ICL-ISRAEL CHEMICALS LTD. כימיקלים לישראל בע"מ

Directors Report on the State of the Company's Affairs for the period ended March 31, 2008

The Directors' Report of Israel Chemicals Ltd. ("ICL" or "the Company") is presented for the period ended March 31, 2008.

1. Description of the Company and its Business Environment

1.1 Description of ICL

ICL is a multinational company that operates mainly in the areas of fertilizers and specialty chemicals, in three segments: fertilizers, industrial products and performance products.

ICL's operations are based primarily on natural resources: potash, bromine, magnesium and sodium chloride from the Dead Sea, and phosphate rock from the Negev Desert, based on concessions and licenses from the State of Israel. Operations are also based on potash and salt mines in England and Spain under leases and concessions from the competent authorities in those countries. ICL is active in the production of these minerals, in their sale throughout the world, and also in the development, production and marketing of downstream products based primarily on these raw materials or complementary to these products.

ICL has a prominent position in the markets for potash, bromine, pure phosphoric acid, special phosphates, bromine- and phosphorus-based flame retardants and chemicals used in wildfire retardants. Potash and phosphate are core components of fertilizers. Bromine is used in a wide range of applications, primarily as a basic ingredient in flame retardants. ICL's products are used primarily in agriculture, electronics, food products, oil and gas drilling, water purification and desalination, and in industries such as detergent, paper, cosmetics, pharmaceutical, automotive and aluminium and others. ICL has decades of accumulated experience in most of its businesses.

ICL has direct access to most of the raw materials required for its activities, at low cost and high quality, by virtue of the exclusive concession granted to ICL by the State of Israel for extraction of minerals from the Israeli side of the Dead Sea, in return for payment of royalties to the State. The production costs of the potash and bromine that ICL extracts from the Dead Sea are relatively lower than the costs of other producers in the world that do not have access to the Dead Sea.

ICL's main production facilities are based in Israel, Germany, the USA, Holland, Spain, the UK, China, Brazil and France. ICL has other production facilities in Austria, Belgium, Turkey, Argentina and Australia.

ICL's operations outside of Israel are primarily in the production of products that are complimentary to or are based on ICL's operations in Israel or in related fields. Approximately 95% of all ICL's production is sold outside of Israel.

The operations of ICL's facilities are integrated with one another to a great extent, in terms of both supply of raw materials and such that one facility frequently utilizes the by-products of another facility to produce end products. (For example, bromine is produced by utilizing the bromine in the by-product streams from evaporation ponds used to produce potash. Another example is bromine production, which utilizes chlorine, a by-product stream in the production of magnesium, etc.)

Approximately 5% of ICL's production is sold in Israel. For specific products, ICL and some ICL companies have been declared a monopoly in Israel.

Approximately 45% of ICL's annual sales turnover is due to production outside of Israel.

ICL has no material dependency on any single customer, supplier or source of raw materials that are not included in the concessions granted to ICL.

ICL operates in three main segments, which are grouped according to managerial-functional consideration, as described below.

A. ICL Fertilizers – ICL Fertilizers produces potash from the Dead Sea, and mines and produces potash and salt from underground mines in Spain and England. ICL Fertilizers refines potash into various grades and sells it worldwide. ICL Fertilizers also uses some of the potash to manufacture compound fertilizers.

ICL Fertilizers also mines and processes phosphate rock from open-pit mines in the Negev Desert, and manufactures sulfuric acid, fertilizer-grade phosphoric acid, phosphate fertilizers, compound fertilizers based mainly on potash and phosphate, and specialty fertilizers at its production facilities in Israel. ICL Fertilizers also manufactures fertilizers in Holland, Germany and Belgium. In addition ICL Fertilizers manufactures phosphate-based animal feed additives in Turkey and Israel. ICL Fertilizers markets its products worldwide, primarily in Europe, Brazil, India, China and Israel.

B. ICL Industrial Products – ICL Industrial Products manufactures elemental bromine from an end-brine that is created as a byproduct of the potash production process in Sodom as well as bromine-based compounds. ICL Industrial Products is the world's leading producer of elemental bromine, producing 27% of total global production in 2007. ICL Industrial Products uses approximately 70% of its bromine production for manufacturing bromine compounds at its production facilities in Israel, Holland and China. In August 2007, ICL Industrial Products acquired Supresta, a company that manufactures and markets phosphorus flame retardants and other phosphorus-based products in the USA and Germany.

Additionally, ICL Industrial Products produces various salt products, magnesia and chlorine (extracted together with caustic soda by electrolysis of salt, which is created as a byproduct of potash production, and which serves as a raw material in the segment's production processes).

ICL Industrial Products also manufactures chlorine-based industrial products in Israel and the USA. ICL Industrial Products markets its products worldwide.

C. ICL Performance Products – ICL Performance Products purifies some of the fertilizer-grade phosphoric acid manufactured by ICL Fertilizers, purchases pure phosphoric acid from other sources, and also manufactures thermal phosphoric acid. The purified phosphoric acid is used to produce downstream products of high added value, and is used as a raw material in the production of phosphate salt (which in turn is used as a raw material in the production of food additives), hygiene products, phosphorus derivatives and wildfire retardants. ICL Performance Products also produces specialty products based on aluminum oxide (alumina) and other raw materials. Production takes place at production facilities in Europe, and specifically in Germany, the USA and Brazil, Israel and China, as well as in other countries. In 2007, 80% of the external sales of ICL Performance Products were of phosphoric acid of various grades and of downstream products of the acid.

