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Directors Report on the State of the Company's Affairs for the period ended March 31, 2009

Below is the Directors' Report of Israel Chemicals Ltd. ("ICL" or "the Company") for the period ended March 31, 2009.

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 world 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 detergents, paper, cosmetics, pharmaceuticals, 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 manufacture of products that are complementary to or are based on ICL's operations in Israel or in related fields. Approximately 94% of all ICL's production is sold outside of Israel.

The operations of ICL's facilities are largely integrated with one another, both in terms of supply of raw materials and in the way that one facility frequently utilizes the by-products of another for the manufacture of end products. (For example, bromine is produced by utilizing the bromine in the by-product streams from the 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 6% of ICL's production is sold in Israel. For specific products, ICL and some ICL companies have been declared a monopoly in Israel.

Approximately 53% of ICL's annual sales turnover comes from 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 applies an overall policy of sustainable development, integrating social, economic and environmental considerations into all its business activities. The principles of this policy include social responsibility, which encompasses contributing to the community, taking responsibility for the safety, hygiene and wellbeing of employees, reducing impact on the environment, creating a dialog and transparent communication with authorities, and other concerns.

As noted, ICL operates in three segments of operation on a managerial-functional basis, even where administrative division and legal ownership do not fully correspond, 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 the potash into various grades and sells it worldwide. ICL Fertilizers also uses some of the potash for the manufacture of complex fertilizers.

ICL Fertilizers also mines and processes phosphate rock from open-pit mines in the Negev region, and at its production facilities in Israel it manufactures sulfuric acid, fertilizer-grade phosphoric acid, phosphate fertilizers, complex fertilizers based mainly on potash and phosphate, and specialty fertilizers. 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, and its top sales destinations are Europe, Brazil, India, China and Israel.

- B. ICL Industrial Products** – ICL Industrial Products manufactures elementary bromine from an end-brine that is created as a by-product of the potash production process in Sdom, as well as bromine-based compounds. ICL Industrial Products is the world's leading manufacturer of elementary bromine, producing about 35% of total global production in 2008. ICL Industrial Products uses about 70% of the elementary bromine it produces for manufacturing bromine compounds at its production sites in Israel, Holland and China. In addition, ICL Industrial Products markets flame retardants and other phosphorus-based products in plants in the USA and Germany.

ICL Industrial Products produces various salt, magnesia and chlorine products at its production sites in Israel, and also manufactures chlorine-based products in Israel and the USA, and markets its products worldwide.

- C. ICL Performance Products** – ICL Performance Products purifies some of the fertilizer-grade phosphoric acid manufactured by ICL Fertilizers, purchases purified phosphoric acid from other sources and also manufactures thermal phosphoric acid. The purified phosphoric acid is used in the manufacture of downstream products of high added value – phosphate salts (which in turn are a raw material in the production of food additives), hygiene products, phosphorus derivatives and wildfire retardants and extinguishers. ICL Performance Products also produces specialty products based on aluminum oxide ("alumina") and other raw materials. The production sites of ICL Performance Products are in Europe (mainly Germany), the USA, Brazil, Israel and China. In 2008, about 80% of the sales of ICL Performance Products were of phosphoric acid of various qualities, and of downstream products of the acid.

In addition to these segments, other ICL activities include desalination and metallurgy.

1.2 ICL's 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.

Together with and as part of its business strategy, 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 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 depreciation of the shekel against the dollar has a positive impact on ICL's profitability and appreciation has the opposite effect. The strengthening of the dollar against the shekel in this quarter compared with the first quarter in 2008 impacted positively on ICL's operating profit and financing expenses, by an estimated \$20 million and \$22.3 million, respectively. Conversely, the impact on the tax expense was negative, adding approximately \$18 million. ICL has more revenues than expenses in euro, therefore, 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. Conversely, when the euro appreciates against the dollar, those of ICL's subsidiaries, whose functional currency is the euro experience difficulty in competing with competitors whose functional currency is the dollar. ICL hedges against some of these exposures.

Most of ICL's loans bear variable interest rates, exposing the Company to fluctuations in these rates. The Company partially hedges against this exposure by using financial hedging instruments, including financial derivatives. For details of hedging amounts for reducing the aforementioned exposures, see Section 8 below.

Conditions in the global agricultural market affect 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 (transition to richer nutrition, largely based on animal protein, which increases cereal consumption) as a result of the rising standard of living, primarily in developing countries. In addition, environmental considerations and the objective of Western countries to reduce dependency on fuel importation, strengthened the tendency for the production of fuels from agricultural sources (bio-fuels), and these too have affected the increased demand for cereals, leading in recent years to higher prices of agricultural products, increased cereal planting worldwide, and a trend of increasing yield per unit of agricultural land, mainly by increasing the application of fertilizers. This trend in the global agricultural market has resulted in higher demand for fertilizers and consequently, a sharp increase in fertilizer prices.

At the end of 2008, stock levels of wheat, corn and soybeans started to rise as a result of good weather conditions in the world's principal growing regions and due to a fall in the demand for cereals. However, the stock levels, which according to international publications comprise about 20% of annual consumption, are still considered low from the historical viewpoint.

The global credit crisis that erupted at the end of 2008 caused a worldwide slowdown expressed in falling prices of commodities and a credit squeeze. The crisis is also affecting the prices of agricultural commodities and the demand for and prices of fertilizers. The economic atmosphere in the financial markets has led to a sharp drop from the peak prices of cereals, due to the concern about a price crash and the credit crunch. The fall in the prices of agricultural commodities was halted in the first quarter of 2009, with price levels lower than the peak of June 2008, but still higher than their historical average.

