January 7, 2010

Attn.
Israel Securities Authority
22 Kantei Neswharim Street
Jerusalem
By Magna

Attn.
Tel Aviv Stock Exchange Ltd.
54 Ehad Ha’am Street
Tel Aviv
By Magna

Re: Immediate report on convening a special general meeting of Israel Chemicals Ltd. (“the Company” in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970, the Companies Law, 5759-1999 and the Securities Regulations (Transaction between a Company and its Controlling Shareholder), 5760-2000

An immediate report is hereby issued in accordance with the Securities Regulations (Periodic and Immediate Reports) 5730-1970 (“Immediate Reports Regulations”), the Companies Law, 5759-1999 (“Companies Law”) and the Securities Regulations (Transaction between a Company and its Controlling Shareholder), 5761-2001 (“Controlling Shareholder Regulations”), regarding the issue of options that constitute a substantial private offer to the chairman of the board, Mr. Nir Gilad, in which the controlling shareholder of the Company is likely to have a personal interest, and regarding convening a special general meeting of the shareholders of Company, which will be held on February 15, 2010 at 12.30, to approve the offer.

This immediate report is issued by the Company together with the outline offer of securities to employees in accordance with section 15B(1)(a) of the Securities Law, 5728-1968 (“the Securities Law”) and the Securities Regulations (Details of an Outline of an Offer of Securities to Employees), 5760-2000 and with a report on a substantial private offer in accordance with the Securities Regulations (Private Offering of Securities in a Listed Company), 5760-2000 (hereinafter together: the “Outline”).

1. **Description of the main terms for the offer of options to Mr. Nir Gilad**

   1.1. Further to the resolution of the audit committee and board of directors in the meetings held on January 3, 2010 and January 7, 2010, respectively, and subject to the approval of the general meeting convened in accordance with the report, the chairman of the board, Mr. Nir Gilad (“Nir Gilad”) will be issued 800,000 non-negotiable option options, for no consideration, exercisable for up to 800,000 ordinary shares of the Company of NIS 1 par value each (the “options”), representing up to 0.063% of the issued capital and the voting rights in the Company at the date of this report (up to 0.062% fully diluted).

   1.2. The options are offered as part of and according to the terms of the plan approved by the Company’s board of directors for a private offer of up to 11,000,000 options exercisable for up to 11,000,000 Company shares for 300 offerees, including 14 officers and other senior management employees of the Company and subsidiaries, as set out in this report and the Outline.

   1.3. The options will vest in three equal lots over three years, subject to the vesting dates set out in section 7 of the Outline. Each option confers the right to receive one ordinary share of the Company, of NIS 1 par value each, from the Company or its representative, by way of issue or transfer (as set out in section 5.3 of the Outline) against payment of an exercise price of NIS 53.1 equivalent to the closing price of the Company’s share on the stock exchange on January 6, 2010 (the last known closing price at the date of the board of directors’ resolution). The exercise price is subject to adjustments and linked to the consumer price index (“CPI”), as set out in sections 5.2 and 14 of the Outline.

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1 The number of underlying shares to be issued to Nir Gilad in practice when exercising the options, and their percentage of the issued capital and voting rights are likely to be lower if the Company elects to exercise its right to offer shares equal to the amount of the financial benefit, as set out in section 5.3 of the Outline.
1.4. The terms of the options and the exercise price (including adjustments), vesting period and exercise dates, as well other terms of the options for Nir Gilad, are the same as the terms of the options for other officers who are offerees under the plan, and are described in sections 4-17 and 25-27 of the Outline.

1.5. The financial value of the option options offered to Nir Gilad, based on the Black and Scholes model proximate to the date of the board resolution, is NIS 14,800 million. For further details, see sections 5.1 and 17 of the Outline.

1.6. Issue of the options is also subject to the approval of the general meeting as well as approval of the stock exchange to list the shares underlying the exercise of the option options. Furthermore, options issued under the Plan will be subject to the provisions of section 102 of the Income Tax Ordinance (New Version) and the regulations promulgated thereunder and accordingly, the Plan requires the approval of the tax assessor and the trustee appointed by the Company. For further information see sections 3.2 and 13 of the Outline (it is noted in this context, that 30 days after submitting the Plan to the tax assessor, the Company is entitled to issue the options, subject to approval from the stock exchange and the general meeting convened under this report).

1.7. Subject to the aforesaid approvals, the options shall be issued to Nir Gilad no later than the submission date of the 2009 Periodic Report, or March 31, 2010, whichever is earlier.