In addition to these segments, ICL has other operations that include desalination and metallurgy.

Management by segment is generally accomplished on a managerial-functional basis, even though administrative division and legal ownership do not necessarily fully correspond.

1.2 Business Environment and Profitability

ICL is a multinational company. The Company's financial results are affected by global economic trends, changes in terms of trade and financing, and fluctuations in currency exchange rates. The demand for ICL products is affected by the demand for basic agricultural products and global economic trends, among other factors.

ICL is taking steps towards adapting its marketing and production policies to global market conditions. ICL is focusing on improving cash flow and diversifying financing sources and is committed to taking action to improve efficiency and cost savings.

Most of ICL's sales are denominated in foreign currency, mainly US dollars and euro. A not insignificant part of its operating expenses in Israel is denominated in shekels, therefore appreciation of the shekel against the dollar has a negative impact on ICL's profitability and depreciation has the opposite effect. The strengthening of the shekel against the dollar adversely affected ICL's operating profit and financing expenses in the period compared with the corresponding period last year, by an estimated $19 million and $24 million, respectively. ICL has more revenues than expenses in euro, therefore, an appreciation of the exchange rate of the euro against the dollar has a positive impact on ICL's profitability and depreciation has the opposite effect. ICL hedges against some of these exposures. Conversely, when the euro appreciates against the dollar, the ability to compete of ICL subsidiaries, whose functional currency is the euro, is adversely affected, compared with competitors whose functional currency is the dollar.

Most of ICL's loans bear variable interest rates, therefore, ICL is exposed to fluctuations in these rates. The Company partially hedges against this exposure by using financial hedging instruments, including financial derivatives.

Conditions in the global agricultural market are closely connected with the demand for fertilizers. In recent years there has been a steady growth in worldwide consumption of cereals (such as grain, rice, soy and corn). The growth is due to the natural worldwide population growth and to a change in food consumption composition (higher meat consumption) as a result of the increase in the standard of living, primarily in developing countries. In addition, in view of the sharp increase in energy prices, environmental considerations and the objective of Western countries to reduce dependency on fuel importation, there is an increasing worldwide trend towards production of fuels from agricultural sources (bio-fuel). These trends have led to significant increases in the prices of agricultural products in the past year, as well as increased cereal planting worldwide and a trend to increasing yield per unit of agricultural land, mainly by increasing the application of fertilizers. This has resulted in higher demand for fertilizers and consequently, a sharp increase in fertilizer prices.

The bromine market is largely affected by the level of activity in the electronics and the oil and gas drilling industries, as well as the limitations on the use of methyl bromide as a result of the enactment of the Montreal Protocol. From the third quarter of 2006, the demand for flame retardants moderated. At the same time, relatively high prices of bromine and bromine compounds led to a significant increase in production of bromine and some flame retardants in China, resulting in an increase in the supply of these products. These trends are continuing today. In the market for chemicals used in oil drilling, sales were low due to decreased consumption in the Gulf of Mexico and growing competition from manufacturers in China.

The operations of ICL Performance Products are affected by competition in some of the target markets. In Europe it is also affected by fluctuations in the currency exchange rate. As stated above, appreciation of the euro against the dollar compared with the corresponding quarter last year had an adverse effect on the ability to compete in some production operations in Europe. In the reporting period, there was an increase in ICL Performance Products revenue as a result of the consolidation of operations acquired at the beginning of the year and the price increases for some of the products.

Shipping costs are a significant component in the expenses of ICL Fertilizers. At the beginning of 2007, bulk shipping prices rose sharply, reaching an all-time high. However, towards the end of the year shipping prices started to drop. In the first quarter of 2008, prices started to rise again.

The financial statements as at March 31, 2008 include the information and results of Supresta, Biogema, and the water treatment operations of Henkel. The results of these operations were not included in the financial statements of the corresponding period last year.

1.3 The Directors' Report is presented as part of the interim financial statements for the three-month period ended March 31, 2008 and assumes that the interim financial statements are available to the reader. The Directors' Report was prepared in condensed format for the aforementioned period and assumes that the Periodic Report for 2007 is also available to the reader.

The financial data, including comparative information, were taken from the financial statements of ICL which were prepared according to International Financial Reporting Standards (IFRS) (see section 8.1 below).

2. Results of Operations

2.1 Principal Financial Results

Hereunder the condensed results of operations in the reviewed period, compared with the results for the corresponding period last year, in millions of dollars.