The worldwide economic slowdown, financial crisis and credit squeeze, in addition to the falling prices of cereals, are exerting pressure on the demand for fertilizers, reflected in a sharp drop in demand which has continued into the first quarter of 2009. This downward trend is due, inter alia, to the fact that the last and first quarters of the year are those in which the demand for

fertilizers is in any case relatively low compared with the second and third quarters, as well as the fact that in the period when the prices of fertilizers were rising, distributors accumulated relatively large stocks, which reduces demand by these distributors until their stock levels revert to normal.

Towards the end of the first quarter, a modicum of positive change was apparent in the demand for fertilizers, when Brazil and other markets resumed their activity.

In potash, sales of ICL Fertilizers' in the first quarter of 2009 have been low compared with their level in the fourth quarter of 2008, with most sales going to India within the framework of a supply agreement which ended in April 2009. Towards the end of the quarter demand from Brazil and South-East Asia picked up as stock levels in Brazil fell due to demand from the agricultural sector and a rise in the price of soybeans and depreciation of the local currency – two factors that improve farmers' profitability. In South-East Asia, notably Indonesia and Malaysia, farmers are enjoying recovery of palm oil prices and the demand for potash is gradually rising.

In phosphate fertilizers, sales of ICL Fertilizers in the first quarter of 2009 are lower than in the fourth quarter of 2008, with most sales being phosphate rock to India and Poland and phosphoric acid to India. Along with the smaller quantities sold, the prices of phosphate fertilizers fell. However, the prices of principal inputs such as sulfur, energy and marine transportation are also lower, and the depreciation of the shekel against the dollar has contributed to lower production costs.

At this stage, it is not possible to estimate the effects of the activities described above on the results of ICL Fertilizers for the second quarter of 2009.

In the wake of the falling demand in the fertilizers market, many producers of potash and phosphate fertilizers have slowed the pace of production and some have even halted production for various periods. For example, PCS, the world's largest potash producer, announced at the beginning of 2009 a reduction of 2 million tons in projected production for the first half of the year, and in the second half of March 2009 it announced a further projected reduction of 1.5 million tons for the whole of 2009 (i.e. a total reduction of 3.5 million tons). Mosaic, the world's largest producer of DAP fertilizer, reduced the production of these fertilizers by a million tons at the end of 2008, and intends to reduce production by a further one million tons in 2009. The Moroccan fertilizer producer OCP halted production in its plants in Jorf Lasfar in mid-November 2008 and only resumed production in mid-February 2009. Other potash and phosphate fertilizer production halts have been reported in Tunisia, Jordan, Russia, Belarus, North America and Europe.

ICL Industrial Products is considerably affected by the level of activity in the electronics, construction, automotive, and oil drilling markets and the demand for water treatment products, as well as other markets. The global financial crisis at the end of 2008 and the sharp drop in oil prices and the availability of customer credit have slowed the demand for some of the products of ICL Industrial Products. Conversely, the segment has benefited from the drop in the prices of some raw materials, from lower energy prices and from the depreciation of the shekel against the dollar. At this stage, the Company is unable to assess the duration of the period in which these factors will influence the market of ICL Industrial Products.

The operations of ICL Performance Products are affected by competition in some of the target markets, and in Europe they are also affected by changes in exchange rates. Because most of the raw materials of ICL Performance Products are influenced by fertilizers and to a certain extent also by high-energy products, the segment is affected by events in those markets.

The global credit crisis affects the sales volumes of ICL Performance Products, however, at this stage, it is difficult to assess the duration of the period in which these factors will be felt.

The financial crisis in global markets and the fall in the prices of the raw materials in general and phosphoric acid in particular, as well as the tendency of customers to reduce their stocks, have slowed the demand for some of the products made by ICL Performance Products and are exerting pressure to lower prices even further.

Marine transportation costs are a significant component in the expenses of ICL Fertilizers. Bulk shipping prices have been volatile in recent years, reaching a peak in the second half of 2008 as a result of the great increase in the movement of commodities around the world. In the third quarter of 2008, bulk transportation prices fell sharply as the financial crisis erupted. This downward trend continued in the first quarter of 2009: the average price for the first quarter was dozens of percentage points lower than the average price in the first quarter of 2008.

As a result of the economic crisis, energy prices started to fall in the fourth quarter of 2008. The average prices of heavy fuel oil and naphtha in the first quarter of 2009 are about 50% and 60% lower, respectively than in the same period last year. In the second quarter of 2009 energy prices are tending upwards, but remain significantly lower than the average in 2008.

The financial crisis described above and its effects on the Group's business environment have led ICL to increase its savings and efficiency measures.

- 1.3 This Directors' Report is attached to the interim financial statements for the period ended 31 March, 2009, and assumes that the interim financial statements are before the reader. The Directors' Report is in condensed form for the period, and assumes that the reader also has access to the Periodic Report for 2008. The financial data, including comparison figures, are taken from ICL's financial statements, which were prepared according to IFRS.

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.