1.8. The shares underlying the exercise of the options issued to Nir Gilad are subject to the provisions of section 15C of the Securities Law, 5728-1968 and the Securities Regulations (Details Regarding Sections 15A to 15C of the Law) 5760-2000. For details, see section 9.6 of the Outline.

1.9. Nir Gilad does not hold Company shares and/or or options that are exercisable into Company shares. Furthermore, in accordance with the resolution of the general meeting of the Company's shareholders held on July 20, 2009, which approved the agreement entered into by the Company for receipt of management services from Israel Corp. and/or H.L. Management and Consulting (1986) Ltd., which is a wholly owned subsidiary of Israel Corp., from January 1, 2009 to December 31, 2011, Nir Gilad is not entitled to directors compensation for serving on the Company's board of directors and its committees. For further details see the Company's immediate report of June 16, 2009 (ref. 2009-01-143919). Also, at the date of this report, Nir Gilad receives no other compensation for his position at the Company or at companies under its control.

2. Controlling shareholder with a personal interest in the resolutions and nature of the personal interest

2.1. Israel Corporation Ltd. ("Israel Corp.") is considered to be the controlling shareholder in the Company, as that term is defined in section 268 of the Companies Law, by virtue of its holding of 53.07% of the issued share capital and voting rights in the Company (52.21% fully diluted). Israel Corp. is likely to have a personal interest in the above resolution, given that Nir Gilad is the CEO of Israel Corp. Furthermore, Ofer Investments Group Ltd. ("Ofer Investments") holds shares in the Company, representing 0.03% of the Company's issued capital and voting rights, and is a subsidiary of Ofer Holdings Group Ltd., a shareholder in Israel Corp. These companies are associates of those considered to be controlling shareholders in Israel Corp. and therefore are likely to be considered as having a personal interested in the resolution.

2.2. The following shareholders are also likely to be considered as having a personal interest in this resolution: Mr. Akiva Mozes (due to his position as CEO of the Company), Mr. Moshe Vidman (in that he is a director in Israel Corp. and given its possible personal interest), and Ferson Chemicals Ltd., Rotem Amfert Negev Ltd. and IDE Technologies Ltd. (in that they are wholly-owned subsidiaries of the Company). This being the case, Company shares held by Israel Corp. and by Ofer Holdings Group Ltd. (through Ofer Investments), Mr. Akiva Mozes, Mr. Moshe Vidan, Ferson Chemicals Ltd., Rotem Amfert Negev Ltd. and IDE Technologies Ltd. shall be considered as shares held by a party with a personal interest in the resolution on the agenda of the meeting.

2.3. Pursuant to the requirements of the Controlling Shareholder Regulations, below is a list of the material shareholders in Israel Corp. at the date of this report, according to the immediate reports of Israel Corp.2

2 Israel Corporation Ltd. is a public company whose shares are traded on the Tel Aviv Stock Exchange Ltd.
<table>
<thead>
<tr>
<th>Material shareholder</th>
<th>Security</th>
<th>Number of securities</th>
<th>Equity holding</th>
<th>Voting rights</th>
<th>Equity holding at full dilution</th>
<th>Voting rights at full dilution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Leumi Le-Israel Ltd.</td>
<td>Ordinary shares</td>
<td>1,382,802</td>
<td>17.96%</td>
<td>18.14%</td>
<td>17.96%</td>
<td>17.96%</td>
</tr>
<tr>
<td>Kirby Enterprises Inc.</td>
<td>Ordinary shares</td>
<td>57,054</td>
<td>0.74%</td>
<td>0.75%</td>
<td>0.74%</td>
<td>0.74%</td>
</tr>
<tr>
<td>Idan Ofer</td>
<td>Ordinary shares</td>
<td>296,597</td>
<td>3.85%</td>
<td>3.89%</td>
<td>3.85%</td>
<td>3.85%</td>
</tr>
<tr>
<td>Millennium Investments Elad Ltd.</td>
<td>Ordinary shares</td>
<td>3,613,446</td>
<td>46.94%</td>
<td>47.42%</td>
<td>46.94%</td>
<td>46.94%</td>
</tr>
<tr>
<td>Ofer Holdings Group Ltd.</td>
<td>Ordinary shares</td>
<td>225,472</td>
<td>2.93%</td>
<td>2.96%</td>
<td>2.93%</td>
<td>2.93%</td>
</tr>
</tbody>
</table>

3. **Basis for the consideration**

For details of the exercise price defined for the options and the basis for calculation of the price, see sections 5.2 and 20 of the Outline. For details of the parameters and considerations regarding the definition of the number of options offered to Nir Gilad, see section 6 below.