	1-3/2008		1-3/2007		2007	
$	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
Sales	1,528.1	100.0	882.9	100.0	4,103.2	100.0
Gross profit	730.6	47.8	300.7	34.1	1,547.0	36.9
Operating income	465.0	30.4	133.6	15.1	742.6	17.4
Pre-tax Income	414.4	27.1	118.4	13.4	669.9	15.6
Net income to shareholders	346.7	22.7	90.9	10.3	553.4	13.1
Flows from current operations	205.8		90.7		570.7	
EBITDA*	507.9	33.2	183.5	20.8	931.8	22.7
Investments						
Acquisition of shares of consolidating companies	95.6				361.5	
Investments in property, plant and equipment less grants	67.1		47.3		186.2	
Total	162.7		47.3		547.7	

(*) Calculated as follows in thousands of dollars:

	1-3/2008	1-3/2007	2007
Net income	346.7	90.9	553.4
Amortization and depreciation	44.1	44.3	166.1
Financing expenses, net	55.9	16.2	76.6
Taxes on income	61.2	28.9	119.7
Special or one-time expenses	-	3.2	16
Total	507.9	183.5	931.8

2.2 Results of operations for January – March 2008

Sales

Sales of ICL in the reporting period amounted to $1,528.1 million compared with $882.9 million in the corresponding period last year, an increase of 73%. The increase reflects mainly a rise in the selling prices of most of the Company's products, as well as an increase in quantities sold of potash and phosphate rock. Sales for the period include $65 million in Supresta sales.

Below is a breakdown of sales by geographical region:

	1-3/2008		1-3/2007	
CIF sales	**$ millions**	**%**	**$ millions**	**%**
Israel	76.4	5.0	52.0	5.9
North America	237.9	15.6	179.4	20.3
South America	170.5	11.2	67.6	7.7
Europe	663.7	43.4	376.5	42.6
Asia	297.6	19.5	169.7	19.2
Rest of the world	82.0	5.3	37.7	4.3
Total	1,528.1	100.0	882.9	100.0

The breakdown of sales shows an increase in sales in all markets, and most notably in South America (152%), Asia (75%) and Europe (76%), due mainly to increased sales of ICL Fertilizers in these regions mainly arising from price increases as well as the strengthening of the euro against the dollar.

Gross Profit

Gross profit amounted to $730.6 million, an increase of approximately $430 million compared with the corresponding period last year, representing an increase of 143%. The gross profit margin out of sales turnover for the year reached 47.8%, compared with 34.1% in the corresponding period last year.

The improvement in gross profit compared with the corresponding period last year is due mainly to a rise in the selling prices of most of the Company's products and an increase in the sales volume of potash and phosphate rock. Conversely, an increase in shekel expenses in dollar terms as a result of the strengthening of the shekel against the dollar and an increase in the prices of most inputs and raw materials, including energy prices, partially offset the improved profitability.

Sales and Marketing Expenses

Expenses for this item amounted to $195.3 million, an increase of $72 million compared with the corresponding period last year. The increase in these expenses is due to increased sales in the fertilizer segment, a rise in bulk shipping prices and the consolidation of companies acquired in the past year.

General and Administrative Expenses

Expenses for this item amounted to $55.8 million, an increase of about $22 million compared with the corresponding period last year. The strengthening of the euro and shekel against the dollar led to an increase in the expenses for this item in dollar terms. In addition, administrative expenses of companies that were acquired subsequent to the end of the first quarter last year and were consolidated in this quarter, contributed to the increase in these expenses.

Research and Development Expenses

R&D expenses (net of grants from the Chief Scientist) amounted to $13.9 million, an increase of $4.5 million compared with the corresponding period last year.

Operating Income

Operating income increased by $331.4 million compared with the corresponding period last year, reaching $465 million. The increase in operating income was due mainly to the increase in gross profit noted above, which was partially offset by the increase in overhead expenses, due, inter alia, to the strengthening of the shekel against the dollar and to the increase in transportation expenses.

The percentage of operating income out of sales turnover is 30.4%%, compared with 15.1% in the corresponding period last year. The improvement of the operating income margin is mainly due to the sharp increase in the sales price of potash, phosphate fertilizer and phosphate rock.

Financing Expenses

Net financing expenses amounted to $55.9 million, compared with $16.2 million last year, an increase of $39.7 million. Financing expenses for the period include an expense of about $24 million due to an increase in the $ value of shekel denominated liabilities and liabilities for severance pay due to the strengthening of the shekel against the dollar. In the first quarter of 2008, the shekel appreciated by 7.6% against the dollar, compared with an appreciation of 1.7% in the corresponding period last year.

In addition, according to IFRS, the Company charges the difference between the fair value of hedging instruments that do not comply with the terms of accounting hedging and the cost of these instruments in each accounting period to financing expenses. The change in fair value of these instruments on March 31, 2008 compared to their value at the beginning of the year led to the accounting of an expense of $12 million. This value reflects the exchange rate on the date of the balance sheet and can change in the future according to changes in rates on the repayment date of the financial instruments. See section 7 below for further information. These impacts do not affect the cash flow of the Company. The increase in financing expenses is also due to an increase of $430 million in the net average debt balance for the period compared to the corresponding period last year, mainly as result of the acquisition of Supresta in August 2007 and the water treatment business of Henkel in January 2008 (see 10.1.).

Tax Expenses

The tax expense amounted to $61.2 million, compared with $28.9 million in the corresponding period last year. The tax rate on pre-tax profit is 14.8%, compared with 24.4% in the corresponding period last year. The lower tax rate is due to an increase in taxable income at a reduced rate for approved or benefited facilities for some of the Company's operations in Israel and from the utilization of tax losses accrued by subsidiaries abroad and for which deferred taxes were not accounted in the past.

Net Income

Net income for the shareholders amounted to $353.2 million, compared with $90.9 million in the corresponding period last year, an increase of approximately 281%.