	1-3/2009		1-3/2008		2008	
	\$ millions	% of sales	\$ millions	% of sales	\$ millions	% of sales
Sales	898.5	100.0	1,528.1	100.0	6,904.0	100.0
Gross profit	369.0	41.1	730.6	47.8	3,455.3	50.0
Adjusted gross profit**	369.0	41.1	730.6	47.8	3,619.1	52.4
Operating income	205.6	22.9	465.0	30.4	2,335.5	33.8
Adjusted operating income**	205.6	22.9	465.0	30.4	2,588.7	37.5
Pre-tax income	228.8	25.5	414.4	27.1	2,227.2	32.3
Profit to the equity-holders of the Company	158.8	17.7	346.7	22.7	2,004.2	29.0
Adjusted profit to the equity-holders of the Company**	158.8	17.7	346.7	22.7	2,202.3	31.9
EBITDA*	259.3	28.9	507.9	33.2	2,794.9	40.5
Cash flow from ordinary operations	238.3		205.8		1,884.1	
Investments in property, plant and equipment, net of grants	88.8		67.1		318.0	

(*) Calculated as follows in millions of dollars:

	1-3/2009	1-3/2008	2008
Profit to the equity-holders of the Company	158.8	346.7	2,004.2
Depreciation and amortization	47.6	44.1	229.6
Financing expenses (income), net	(22.6)	55.9	122.1
Income tax	75.5	61.2	233.2
One-time expenses	=	=	<u>205.8</u>
Total	259.3	507.9	2,794.9

(**) In 2008, gross profit, operating income and profit were influenced by one-time expenses not in the ordinary course of business, which include mainly these:

1. Provision for impairment of stocks of raw materials and finished products recorded in the ICL Fertilizers and ICL Performance Products segments. The reduction was recorded against a background of a sharp fall in the price of sulfur, which is a principal raw material in the manufacture of phosphate fertilizers, from approximately \$800 per ton to less than \$100 per ton at the factory gate.
2. Provision in respect of employee benefits as part of an early retirement plan in the ICL Industrial Products segment, offset by onetime revenue in respect of a cut-back in an employee benefit plan in the ICL Fertilizers segment in Europe.
3. Provision in respect of disputed VAT rebates abroad in the ICL Performance Products segment.
4. Provision for impairment of property, plant and equipment in the Magnesium company.

5. Tax revenue derived from the effects of shortening the cooling-off period of the operating year of approved enterprises in the Grants track, and commencement of the "election year" for the Benefited Enterprises to three years rather than five.

For the convenience of readers, the annual financial results of the Company were shown also after elimination of the one-time expenses ("Adjusted Gross Profit", "Adjusted Operating Income", "Adjusted Profit")

2.2 **Results of operations for the period January – March 2009**

Sales

Sales of the ICL Group in the reporting period amounted to approximately \$898.5 million, compared with \$1,528.1 million last year, a decrease of about 41.2%. The decrease reflects a sharp drop in the quantities sold in all the Company's segments of operation.

The decrease was partially offset by the selling prices of potash, phosphate fertilizers and the products of ICL Performance Products, which are higher than in the corresponding quarter of 2008.

Below is a breakdown of sales by geographical region:

	1-3/2009		1-3/2008	
	\$ millions	%	\$ millions	%
Israel	55.0	6.1	76.4	5.0
North America	234.3	26.1	237.9	15.6
South America	25.7	2.9	170.5	11.2
Europe	340.5	37.9	663.7	43.4
Asia	205.0	22.8	297.6	19.5
Rest of the world	38.0	4.2	82.0	5.3
Total	898.5	100.0	1,528.1	100.0

The breakdown of sales shows a decrease in sales, mainly in South America, Europe and to a lesser extent also in Asia, due mainly to the decrease in quantities sold as a result of the effects of the global credit crisis on the demand for fertilizers.

Gross profit

Gross profit amounted to approximately \$369.0 million compared to gross profit of \$730 million in the same period last year, a decrease of approximately 49.5%. The gross profit margin out of sales turnover is 41.1%, compared with 47.8% in the same period last year.

The fall in gross profit compared with the same period last year is mainly the result of the decrease in sales of most of the Company's products, which resulted also in a decrease in production quantities, mainly of phosphate fertilizers and of bromine and its compounds. Conversely, the prices of most inputs have fallen, including raw materials – mainly sulfur and energy, and a decrease in shekel expenses in dollar terms as a result of the weakening of the shekel against the dollar.

Sales and marketing expenses

Expenses for this item amounted to approximately \$103.0 million, a decrease of \$92.3 million compared with last year. The decrease in these expenses derives mainly from the decrease in quantities sold by the Fertilizers segment, the sharp drop in marine transportation prices, as well as the effects of the weaker shekel and euro against the dollar.

General and administrative expenses

These expenses totaled \$46.9 million, a decrease of \$8.9 million compared with the same period last year. The weakening of the shekel against the dollar led to a decrease in the expenses for this item in dollar terms.

Research and development expenses

R&D expenses (net of grants from the Chief Scientist) amounted to approximately \$13.9 million, similar to the same period last year.

Operating income

Operating income amounted to \$205.6 million, a decrease of approximately \$259.4 million compared with last year. The decrease in operating income derives from the decrease in gross profit noted above, which was partially offset by the decrease in overhead expenses, due, inter alia, to the weakening of the shekel against the dollar and a decrease in transportation expenses, and as a result of the savings and efficiency measures adopted by the Company.

The percentage of operating income out of sales turnover is 22.9%, compared with 30.4% last year. This decline in the operating income margin is derived mainly from the decrease in quantities sold and in production, which was partially offset by the higher selling prices of some of the Group's products.

Financing expenses – Financing income

Net financing income amounted to about \$22.6 million, compared with expenses of \$55.9 million last year. The financing income for the period compared with the financing expenses in the same period last year, is due mainly to the effects of the strengthening of the dollar exchange rate against the shekel on liabilities in respect of employer-employee relations, to the decrease in interest expenses as a result of the decrease in the net financial liabilities for the period by \$170 million, and to the 2% decrease in the average interest rate for the period.

Tax expenses

The tax expense amounted to \$75.5 million, compared with \$61.2 million last year. The tax rate on pre-tax profit is 33%, compared with 14.8% in the prior year.