4. **Approvals required for issuing the options to Nir Gilad**

4.1. The Company’s audit committee approved the issue on January 3, 2010.

4.2. The board of directors approved the issue on January 7, 2010.

4.3. The general meeting of the Company’s shareholders is convened for February 15, 2010 in accordance with this report.

4.4. Approval of the stock exchange and tax assessor (or 30 days after submitting the Plan to the tax assessor) as described in sections 3.1 and 3.2 of the Outline

5. **Transactions that are the same as or similar to this transaction, between the Company and the controlling shareholder in the past two years**

There have been no transactions between the Company and the controlling shareholder or in which the controlling shareholder has a personal interest, which are the same as the transaction submitted to the general meeting for approval in the two years prior to the date of the board of directors’ approval of the options offering, or that are still in effect at the date of the board of directors’ approval.

6. **Reasons of the audit committee and board of directors for approving the issue of options to Nir Gilad, for the amount of the consideration and for the way it was set**

When considering the approval of the issue of options to Nir Gilad, the audit committee and board of directors reviewed and took into account, inter alia, the following parameters: Assessment of the activities and contribution of Nir Gilad to the Company’s performance and the achievement of its long-term goals, the Company’s desire to ensure the continuation of his tenure in the Company in the upcoming years and to provide him with an incentive to continue to act for the best interest of the Company, taking into account the complexity of the Company’s operations, its financial results, the terms for the issue of the options, an economic opinion prepared by external consultants regarding the financial value of the benefit in the options, benchmarks for all the compensation components (including salary, bonuses, equity compensation – the financial value and percentage of the equity afforded by this compensation) for the chairman and directors in public companies in Israel (the majority of which are included in the TASE-25 index) and information regarding the compensation in securities given to officers under the Company’s previous options plan in 2007 and regarding the previous issues of options to the chairman of the board of directors of the Company under the Company’s earlier options plans in 2003 and 1999. It is noted that the benchmarks were collected and prepared by external consultants based on information published by those companies.

The audit committee and board of directors resolved to approve the issue of the options to Nir Gilad based on the following considerations:
6.1. Members of the audit committee and board of directors highly appreciate the activities of the chairman of the board and his contribution to the Company's performance and achievement of its long-term goals.

6.2. The audit committee and board of directors believe that when reviewing compensation benchmarks of the chairman and directors in similar companies, it is difficult to find similar relevant companies in Israel and abroad, for the following reasons:

6.2.1. ICL is a multinational company, and its primary sales are carried out outside of Israel and a significant number of its employees operate and are employed abroad, and also in view of the size of ICL, the complexity of its operations and relatively few Israeli companies operating in the Company's areas of operations, it is difficult to find similar relevant companies in Israel for comparison. Therefore, it is appropriate that, to for the sake of analyzing information on similar companies and the compensation that is customary in the sector in which ICL operates, an appropriate and relevant benchmark group is based on foreign public companies trading on foreign stock exchanges and operating in the sector in which the Company operates and which the Company regards as the benchmark group for the management of its business.

6.2.2. It is relatively difficult to compare compensation information of the chairman of the board of foreign public companies in the same sector as the Company, as aforesaid, due to the difference in the definition of the position and scope of the chairman's operations in these companies compared to those of the chairman of ICL. In this context it is noted that in most foreign benchmark companies that were reviewed, the chairman of the board is also the CEO of the Company, therefore there is no practical significance in the comparison of compensation of these chairmen with the compensation of the chairman of the Company's board of directors.

6.3. Notwithstanding the aforesaid, the audit committee and board of directors determined the following, taking into account the terms for issuing the option options and their financial value, the complex position of the chairman of the board, his skills and vast experience and compared to compensation for the chairman in relevant public companies in Israel: A. The scope of compensation in securities for Nir Gilad and the total amount of his compensation, are reasonable under the circumstances and do not deviate from the customary level of compensation for officers in these companies, including in respect of the percentage of the equity and voting rights in the underlying shares. B. The compensation is also reasonable in respect of the number of options offered under the plan.

6.4. Members of the audit committee and board of directors consider preservation of the Company's managerial stability and the continued activity of Nir Gilad to be highly important, and in their decision to approve the number of issued options, they took into account the importance of ensuring the continued tenure of Nir Gilad in upcoming years and the scope of the Company's business operations, complexity of its operations and its performance in the long term.

6.5. The scope of compensation for Nir Gilad is also reasonable compared to the scope of compensation in securities granted to officers under the Company's previous options plan of 2007 and compared to the previous issue of options to the former chairman of the Company's board of directors under the Company's previous options plans of 2003 and 1999.