3. Segments of Operation

The segments of operation of ICL are presented below according to the managerial division into segments described in the preface to this report.

CIF sales By segment of operation	1-3/2008		1-3/2007		2007	
	$ millions	% of total sales	$ millions	% of total sales	$ millions	% of total sales
ICL Fertilizers	952.9	61.1	451.8	50.3	2,147.1	51.4
ICL Industrial Products	289.6	18.6	196.9	21.9	925.0	22.2
ICL Performance Products	316.4	20.3	249.1	27.7	1,101.6	26.4
Other and offsets	(30.8)		(14.9)	-	(73.5)	
Total	1,528.1		883.0	-	4,100.2	

Note: The sales data for the segments and their percentages out of total sales are before setoffs of inter-segment sales.

Operating income By segment of operation	1-3/2008		1-3/2007		2007	
	$ millions	% of segment sales	$ millions	% of segment sales	$ millions	% of segment sales
ICL Fertilizers	407.4	42.8	71.4	15.8	527.4	24.6
ICL Industrial Products	28.6	9.9	44.5	22.6	142.2	15.4
ICL Performance Products	35.9	11.3	19.8	7.9	91.1	8.3
Other and offsets	(6.9)		(2.1)	-	(18.1)	
Operating income (Consolidated)	465.0		133.6	-	742.6	

Note: The profit percentage is from sales before setoffs of inter-segment sales.

3.1 ICL Fertilizers

Sales

The sales turnover in the segment in the reporting period amounted to $952.9 million, an increase of about $501 million in the corresponding period last year, representing an increase of 111%.

The increase in sales turnover is due to a rise in the sales prices of all segment products and a sharp increase in the quantities of potash and phosphate rock sold, compared with the corresponding quarter last year. The absence of potash sales in China in the period due to protracted negotiations with importers in the country was offset by an increase in sales to India and Brazil.

Operating Income

Operating income in the segment amounted to $407.4 million, an increase of about $336.0 million compared with the corresponding period last year. The percentage of income from sales amounted to 42.8% compared with 15.8% in the corresponding period last year.

The improvement in operating income and in profit margins is mainly due to the sharp rise in selling prices. However, operating income was adversely affected by a rise in the prices of principal raw materials, especially sulfur, and in particular a sharp rise in the prices of energy and sea transportation and the appreciation of the shekel against the dollar.

Potash

Revenue from potash includes the sales of potash from Israel, Spain (Iberpotash) and England (Cleveland Potash).

Potash – Revenue and Profit

$ millions	1-3/2008	1-3/2007	2007
Revenues*	581.4	275.8	1,386.4
Operating income	280.5	62.2	405.6

*Including revenue from inter-segment sales, including intra-company sales of potash as raw material for fertilizers

The increase in revenue in the period compared with the corresponding period last year is due to a sharp rise in selling prices and the quantity of potash sold compared with the corresponding period last year.

Potash – Production and Sales

Thousands of tons	1-3/2008	1-3/2007	2007
Production	1,288	1,226	5,078
Sales to external customers	1,390	1,173	5,191
Sales to internal customers	68	50	264
Total sales (including internal sales)	1,458	1,223	5,455
Closing inventory	1,115	1,662	1,285

In the quarter potash production increased by 5% compared with the corresponding quarter last year, in all the Company's plants.

Fertilizers and Phosphates

Revenues for these products derive from sales in Israel and abroad of phosphate rock (as a raw material and for direct fertilization), fertilizers (including phosphate, compound, liquid and fully soluble fertilizers, which include various proportions of nitrogen, phosphate and potassium), phosphoric acid used as a raw material for the production of fertilizers (green acid), as well as other products.

Fertilizers and Phosphates – Revenue and Profit

$ millions	1-3/2008	1-3/2007	2007
Revenues*	391.6	184.2	813.3
Operating income	132.4	9.0	123.0

*Including revenue from inter-segment sales

The increase in revenues in the period compared with the corresponding period last year is mainly due to the higher selling prices of fertilizers and phosphate rock in the quarter compared with the corresponding period last year, and an increase in the quantity of phosphate rock sold.

Conversely, there was a decrease in the quantities of phosphate fertilizers sold. The improvement in operating income is due to an increase in selling prices of fertilizers and an increase in production in the period compared with the corresponding period last year. However, operating income was adversely affected by the appreciation in the value of the shekel against the dollar, an increase in bulk shipping prices and a sharp increase in sulfur prices (the main raw material in phosphate fertilizer production).

Fertilizers and Phosphates – Production and Sales

Thousands of tons	1-3/2008	1-3/2007	2007
Phosphate rock			
Rock production	746	728	3,069
Sales*	190	96	287
Fertilizers			
Production	457	398	1,771
Sales*	471	505	1,784

* To external customers

Phosphate rock is produced according to demand, both for internal uses and for sales to external customers, while maintaining suitable stock levels. In the reporting period, due to increased demand and the resulting rise in the selling prices for phosphate rock, the Company increased production for external customers.

3.2 ICL Industrial Products

Sales

In the reporting period, sales in this segment amounted to $289.6 million, an increase of $92.8 million compared with the corresponding quarter last year.

Excluding the sales of Supresta, which was not consolidated in the corresponding quarter last year, sales in this segment increased by $28 million compared with the corresponding period last year.