The reasons for the rise in the tax rate in the reporting period compared with the first quarter of 2008 are these:

- a. A rise in the tax rate of companies operating in Israel, deriving from differences in the measurement basis according to income tax regulations and the measurement basis in the financial statements, in respect of the strengthening of the dollar and the euro against the shekel.
- b. A decrease in the sales turnover of the Group's companies in Israel led to a decrease in taxable income attributable to the Benefitted plant which is tax exempt.
- c. An increase in the proportionate part of companies in which the tax rates are high, out of the total profit of the Group.
- d. In 2008, the companies operating in Europe took full advantage of losses carried forward from prior years, in respect of which no deferred taxes were generated in the past.

Net profit

Net profit to the equity-holders of the Company amounted to \$158.8 million, compared with \$346.7 million last year.

3. SEGMENTS OF OPERATION

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

Sales CIF by segment of operations	1-3/2009		1-3/2008		2008	
	\$ millions	% of total sales	\$ millions	% of total sales	\$ millions	% of total sales
ICL Fertilizers	371.1	42.0	952.9	61.1	4,251.7	60.3
ICL Industrial Products	210.1	23.5	289.6	18.6	1,254.2	17.8
ICL Performance Products	301.4	34.2	316.4	20.3	1,543.4	21.9
Other and setoffs	15.9		(30.8)		(145.3)	
Total	898.5		1,528.1		6,904.0	

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 operations	1-3/2009		1-3/2008		2008	
	\$ millions	% of segment sales	\$ millions	% of segment sales	\$ millions	% of segment sales
ICL Fertilizers	138.8	37.4	407.4	42.8	2,018.6	47.5
ICL Industrial Products	5.1	2.4	28.6	9.9	104.9	8.4
ICL Performance Products	52.2	17.3	35.9	11.3	254.2	16.5
Other and setoffs	9.5		(6.9)		(42.2)	
Operating income (consolidated)	205.6		465.0		2,335.5	

Note: The percentage profits out of total sales, are before setoffs of inter-segment sales.

3.1 ICL Fertilizers

Sales

Sales in the reporting period amounted to \$371.1 million, a decrease of \$581.8 million, or 61.1%, compared with last year.

The decrease in sales turnover derives mainly from a sharp drop in quantities sold of the segment's products and the fall in the prices of phosphate fertilizers, which were partially offset by the selling price of potash, which was higher than in the corresponding period last year.

Operating income

Operating income amounted to \$138.8 million, a decrease of \$268.6 million compared with last year. The margin of operating income from sales amounted to 37.4%, compared with 42.8% last year.

The decrease in operating income derives mainly from the decrease in quantities sold and produced. However, the decrease was partially offset by the depreciation of the shekel against the dollar and by efficiency measures adopted by the segment.

Potash

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

Potash – Revenue and profit (in millions of \$)

	1-3/2009	1-3/2008	2008
Revenue*	244.4	581.4	2,700.0
Operating income	126.1	280.5	1,573.5

* Including revenue from inter-segment sales, including potash sold to Group companies for use in fertilizers

The decrease in revenue in the period compared with the same period in the prior year derives from the sharp drop in the quantities of potash sold, which was partially offset by the selling prices, which were higher than in the same period last year.

Potash – Production, Sales and Stocks (in thousands of tons)

	1-3/2009	1-3/2008	2008
Production	997	1,288	4,968
Sales to external customers	299	1,390	4,483
Sales to internal customers	31	68	253
Total sales (including internal sales)	330	1,458	4,736
Closing stocks	2,184	1,115	1,517

The quantity of potash sold in the first quarter of the year is about 1,091 thousand tons lower than in the same period in the prior year. The decrease in potash sales is the result of decreased demand for potash against a backdrop of the global economic slowdown in the wake of the credit crisis, a decrease in the prices of agricultural commodities and a buildup of relatively high stocks in some markets, which resulted in a decrease in the demand for potash. The decrease in the production of potash in the period stems mainly from the deliberate decrease in production volumes in Europe, in order to match them to demand and storage capacity in Europe. Potash production in Israel was also reduced, mainly resulting respect of carrying out maintenance work.

Potash sales of ICL Fertilizers in the reporting period were concentrated mainly in the Indian market, to which ICL Fertilizers' supply agreement ended in April 2009. The yearly agreement for the supply of potash to China for 2009 has not yet been signed. As a result of the downturn in demand, most of the potash producers announced partial or full production stoppages in order to adjust the production quantities to the demand. Potash prices still remain quite stable. In March, BPC announced a new target price for Brazil of \$750 per ton of potash (CIF price for granular potash to large customers.)

Towards the end of the quarter, demand in Brazil and South-East Asia picked up. In Brazil, stocks were being depleted due to demand from the agricultural sector as a result of rising soybean prices and depreciation of the local currency – two factors that influence farmers' profitability. In South-East Asia, mainly Indonesia and Malaysia, farmers are benefiting from recovery in palm oil prices and the demand for potash is gradually rising.

In the Company's assessment, in spite of the current crisis and notwithstanding the fact that in the short term, demand in the market continues to show relative weakness, the fundamental drivers of demand for fertilizers in the long run have not changed significantly. The increase in the demand for cereals, together with the relatively low (in historic terms) level of the global cereal stocks, are expected, in the medium and long term, to push the demand for fertilizers upwards. The short-term downturn in demand, as stated above, may lower the level of global cereal stocks even further, which could lead to an increase in cereal prices later on.¹

¹ The assessments of future trends in this paragraph are forward looking information and there is no certainty that they will be realized, at what time and at what rate. They could change depending on fluctuations in world markets as well as local markets, especially at the sites where ICL produces and in the target markets for ICL

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 (in millions of \$)

	1-3/2009	1-3/2008	2008
Revenue*	147.1	391.6	1,680.9
Operating profit (loss)	16.0	132.4	471.0

* Including revenue from inter-segment sales.