6.6. Taking into account all the parameters that were reviewed and the reasons set out above, the audit committee and board of directors believe that the compensation in securities for Nir Gilad is reasonable and appropriate and is designed to provide an optimum incentive to act to achieve profits for the Company and its long-term goals, and that issuing the options is designed to serve the benefit of the Company.

7. **Directors who participated in the discussions of the audit committee and board of directors**

7.1. The audit committee discussed the issue of options to the chairman of the board in its meetings held on December 20, 2009 and December 28, 2009, and approved it in its meeting on January 3, 2010. The following members attended these meetings of the audit committee: Mr. Yair Orgler (external director), MR. Haim Erez, Mr. Amnon Sadeh, Mr. Victor Medina and Mrs. Miriam Haran (external director). The director Mrs. Noga Yatziv did not participate in these audit committee meetings (see section 8 below).

7.2. In the board of directors meeting held on January 7, 2010, which discussed the offer to the chairman of the board and approved the resolution, the following officers participated: Mr. Yair Orgler (external director), Mr. Miriam Haran (external director). The following directors could be considered as having a personal interest in approval of the issue of options, therefore they did not
participate in the board of directors meeting: Mr. Nir Gilad, Mr. Moshe Vidman, Mr. Yossi Rosen, Mr. Avisar Paz and Mrs. Noga Yatziv (see section 8 below).

8. Directors who have a personal interest in approval of the resolution and the nature of the personal interest

The following directors could be considered as having a personal interest in approval of the resolution: Mr. Nir Gilad, since he is an offeree in the options plan submitted to the general meeting for approval; Mr. Moshe Vidman and Mr. Yossi Rosen, since they serve as directors in Israel Corp. (due the personal interest that Israel Corp. could have); Mr. Avisar Paz and Mrs. Noga Yatziv, since they serve as officers in Israel Corp. and in their positions, they answer to Mr. Nir Gilad as CEO of Israel Corp.

9. Notice of the convening of a special general meeting

9.1. Pursuant to the Securities Regulations (Periodic and Immediate Reports) 5730-1970 (“the Immediate Report Regulations”), the Companies Law, 5759-1999 (“the Companies Law”) and the Securities Regulations (Transaction between a Company and its Controlling Shareholder), 5761-2001 (“the Controlling Shareholder Regulations”), notice is hereby given of the convening of a special general meeting of the Company’s shareholders, to be held on February 15, 2010 at 12:30, at the registered office of the Company in the Millennium Tower (23rd floor), 23 Aranha Street in Tel Aviv. The following resolutions (described in this report) is on the agenda of the special general meeting:

To approve the offer of 800,000 non-negotiable options, for no consideration, exercisable for up to 800,000 ordinary shares of the Company of NIS 1 par value each, to Mr. Nir Gilad, chairman of the Company’s board of directors, as part of and under the terms of the Company’s share option plan for officers and other senior management employees of the Company and subsidiaries. all as set out in this immediate report and in the Outline issued together with this report.

9.2. Majority required to pass resolutions at the general meeting

The majority required for passing the resolution on the agenda is a majority of the votes of the shareholders who attend, in person or by proxy or by means of voting papers, who are entitled to attend the meeting and who participate in the vote, provided that one of these conditions exist:

9.2.1. The count of the majority votes includes at least one third of all the votes of the shareholders who do not have a personal interest in the passing of the resolution, who participate in the vote; the count of all the votes of the shareholders will not take abstentions into account.

9.2.2. The total votes against the resolution from among the shareholders referred to in subsection 9.2.1 above do not exceed one percent of all the voting rights in the Company.

9.3. Quorum

A quorum is constituted when there are at least two members present, in person or by proxy, holding together hold at least 50% of the issued shares conferring voting rights in the Company, within half an hour of the time set for opening the meeting. If a quorum is not present at the general meeting after half an hour from the time set for the opening of the meeting, the general meeting will be adjourned to the same day of the following week, at the same time and the same place. If a quorum is not present at the adjourned meeting after half an hour from the time set for the opening of the meeting, two shareholders with voting rights and holding at least one third of the issued share capital of the Company, present in person or by proxy, will constitute a quorum.

9.4. Eligibility to vote

9.4.1. Pursuant to section 182 of the Companies Law and article 3 of the Companies Regulations (Voting papers and Statements of position), 5765-2005, the date of record for the eligibility of a shareholder attend and vote at the special general meeting is the close of trading on the Tel Aviv Stock Exchange Ltd. on Sunday, January 17, 2010 (“the date of record”).