Here are some details of sales in the period compared with the corresponding period last year,

Revenue from sales of flame retardants increased due to the increase in sales of TBBA and DECA, mainly due to weaker competition by producers in China in view of the increase in production costs of bromine in China.

Revenue from inorganic bromine products increased slightly, due to the increase in sales of elemental bromine which was offset by a decrease of sales of clear brine.

In agricultural products, there was a slight decrease in sales of methyl bromide.

Revenue from biocides for water treatment decreased mainly due to the relatively cold weather during the period.

Revenue from sales of chlorine-based products from the Dead Sea (Dead Sea salts) increased, mainly due to increased sales of bagged potash.

There was an increase in sales of magnesia products, mainly magnesia and specialty magnesia products.

Operating Income

Operating income in the segment for the reporting period amounted to approximately $28.6 million, compared with $44.5 million in the corresponding period last year.

The decrease in operating income compared with the corresponding quarter last year is mainly due to the increase in shekel expenses, resulting mainly from the strengthening of the shekel against the dollar, and a rise in energy prices and prices of the principal raw materials and maintenance. In addition, there were increases in land and sea transport costs..

3.3 ICL Performance Products

Sales

Sales in this segment amounted to $316.4 million, an increase of $67.3 compared with the corresponding period last year.

The increase in revenues was mainly due to an increase in prices for phosphate-based products, initial consolidation of the water treatment business unit acquired from the Henkel Group at the end of last year, and the appreciation of the euro against the dollar.

Operating Income

Operating income in the segment amounted to $35.9 million in the reporting period, an improvement of about $16 million compared with the corresponding period last year. This increase was mainly due an increase in sales prices, which was partially offset by the increase in prices of raw materials and energy.

4. The Financial Position and Sources of Financing of ICL

As at March 31, 2008, a decrease of $63 million in ICL's net financial liabilities was recorded, compared with the balance at the end of 2007, amounting to $1,145 million.

ICL's sources of financing are short- and long-term loans from Israeli and international banks. ICL also has debentures which were issued to institutional investors in the U.S., and the Company also issues short-term commercial papers as additional sources of finance. ICL also operates a trade receivables securitization program in which some of the Group companies sell their customer debt. The total size

of the securitization transaction amounts to $300 million. As at March 31, 2008, $125 million of the securitization was utilized.

Cash Flow

ICL's cash flow generated by operating activities in the reporting period amounted to $206 million, compared with $91 million in the corresponding period last year, an improvement of $115 million. The cash flow from operating activities was the principal source of financing for investments in property, plant and equipment and acquisitions and to decrease net financial liabilities. Subsequent to the date of the balance sheet, in May 2008 ICL issued short-term commercial papers, which are not listed for trading on the stock exchange, totalling $56 million (NIS 190 million).

5. Investments

In the reporting period, investments in property, plant and equipment net of investment grants amounted to $67.1 million, compared to $47.3 million in the corresponding period last year.

6. Human Resources

The total number of employees at ICL on March 31, 2008 is 10,484, compared with 9,890 on March 31, 2007. The increase is mainly due to the increase in ICL Industrial Products following the acquisition of Supresta, an increase in ICL Performance Products following the acquisition of the water treatment operations of Henkel, and the acquisition of Biogema, a manufacture of wildfire retardants. In addition, there was an increase in the number of employees in Mifalei Tovala due to the purchase of new trucks, and in IDE, due to new projects.

7. Market Risk Exposure and Management

The tables below describe sensitivity to changes in currency exchange rates for the balance sheet as at March 31, 2008.

Dollar/Shekel	Profit (loss) from changes $ millions	Profit (loss) from changes $ millions	Fair value $ millions	Profit (loss) from changes $ millions	Profit (loss) from changes $ millions
Type of instrument	**10% increase**	**5% increase**		**5% decrease**	**10% increase**
Cash and cash equivalents	(0.2)	(0.1)	2.3	0.1	0.3
Short-term deposits and loans	(0.5)	(0.3)	5.7	0.3	0.6
Trade receivables and debit balances	(9.1)	(4.8)	100.0	5.3	11.1
Long-term deposits and loans	(2.9)	(1.5)	32.2	1.7	3.6
Credit from banks and others	10.8	5.7	(119.3)	(6.3)	(13.3)
Trade payables and others	16.4	8.6	(180.0)	(9.5)	(20.0)
Payables and credit balances	14.3	7.5	(156.9)	(8.3)	(17.4)
Liabilities for employee benefits	14.8	7.8	(163.3)	(8.6)	(18.1)
Options	(4.2)	(2.0)	6.1	2.5	5.3
Forward	(7.5)	(3.9)	3.9	4.3	9.1
Total	32	17	(469)	(18)	(39)

