers, and performance phosphate products in the PRC. The JV Company shall be the China business center of the phosphate fire retardant (PFR), specialty fertilizer (SF) and performance phosphate businesses of ICL.

The board of directors of the JV Company will consist of four members, two of which will be appointed by ICL China and the other two by YPC. One of the directors appointed by ICL China shall serve as the chairman of the board and shall have a casting vote. The CEO of the JV Company will be nominated by ICL China. In addition ICL will nominate the COO and VP sales and marketing and YPC will nominate the CFO and the VP HR of the JV Company.

The Strategic Investment transaction is subject to closing conditions, including, among others, the approval of the shareholders' meeting of Listco and the approvals of relevant PRC government authorities, including Yunnan State-owned Asset Administration and Supervision Commission, the Ministry of Commerce, and the China Securities Regulatory Commission as well as the closing of the JV Transactions that will occur simultaneously with the Strategic Investment transaction.

The closing of the JV Transactions is subject to the closing of the Strategic Investment transaction as well as closing conditions, including, among others, the approvals of relevant PRC government authorities. Required approvals include approvals by the Yunnan State-owned Asset Administration and Supervision Commission, the Development and Reform Committee of Yunnan Province or the National Development and Reform Commission (as applicable), the Commerce Authority of Yunnan Province or the Ministry of Commerce as applicable), the Administration of Industry and Commerce of Yunnan Province, the Yunnan Administration of Foreign Exchange, and clearance of merger review by the Anti-Monopoly Bureau of the Ministry of Commerce. The closing is further conditioned upon the consolidation of the JV Company's financial results into ICL financial statements.



The closing of the JV Transactions and the Strategic Investment transaction is expected to take place within 6-18 months. As the closing of the JV Transactions and the Strategic Investment transaction is subject to closing conditions and PRC government approvals, there is no assurance that the closing will occur or that it will occur as expected.

In view of the relatively long expected period between signing and closing, it is the parties' intention to work together towards a successful closing of the contemplated transactions, including necessary adjustments to certain arrangements of the transactions.

Attached please find the investor presentation to be presented during a conference call today.

Name of the authorized signatory on the report and name of authorized electronic reporter:

Lisa Haimovitz

Position: VP General Counsel and Company Secretary

Signature Date: December 16, 2014