The decrease in revenues in the reporting period compared with the corresponding period last year, is derived mainly from the decrease in quantities sold of all the Company's products and from the fall in the selling prices of phosphoric acid and phosphate fertilizers.

The decrease in operating income is due mainly to the decrease in sales turnover and the production stoppages for defined periods in the various plants. However, the decrease was partially offset by the fall in the prices of principal raw materials, particularly sulfur, lower transportation and energy prices, and the depreciation of the shekel against the dollar.

Fertilizers and Phosphates – Production and Sales (in thousands of tons)

	1-3/2009	1-3/2008	2008
<u>Phosphate rock</u>			
Production	617	746	3,088
Sales*	83	190	588
<u>Fertilizers</u>			
Production	141	457	1,543
Sales*	102	471	1,423

* To external customers.

In response to the market situation, the Company reduced production volumes in its plants, and during the first quarter of 2009 production was halted for defined periods in most plants, which significantly lowered the production of fertilizers in the quarter.

Phosphate rock is produced according to demand, both for internal uses and for sales to external customers, while maintaining suitable stock levels. As a result of the decline in production of phosphate fertilizers, the Company also reduced the production of phosphate rock in the first quarter of 2009.

During the reporting period a further decline in sales has been evident, and the main sales are phosphate rock to India and Poland and phosphoric acid to India. In addition to the decrease in the sales quantities there has been a decrease in prices for phosphate fertilizers, phosphoric acid and phosphate rock. However, there has also been a decrease in the prices of the main inputs – sulfur, energy and marine transport. The depreciation of the shekel against the dollar is also contributing to the reduction of costs.

products, including, *inter alia*, changes in the levels of supply and demand, prices of the products, the commodities and the cereals, prices of the inputs, marine transport and energy costs. There could also be impact from actions taken by governments, producers and consumers. In addition there could be possible impact of the situation in the financial markets, including changes in exchange rates, credit conditions and interest rates.

Towards the end of the first quarter of 2009, there was a positive change in the market trends in the field of phosphate fertilizers, with India, Brazil and additional markets showing first signs of activity. At this stage it is difficult to forecast the effects of this activity on the results of the second quarter of 2009.

As mentioned above, in the Company's assessment, in spite of the current crisis and the short-term demand situation, the fundamental drivers of demand for fertilizers in the long run have not changed significantly. The increase in the demand for cereals, together with the relatively low (in historic terms) level of the global cereal stocks, are expected, in the medium and long-term, to push the demand for fertilizers upwards. The short-term downturn in demand, as stated above, may lower the level of global cereal stocks even further, which could lead to an increase in cereal prices later on.²

3.2 ICL Industrial Products

Sales

Sales of ICL Industrial Products in the reporting period amounted to \$210.1 million, a decrease of \$79.5 million compared with last year.

The decrease in sales compared with the same period last year is due to the decrease in quantities sold, which was partially offset by higher selling prices in the period compared with last year.

Below is an analysis of the changes in sales in the reporting period:

Sales of fire retardants decreased considerably compared with last year, despite the absence of any significant change in their selling prices.

Quantities of elementary bromine sold decreased. However, the quantities of clear solutions sold to the chemicals and oil drilling markets increased, despite prices that were higher than in the corresponding period last year.

Sales of biocides for water treatment decreased as a result of smaller quantities sold. This decrease was partially offset by a rise in the selling prices.

Sales of magnesia products decreased due to smaller quantities sold, with prices remaining stable during the reporting period.

Operating income

Operating income in the reporting period was \$5.1 million, compared with \$28.6 million last year.

Operating income decreased mainly as a result of the sharp decrease in quantities sold, which resulted in a decrease in production volumes. This decrease was partially offset by a rise in the selling prices of some of the products of ICL Industrial Products, by a drop in the prices of energy and other inputs, and by lower shekel costs as a result of the strengthening of the dollar against the shekel and lower costs as a result of the efficiency measures adopted by ICL Industrial Products.

² The assessments of future trends in this paragraph are forward looking information and there is no certainty that they will be realized, at what time and at what rate. They could change depending on fluctuations in world markets as well as local markets, especially at the sites where ICL produces and in the target markets for ICL products, including, *inter alia*, changes in the levels of supply and demand, prices of the products, the commodities and the cereals, prices of the inputs, marine transport and energy costs. There could also be impact from actions taken by governments, producers and consumers. In addition there could be possible impact of the situation in the financial markets, including changes in exchange rates, credit conditions and interest rates.

3.3 ICL Performance Products

Sales

Sales in this segment amounted to approximately \$301.4 million, a decrease of approximately \$15 million (compared with last year).

This decrease derives from the decrease in quantities sold of most of the segment's products, which was partially offset by higher prices in the reporting period than in the corresponding period last year, mainly in North American markets.

Operating income

Operating income in the segment in the reporting period amounted to \$52.2 million, about \$16.3 more than last year. The increase is mainly the result of selling prices in North America. Despite the smaller quantities sold, ICL Performance Products was able to improve its operating income by maintaining the price levels of the end of 2008.

The financial crisis affecting the global markets and the decrease in the prices of raw materials in general and in particular phosphoric acid, as well as the reduction of customer inventories, are the cause of the continued slowdown in demand for some of the products manufactured by the segment as well as downward pressure on prices. There is no certainty that the Company will be able to continue to command the prices that typified the present quarter.

4. THE FINANCIAL POSITION AND SOURCES OF FINANCING OF ICL

At March 31, 2009, a decrease of approximately \$144 million was recorded in the net interest-bearing financial liabilities of ICL, compared with their balance at the end of 2008, so that they amounted to approximately \$794 million.