Euro/Dollar	Profit (loss) from changes $ millions	Profit (loss) from changes $ millions	Fair value $ millions	Profit (loss) from changes $ millions	Profit (loss) from changes $ millions
Type of instrument	**10% increase**	**5% increase**		**5% decrease**	**10% increase**
Cash and cash equivalents	(1.5)	(0.8)	16.2	0.9	1.8
Short-term deposits and loans	(7.1)	(3.7)	77.9	4.1	8.7
Payables and credit balances	(66.2)	(34.7)	728.3	38.3	80.9
Long-term deposits and loans	(0.5)	(0.3)	5.8	0.3	0.6
Credit from banks and others	2.5	1.3	(27.0)	(1.4)	(3.0)
Trade payables and others	17.2	9.0	(188.8)	(9.9)	(21.0)
Payables and credit balances	14.2	7.5	(156.5)	(8.2)	(17.4)
Liabilities for employee benefits	11.5	6.0	(126.6)	(6.7)	(14.1)
Long-term loans from banks	0.1	0.1	(1.6)	(0.1)	(0.2)
Forward	(7.1)	(3.7)	(4.9)	4.1	8.6
Options	(14.3)	(7.1)	(10.7)	7.6	15.7
Total	(51.1)	(26.4)	312.1	28.9	60.8

Sterling/Dollar	Profit (loss) from changes $ millions	Profit (loss) from changes $ millions	Fair value $ millions	Profit (loss) from changes $ millions	Profit (loss) from changes $ millions
Type of instrument	**10% increase**	**5% increase**		**5% decrease**	**10% increase**
Cash and cash equivalents	(0.1)	(0.0)	0.7	0.0	0.1
Short-term deposits and loans	(0.6)	(0.3)	6.1	0.3	0.7

Sterling/Dollar	Profit (loss) from changes $ millions	Profit (loss) from changes $ millions	Fair value $ millions	Profit (loss) from changes $ millions	Profit (loss) from changes $ millions
Type of instrument	**10% increase**	**5% increase**		**5% decrease**	**10% increase**
Trade receivables and debit balances	(4.3)	(2.2)	47.1	2.5	5.2
Credit from banks and others	4.0	2.1	(44.3)	(2.3)	(4.9)
Trade payables and others	0.7	0.4	(8.1)	(0.4)	(0.9)
Payables and credit balances	3.1	1.6	(34.2)	(1.8)	(3.8)
Liabilities for employee benefits	0.1	0.1	(1.6)	(0.1)	(0.2)
Total	3.1	1.6	(34.3)	(1.8)	(3.8)

Yen/Dollar	Profit (loss) from changes $ millions	Profit (loss) from changes $ millions	Fair value $ millions	Profit (loss) from changes $ millions	Profit (loss) from changes $ millions
Type of instrument	**10% increase**	**5% increase**		**5% decrease**	**10% increase**
Cash and cash equivalents	(0.2)	(0.1)	2.7	0.1	0.3
Trade receivables and debit balances	(1.3)	(0.7)	14.3	0.8	1.6
Long-term deposits and loans	(0.0)	(0.0)	0.2	0.0	0.0
Credit from banks and others	0.2	0.1	(2.5)	(0.1)	(0.3)
Trade payables and others	0.5	0.3	(6.0)	(0.3)	(0.7)
Payables and credit balances	(0.0)	(0.0)	0.3	0.0	0.0
Liabilities for employee benefits	0.2	0.1	(1.9)	(0.1)	(0.2)
Forward	1.3	0.7	(0.5)	(0.7)	(1.6)
Options	0.6	0.3	(0.6)	(0.4)	(0.9)
Total	1.3	0.7	5.9	(0.8)	(1.7)

Brazilian Real/Dollar	Profit (loss) from changes $ millions	Profit (loss) from changes $ millions	Fair value $ millions	Profit (loss) from changes $ millions	Profit (loss) from changes $ millions
Type of instrument	**10% increase**	**5% increase**		**5% decrease**	**10% increase**
Cash and cash equivalents	(0.2)	(0.1)	2.6	0.1	0.3
Trade receivables and debit balances	(1.0)	(0.5)	10.7	0.6	1.2
Financial investments in affiliates	(1.0)	(0.5)	11.3	0.6	1.3
Trade payables and others	0.3	0.2	(3.5)	(0.2)	(0.4)
Payables and credit balances	0.2	0.1	(2.4)	(0.1)	(0.3)
Total	(1.7)	(0.9)	18.6	1.0	2.1

Chinese Yuan/Dollar	Profit (loss) from changes $ millions	Profit (loss) from changes $ millions	Fair value $ millions	Profit (loss) from changes $ millions	Profit (loss) from changes $ millions
Type of instrument	**10% increase**	**5% increase**		**5% decrease**	**10% increase**
Cash and cash equivalents	(0.0)	(0.0)	0.1	0.0	0.0
Short-term deposits and loans	(0.8)	(0.4)	8.5	0.4	0.9
Trade receivables and debit balances	0.4	0.2	(4.5)	(0.2)	(0.5)
Credit from banks and others	(0.1)	(0.1)	1.4	0.1	0.2
Trade payables and others	(0.6)	(0.3)	6.2	0.3	0.7
Total	(1.1)	(0.6)	11.7	0.6	1.3

Sensitivity to changes in LIBOR interest

	Profit (loss) from changes $ millions	Profit (loss) from changes $ millions	Fair value $ millions	Profit (loss) from changes $ millions	Profit (loss) from changes $ millions
Type of instrument	**10% increase**	**5% increase**		**5% decrease**	**10% increase**
Fixed-interest loans	2.1	1.1	(131.3)	(1.1)	(2.1)
Variable interest loans			(1,247.0)		
Collar transactions	1.1	0.6	(3.24)	(0.6)	(1.3)
Cap options	0.0	0.0	0.00	(0.0)	(0.0)
Swap transactions	(0.6)	(0.3)	2.1	0.2	0.4
Other options	0.2	0.1	(0.6)	(0.1)	(0.2)
Total	2.7	1.4	(1,379.4)	(1.5)	(3.0)