9.4.2. A Company shareholder may attend and vote at the meeting in person or may appoint a proxy to attend the general meeting and vote on his behalf (in accordance with the Company's articles of association). The letter of appointment appointing the proxy to vote (“the letter of appointment”) must be in writing and signed by the appointing party, and if the appointing party is a corporation, it must be signed in a way duly binding upon the corporation. The letter of appointment should be deposited in the Company’s offices at
least 48 hours prior to the start of the general meeting or the adjourned meeting, as the case may be.

9.4.3. Pursuant to the Companies Regulations (Proof of Title to a Share for the Purpose of Voting at a General Meeting), 5760-2000, a shareholder in whose name a share is registered with a member of the stock exchange, and that share is included among the shares registered in the shareholders register in the name of the nominee company, who wishes to vote at the general meeting, should furnish the Company with a certificate from the stock exchange member, regarding its title to the share, at the date of record, as required under these regulations.

9.5. Voting paper and statements of position

9.5.1. A shareholder may vote at the general meeting on the resolution on the agenda, by means of a voting paper as described below. The text of the voting paper and statements of position in respect of this meeting can be found on the distribution website of the Israel Securities Authority at www.magna.isa.gov.il, and on the website of the Tel Aviv Stock Exchange Ltd. at www.tase.co.il. A shareholder may apply to the Company directly and receive, free of charge, the text of the voting paper and statement of position. The vote will be cast on the second part of the voting paper, as published in the website of the Israel Securities Authority at the above address.

9.5.2. A member of the stock exchange will send, free of charge, by email, a link to the text of the voting paper and position paper on the Israel Securities Authority website, to any shareholder that is not registered in the shareholders register and whose shares are registered with a member of the stock exchange, at the shareholder’s request and provided that its request was made for a specific securities account and on a date prior to the date of record.

9.5.3. A shareholder whose shares are registered with a member of the stock exchange is entitled to receive confirmation of title from the member of the stock exchange through which it holds its shares, at the branch of the member of the stock exchange or by mail to its address, in consideration of the postage only, if requested, provided that the request is submitted in advance to the specific securities account.

9.5.4. The voting paper and documents that must be attached to it (as listed on the voting paper) must be submitted to the Company by 72 hours prior to the time set for convening the general meeting (in other words, by February 12, 2010 at 12:30. For this matter, “time of submission” is the time when the voting paper and required documents arrive at the Company’s offices.

9.5.5. The last date for submission of statements of position to the Company is on January 27th, 2010. The last date for submission of the response of the board of directors to statements of position, if and insofar as statements of position of shareholders are submitted and the board of directors elects to submit its response to those statements of position, is February 2, 2010.

9.5.6. A voting paper and statements of position shall be delivered by hand or by registered mail.

9.5.7. At the date of this report, the number of shares representing 5% of all the voting rights in the Company is 63,292,935 ordinary shares of the Company. At the date of this report, the number of shares representing 5% of all the voting rights that are not held by the controlling shareholder in the Company as defined in section 268 of the Companies Law, is 29,685,675 ordinary shares of the Company.

9.6. Notice of a personal interest

Pursuant to the provisions of section 276 in the Company’s Law, a shareholding voting at the general meeting, whether in person or by proxy, shall notify the Company prior to the vote at the meeting, or if the vote is by means of a voting paper – by marking Part B of the voting paper in the designated place, of whether or not he has a personal interest in passing the resolution on the agenda. A shareholder or its proxy who does not give such notice will not vote at the meeting and its vote shall not be counted.

10. Powers of the Israel Securities Authority

Pursuant to the Controlling Shareholders Regulations, within 21 days of the date of filing this report, the Israel Securities Authority or an employee authorized for this purpose (“the Authority”) may instruct the
Company to provide, by the date set by the Authority, any explanation, details, notices or documents regarding the agreement which is the subject of this report, and may instruct the Company to amend this report in the way and within such time as it may prescribe. Should the Authority instruct that an amendment is required, it may order a postponement of the general meeting to a date which may fall no earlier than three business days prior to and no later than 21 business days after the date on which the amendment to this report is published.

11. **Review of the immediate report and details of the Company’s representatives**

A copy of this report is available for review at the Company’s offices, by appointment with the Company’s secretary at the registered office of the Company as noted above, at telephone no. 972-3-684412, fax no. 972-3-6844435 on Sundays to Thursdays, between 09:00 and 16:00, up to the date of the special general meeting, and on the website of the Israel Securities Authority at www.magna.isa.gov.il. The Company’s representative for handling this transaction report is Adv. Lisa Haimovitz, the general counsel and company secretary, at her office in the Company’s registered office at the address and contact details noted above.

Yours sincerely,

Adv. Lisa Haimovitz  
General counsel and company secretary