ICL's sources of financing are short- and long-term loans, mostly from international banks, debentures which were issued to institutional investors in the U.S., unlisted short-term commercial paper which are issued from time to time, and customer securitization, in which some of the companies in the Group sell customer debt in exchange for a cash advance. The total volume of the securitization framework is \$300 million. At March 31, 2009, utilization of the securitization framework is \$70 million.

After the reporting period, the Company issued debentures in a private placement by way of a tender for institutional investors, in consideration of NIS 695 million (approximately \$166.9 million), as described in Section 12.3 of the report.

5. CASH FLOW

Cash flow generated by operating activities at March 31, 2009 amounted to \$238.3 million, compared with \$205.8 million last year. Cash flow from operating activities was the principal source for net financing of investments in property, plant and equipment and for reducing net financial liabilities. The improvement in cash flow compared with last year is due mainly to the reduction of the Company's working capital.

6. INVESTMENTS

In the reporting period, investments in property, plant and equipment amounted to approximately \$89.5 million, compared with \$67.1 million last year. The increase is accounted for mainly by the investments made in expanding production capacity and in ecology and infrastructures.

7. HUMAN RESOURCES

The total number of employees at ICL at March 31, 2009 is 10,565, compared with 10,484 on March 31, 2008, an increase on 81 employees. The increase is mainly the result of the increase in holdings in Sinobrom (which was proportionately consolidated in the past and is now fully consolidated). In addition, following various changes in legislation (mainly the Temporary Employment Companies Law in Israel), Group companies in Israel hired workers who were formerly employed by temporary employment companies and contractors. The increase was offset by the early retirement of employees in some of the companies, and a freeze on hiring new employees in Israel and abroad following efficiency measures adopted.

8. MARKET RISK EXPOSURE AND MANAGEMENT

Update of sensitivity to changes in the exchange rates of balance sheet balances at March 31, 2009:

<u>\$/NIS</u>	Increase (decrease) in fair value (in \$ millions)		Fair value (in \$ millions)	Increase (decrease) in fair value (in \$ millions)	
	Rise of 10%	Rise of 5%		Fall of 5%	Fall of 10%
Type of instrument					
Cash and cash equivalents	(1.1)	(0.6)	11.3	0.6	1.1
Short-term deposits and loans	(2.2)	(1.1)	22.1	1.1	2.2
Trade receivables	(4.6)	(2.3)	46.5	2.3	4.6
Receivables and debit balances	(1.8)	(0.9)	18.3	0.9	1.8
Long-term deposits and loans	(12.6)	(6.3)	126.0	6.3	12.6
Credit from banks and other	5.3	2.7	(53.1)	(2.7)	(5.3)
Suppliers	15.2	7.6	(151.6)	(7.6)	(15.2)
Other payables	14.9	7.5	(149.3)	(7.5)	(14.9)
Long-term bank loans	4.3	2.1	(42.8)	(2.1)	(4.3)
Options	(7.9)	(5.4)	(6.6)	15.5	15.5
Forward	(16.1)	(8.5)	(6.9)	9.3	19.7
Total	(6.8)	(5.2)	(186.3)	16.2	18.0

<u>Euro/\$</u>	Increase (decrease) in fair value (in \$ millions)		Fair value (in \$ millions)	Increase (decrease) in fair value (in \$ millions)	
	Rise of 10%	Rise of 5%		Fall of 5%	Fall of 10%
Type of instrument					
Cash and cash equivalents	(7.5)	(3.8)	75.1	3.8	7.5
Short-term deposits and loans	(2.1)	(1.0)	20.9	1.0	2.1
Trade receivables	(22.6)	(11.3)	226.4	11.3	22.6
Receivables and debit balances	(1.7)	(0.9)	17.3	0.9	1.7
Long-term deposits and loans	(0.2)	(0.1)	2.4	0.1	0.2
Credit from banks and others	1.9	0.9	(18.6)	(0.9)	(1.9)
Suppliers	9.5	4.7	(94.8)	(4.7)	(9.5)
Other payables	5.4	2.7	(53.7)	(2.7)	(5.4)
Long-term bank loans	14.8	7.4	(147.9)	(7.4)	(14.8)
Options	(7.4)	(3.9)	8.1	4.4	9.4
Forward	(4.6)	(1.8)	0.3	4.7	8.5
Total	(14.5)	(7.1)	35.5	10.5	20.4

GBP/\$	Increase (decrease) in fair value (in \$ millions)		Fair value (in \$ millions)	Increase (decrease) in fair value (in \$ millions)	
	<u>Rise of 10%</u>	<u>Rise of 5%</u>		<u>Fall of 5%</u>	<u>Fall of 10%</u>
Type of instrument					
Cash and cash equivalents	(0.2)	(0.1)	1.9	0.1	0.2
Short-term deposits and loans	(1.6)	(0.8)	16.0	0.8	1.6
Trade receivables	(4.6)	(2.3)	45.6	2.3	4.6
Receivables and debit balances	(0.1)	(0.0)	0.7	0.0	0.1
Credit from banks and others	0.4	0.2	(4.2)	(0.2)	(0.4)
Suppliers	0.6	0.3	(5.7)	(0.3)	(0.6)
Other payables	1.4	0.7	(14.5)	(0.7)	(1.4)
Forward	0.5	0.3	0.2	(0.3)	(0.7)
Total	(3.6)	(1.7)	39.6	1.7	3.4