Update on positions in derivative instruments for the first quarter of 2008

Hedging transactions against changes in exchange rates on cash flows – $ thousands				
	Stated		**Fair value**	
	Up to one year		**Up to one year**	
	Long	**Short**	**Long**	**Short**
Transaction direction in derivatives is the acquisition of dollars				
Currency: Euro/$ in $ thousands				
Forward				
Up to one year	70,824		-3,131	
Over one year	8,000		-1,738	
Call options				
Up to one year	154,531		-12,377	
Put option				
Up to one year	154,368		1,558	
JPY/$ in $ thousands				
Forward				
Up to one year	13,643		-465	
Call options				

Hedging transactions against changes in exchange rates on cash flows – $ thousands				
	Stated		Fair value	
	Up to one year		Up to one year	
	Long	Short	Long	Short
Up to one year	12,000		-628	
Put options				
Up to one year	12,000		23	
Currency: Shekel/$ in $ thousands				
Forward				
Up to one year		95,073		3,890
Call options				
Up to one year		49,000		-16
Put option				
Up to one year		35,000		6,114
Currency: Shekel/Euro according to the $				
Call options				
Up to one year		15,014		-53
Put option				
Up to one year		22,834		
Other currencies				
Forward				
Up to one year				
Call options				
Up to one year				
Put option				
Up to one year				
Currency: GBP/Euro according to the $				
Transaction direction is acquisition of GBP				
Forward up to one year	782		43	
Call options				
Up to one year	68,816		-4,494	
Put option				
Up to one year	68,816		294	

Interest-hedging transactions against changes in variable interest rate (Libor) on dollar loans								
	Nominal value				Fair value			
	Up to one year		Over one year		Up to one year.		Over one year	
	Long	Short	Long	Short	Long	Short	Long	Short
Swap			125,000	106,000			-3,025	4,498
Caps	400,000		150,000		-983		-1,246	
Floors		35,000		150,000				
Other options	70,000				-350			

8. Accounting Issues

8.1 Disclosure of the approval process for the Company's financial statements

The board of directors of ICL bears overall responsibility for final auditing in the Company.

The Board of Directors appointed a Finance Committee, which discusses the financial statements and makes recommendations concerning their approval. The Finance Committee has nine members, including all the outside directors, and all members have accounting and financial expertise. All members of the Board of Directors, the auditing accountants and the internal auditor are invited to Finance Committee discussions of the financial statements.

With the aid of a detailed presentation prepared by the CEO of the Company, Mr. Akiva Mozes and the CFO Mr. Avi Doitchman, the Finance Committee examines the financial statements, including the material issues in the financial reporting, transactions outside the normal course of business, if any, the significant assessments and critical estimates applied in the financial statements, the reasonableness of the data, the accounting policy applied and any changes that have occurred in the policy, including a review of new accounting standards, and the application of the principle of proper disclosure in financial statements and the accompanying information. The Finance Committee also examines various aspects of risk control and management, both those reflected in the financial statements (such as reporting financial risks) and those which influence the reliability of the financial statements. If necessary, the Finance Committee requests comprehensive reviews of matters of significant impact. The Company's auditing accountant responds to questions arising during the committee's discussions, and where necessary, presents the principal findings made during the audit.

The approval process for financial statements at ICL involves discussions of the segments' results by the boards of directors of the segments. The members of those boards of directors include directors from the Board of Directors of ICL, as well as ICL officers. The auditing accountant of the segments and the persons responsible for internal auditing in the segments participate in these discussions. The Board of Directors of ICL discusses ICL's financial statements after approval of the financial statements of the segments.

The approval of the Company's financial statements involves as many meetings as are deemed necessary: initially, a number of days prior to the approval, the Finance Committee discuss the significant reporting aspects, after which the Board of Directors' discussion covers the results themselves. Both the auditing accountant and the internal auditor are invited to these Board meetings. The Company's auditing accountant responds to questions arising during the committee's discussions, and where necessary, presents the principal findings made during the audit. When the Board of Directors is satisfied that the financial statements properly reflect ICL's situation and the results of its operations, it approves them.

The Finance Committee also discusses the effect of transition to IFRS, as stated in Note 11 to the financial statements.

9. Update on the Description of the Corporation's Business

An update of specific issues in the Description of the Company's Business in the Periodic Report of 2007 is presented below.

Limitations on the use of bromine-based flame retardants (section 4.2.16.A.2 in the Description of the Corporation's Business in the Periodic Report)

DECA: In April 2008 the European Court of Justice (ECJ) ruled that the exemption given to DECA in the ROHS directive for electrical and electronic products was based on procedural errors and insufficient tests. As such, the exemption will be annulled in July 2008. The ruling does not refer to the matter itself and does not preclude the possibility of reinstating the exemption. ICL Industrial Products and other producers of flame retardants are taking legal steps against the position of the EU authorities in a court in Belgium. The hearing on the subject is yet to be held.

In May 2008 the government of Sweden announced that following opposition by the European Commission and EU member states, it is reversing its decision to ban the use of DECA in textiles, furniture and electric cables.