JPY/\$	Increase (decrease) in fair value (in \$ millions)		Fair value (in \$ millions)	Increase (decrease) in fair value (in \$ millions)	
	<u>Rise of 10%</u>	<u>Rise of 5%</u>		<u>Fall of 5%</u>	<u>Fall of 10%</u>
Type of instrument					
Cash and cash equivalents	(0.5)	(0.3)	5.3	0.3	0.5
Trade receivables	(1.1)	(0.5)	10.8	0.5	1.1
Receivables and debit balances	(0.0)	(0.0)	0.1	0.0	0.0
Long-term deposits and loans	(0.0)	(0.0)	0.2	0.0	0.0
Credit from banks and others	(0.1)	(0.1)	1.0	(0.1)	(0.1)
Suppliers	0.3	0.2	(3.2)	(0.2)	(0.3)
other payables	0.0	0.0	(0.1)	(0.0)	(0.0)
Forward	0.9	0.4	(0.1)	(0.9)	(0.9)
Options	1.1	0.6	0.1	(0.6)	(1.3)
Total	0.6	0.3	14.1	(0.8)	(0.8)

BRL/\$	Increase (decrease) in fair value (in \$ millions)		Fair value (in \$ millions)	Increase (decrease) in fair value (in \$ millions)	
	Rise of 10%	Rise of 5%		Fall of 5%	Fall of 10%
Type of instrument					
Cash and cash equivalents	(0.6)	(0.3)	6.3	0.3	0.6
Trade receivables	(0.8)	(0.4)	8.1	0.4	0.8
Receivables and debit balances	(0.1)	(0.1)	1.4	0.1	0.1
Suppliers	0.3	0.1	(2.8)	(0.1)	(0.3)
Other payables	0.3	0.2	(3.4)	(0.2)	(0.3)
Forward	0.0	0.0	0.0	0.0	(0.0)
Total	(0.9)	(0.5)	9.6	0.5	0.9

CNY/\$	Increase (decrease) in fair value (in \$ millions)		Fair value (in \$ millions)	Increase (decrease) in fair value (in \$ millions)	
	Rise of 10%	Rise of 5%		Fall of 5%	Fall of 10%
Type of instrument					
Cash and cash equivalents	(0.0)	(0.0)	0.2	0.0	0.0
Short-term deposits and loans	(1.4)	(0.7)	14.3	0.7	1.4
Trade receivables	(1.4)	(0.7)	13.8	0.7	1.4
Receivables and debit balances	0.0	0.0	0.0	0.0	0.0
Long-term deposits and loans	0.0	0.0	0.0	0.0	0.0
Suppliers	0.6	0.3	(6.4)	(0.3)	(0.6)
Other payables	0.0	0.0	(0.4)	(0.0)	(0.0)
Total	(2.2)	(1.1)	21.5	1.1	2.2

Below is an update concerning sensitivity to changes in the LIBOR rate at March 31, 2009:

	Increase (decrease) in fair value (in \$ millions)		Fair value (in \$ millions)	Increase (decrease) in fair value (in \$ millions)	
	Rise of 1%	Rise of 0.5%		Fall of 0.5%	Fall of 1%
Type of instrument					
Fixed-interest debentures	4.2	2.1	(127.9)	(2.2)	(4.4)
Collar transactions	5.3	2.8	(8.1)	(2.8)	(5.4)
SWAP transactions	5.8	3.5	0.9	(1.4)	(4.0)
Other options	0.3	0.2	(0.6)	(0.2)	(0.6)
Total	15.6	8.5	(135.8)	(6.6)	(14.4)

Below are the updated positions in derivatives for the first quarter of 2009:

Hedging transactions against the effects of changes in exchange rates on cash flow – in \$ thousands				
The transactions are made for economic hedging purposes – they are not recognized for accounting purposes	Nominal Value		Fair Value	
	Up to One Year		Up to One Year	
	Long	Short		Long
<u>Direction of transaction in derivatives is dollar purchase.</u>				
Euro/\$ in \$ thousands				
FORWARD				
Up to one year	65,124		317	
More than one year				
<u>Put Options</u>				
Up to one year	86,114		(982)	
<u>Call Options</u>				
Up to one year	88,027		9,127	
JPY/\$ in \$ thousands				
FORWARD				
Up to one year	12,235		146	
<u>Put Options</u>				
Up to one year	15,000		250	
<u>Call Options</u>				
Up to one year	13,000		(325)	
NIS/\$ in \$ thousands				
FORWARD				
Up to one year		185,351		(6,924)
<u>Put Options</u>				
Up to one year		197,150		(8,036)
<u>Call Options</u>				
Up to one year		215,900		1,435
GBP/\$ in \$ thousands				
FORWARD				
Up to one year		6,000		(235)
<u>Other currencies</u>				
FORWARD				
Up to one year	1,144		143	
<u>Put Options</u>				
Up to one year				
<u>Call Options</u>				
Up to one year				
GBP/Euro in \$ thousands				
<u>Direction of transaction is GBP purchase.</u>				
FORWARD				

Up to one year		6,571		19
Put Options				
Up to one year	39,753		(5,907)	
Call Options				
Up to one year	39,753		93	

Interest-hedging transactions – for hedging changes in variable interest rate (LIBOR) on dollar loans (in \$ thousands)								
	Nominal Value				Fair Value			
	Up to one year		More than one year		Up to one year		More than one year	
	Long	Short	Long	Short	Long	Short	Long	Short
Swap			270,000	106,000			(7,599)	8,379
Caps			195,000				1,143	
Floors			195,000				(9,247)	
Other options			20,000				(622)	

9. DISCLOSURE AS TO THE PROCEEDINGS FOR APPROVAL OF THE COMPANY'S FINANCIAL STATEMENTS

The Board of Directors of ICL is responsible for overall control in the Company.