The government of Norway, which had also announced a general ban on the use of DECA commencing from April 2008, decided that, in view of the numerous protests received from industry, it would review the list and, that for the moment, it would settle for regulated use of TBBA and HBCD flame retardants.

10. Events during and subsequent to the Period

10.1 In January 2008, ICL Performance Products acquired from the Henkel Group most of the assets and operations of its water treatment business unit for €60 million ($89 million), subject to adjustments, mainly for working capital and commitments to the employees who will be taken on. The consideration was paid in cash.

The acquired business unit sells water-treatment products, services and equipment, particularly to industry, including for the steel industry, power stations, metal processing, chemical products, petrochemicals, and the food and beverage industries, for the treatment of cooling towers in steam production systems, drinking water, waste-water and water purification. Its main customer base is in Germany, France, Spain, Italy and Turkey. As part of the transaction, shares in the French company Henkel Concorde S.A., which operates in the same field, have been purchased

Following the transaction, ICL Performance Products employs most of the employees from the acquired business unit – approximately 180. In 2006, the sales turnover of the business unit was €52 million ($77 million), gross profit was 53% and operating income was 13%, all according to unaudited data.

The consideration was decided by negotiation. ICL financed the acquisition from its own sources and from available bank credit lines. ICL Performance Products intends to combine the operation of the acquired business unit with its own water treatment business unit, utilizing operational and other synergies, such as the purchasing of raw materials, in complementary products and in geographical compatibility of the products. The acquisition will broaden the basket of products, services, applications and know-how that ICL Performance Products can offer its customers, and will promote the geographical distribution of supply in various countries. The acquisition is also intended to enhance the R&D capability of ICL Performance Products by adding advanced technologies and intellectual property.

10.2 On March 25, 2008 a wholly-owned subsidiary of the Company signed an agreement (the "Agreement") with the Yam Tethys partnership to supply natural gas for the manufacturing sites of the ICL Group in Israel. The agreement is guaranteed by ICL. The Yam Tethys partnership consists of Delek Drilling Limited Partnership, Avner Oil Exploration Limited Partnership, Delek Investments and Properties Ltd, and Noble Energy Mediterranean Ltd.

Under the terms of the agreement, the ICL Group undertakes to purchase a total quantity of 2 billion cubic meters (BCM) of natural gas from the Yam Tethys partnership, subject to the adjustments under the terms of the agreement (the "Contract Gas Quantity").

Supply will begin on completion of the gas pipeline to the south, which, according to information received from the gas transportation company, Israel Natural Gas Lines Ltd., will probably be towards the end of 2008, and when the ICL Group converts its facilities to consume natural gas. This process is planned to start gradually from the end of 2008 at the Sodom facilities, which will consume most of the gas of the ICL Group. The supply agreement will expire at the earlier of:

(1) Five years from the date of completion of the running in period, but no later than September 2015 (subject to extension as described below)

(2) Purchase of the entire Contract Gas Quantity

The period set out in sub-clause (1) will be automatically extended by one addition year, if by the end date the entire Contract Gas Quantity has not been consumed. In addition, Yam Tethys Partners have an option to extend the period by an additional two years, until the entire Contract Gas Quantity has been consumed, all as set out in the agreement.

The price of gas is based on the price of fuel oil, with a discount including maximum and minimum prices. The ICL Group has a take or pay agreement to purchase minimum annual quantities, according to conditions set out in the agreement.

The total value of the agreement is estimated at between $260 and $330 million. The actual cost will be influenced by a number of factors, mainly the price of fuel oil and the quantity and rate of gas consumption.

By upgrading from fuel to natural gas, ICL will be able to reduce the emissions produced as a by-product of its manufacturing facilities. As such, the upgrade to natural gas is in line with ICL's commitment to environmental responsibility and savings.

The agreement has a number of suspending conditions, primarily, the attainment of the necessary permits to erect connection facilities between ICL facilities and the gas line and the signing of an agreement with Israel Natural Gas Lines Ltd. for gas transmission.

10.3 On April 8, 2008, Israel Fertilizers signed agreements with customers in India for the sale of potash. Under the agreements, which are valid for one year, ICL Fertilizers will supply over 1.1 million tons of potash (including optional quantities) amounting to $700 million at a price increase of $355 per ton compared with prices in the previous agreement. On April 30, 2008 ICL Fertilizers signed an agreement with a customer in China for the sale of potash. Under the agreement, which is valid until the end of 2008, ICL Fertilizers will supply 300 tons of potash at a price increase of $400 per ton compared with the price in the previous agreement.

10.4 On May 11, 2008, S&P Maalot published that it has given an A1+ short term rating to the commercial paper which the company is issuing in the sum of $100 million. The said issue of commercial paper is part of the rollover of short term commercial paper which the company does on an on-going basis.

10.5 On May 26, 2008 the Board of Directors of the Company approved the distribution of a dividend in the amount of $173 million ($172.7 million net of the share of a subsidiary). The dividend will be paid on June 25th, 2008.

The Board of Directors of ICL wishes to thank ICL's management, as well as the employees and managers of the various companies, for their dedicated and skilled contribution to the development of ICL and the achievement of its business results.

May 26, 2008

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Akiva Mozes	**Nir Gilad**
CEO	**Chairman of the Board of Directors**