The Board of Directors appointed a finance committee which discusses the financial statements and recommends their approval. The Finance Committee has seven members, including all the outside directors, and all its members have accounting and financial expertise. The other members of the Board of Directors are invited to meetings of the Finance Committee which convene to discuss the financial statements, as are the auditing accountants and the Internal Auditor.

The Finance Committee reviews the financial statements with the aid of a detailed presentation by the CEO of the Company Mr. Akiva Moses, and the CFO, Avi Doitchman, CPA. The review covers material issues in the financial reporting, including transactions outside the normal course of business, if any, the critical assessment and estimates applied in the financial statements, the reasonableness of the data, the accounting policy applied and any changes in it, including a review of new financial standards, and the application of the principle of proper disclosure in the financial statements and the accompanying notes. The Finance Committee also looks at various aspects of risk control and management, both those which are reflected in the financial statements (such as the reporting on financial risks) and those which affect the reliability of the financial statements. If necessary, the Finance Committee requests comprehensive reviews of matters of material influence. The Company's auditing accountant responds to questions that arise during the committee's discussions, and where necessary presents the principal findings that came to light during the auditing process.

The approval process for the financial statements at ICL involves discussion of the results of the segments by the segments' boards of directors. The members of these boards are also members of the Board of Directors of ICL and officers at ICL. The auditing accountants of the segments and those 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 those of the segments.

Approval of the financial statements of the Company involves a number of meetings, as necessary; first, a meeting of the Finance Committee, a few days prior to approval of the financial statements, comprehensive discussion of the material reporting issues, and thereafter, immediately prior to the date of approval of the financial statements, discussion by the Board of Directors of the results themselves. The auditing accounts and the Internal Auditor are invited to these meetings of the Board of Directors. The auditing account responds to questions that arise, and where necessary, presents the principal findings that came to light during the auditing

process. Once the Board of Directors is satisfied that the financial statements correctly reflect ICL's position and the results of its operations, it approves them.

10. COMPENSATION OF SENIOR EMPLOYEES

The Company has a policy of paying bonuses to senior managers which is based on an internal procedure for manager assessment. Once a year, the Human Resources Committee, the Audit Committee and the Board of Directors discuss the grant of these bonuses and approve them.

The Board of Directors believes that the process and manner of determining senior employee compensation, for the matter of Article 21, and specifically for the matter of payment of bonuses (which were paid in 2008 in respect of the profits of 2007), are appropriate and reasonable, while noting the entirety of considerations taken into account during discussions and when making the decision. These considerations include the following: the financial results of the Company and its segments in the year for which the compensation is to be granted, while comparing the financial results with those of prior years, and assessment of the personal performance of each of the senior managers and his contribution to the business achievements of the Company. In the opinion of the Board of Directors, the bonuses set for 2008 are reasonable, are correctly based in view of the scope of activity of the Company, the way in which it is run, the nature of its operations, its financial results, its financing needs, and comparing the total financial compensation for the senior managers with the total compensation in other companies in the country taking into account their size and profits.

At the end of 2008, the Board of Directors of the Company, the CEO and other senior managers announced their readiness to accept a 10% cut in their pay (except for the matter of calculation and payment of contributions and social benefits) for the year 2009. This was done against a backdrop of the global economic and financial crisis, and reflects the wish of the Board of Directors and Management to contribute to the success of the efficiency plan introduced into the Company as part of its response to the challenges of the crisis.

11. UPDATE ON THE DESCRIPTION OF THE CORPORATION'S BUSINESS

Below are updates concerning certain subjects described in the chapter "Description of the Corporation's Business", in the section on additional general information at the corporate level, and in the chapter "Additional Details" – in the Periodic report for 2008 ("the Periodic Report").

- 11.1 Section 2.4.1 in the chapter "Description of the Corporation's Business" – Details concerning distribution of a dividend: See Section 12.2 of the Directors' Report.
- 11.2 Section 4.1.1(1)(c) in the chapter "Description of the Corporation's Business" – Brine percolation at one of the dikes of the evaporation pond of ICL Fertilizers at the Dead Sea damaged the layer that seals the dike. The damage generated spaces in the body of the dike, and cracks were discovered along its length, which could endanger the dike's stability. Recently, the brine percolation has increased. After consultation with international experts, ICL Fertilizers has taken and is taking various maintenance steps to strengthen and preserve the stability of the dike, and is monitoring the situation closely for any development of failure in the dike. On May 19, 2009, the Board of Directors of ICL approved a preliminary plan for restoration of the dike. In addition, the Board of Directors approved the examination of possible alternatives which could improve the stability of the dike (see also Section 5.10.15 of the Periodic Report).
- 11.3 Section 4.1.15(2) in the chapter "Description of the Corporation's Business" – Phosphate mining concessions – The Company has a mining license from the Supervisor of Mines, valid through the end of July 2009. ICL Fertilizers will apply for an extension of the mining license.
- 11.4 Section 5.3 of the chapter "Additional General Information": See Sections 12.3 and 12.4 of the Directors' Report.
- 11.5 Article 20 in the chapter "Additional Details about the Corporation" – Trading on the stock exchange – see Section 12.1 of the Directors' Report.

11.6 Article 26 in the chapter "Additional Details about the Corporation" – The Board of Directors of the Corporation – See Section 12.5 of the Directors' Report.

11.7 Article 26A in the chapter "Additional Details about the Corporation" – Officers of the Corporation – See Section 12.6 of the Directors' Report.

12. EVENTS DURING AND AFTER THE BALANCE SHEET PERIOD

12.1 On September 3, 2008, the Board of Directors of ICL resolved to approve the buy-back of ordinary shares of the Company by the Company itself and/or by a subsidiary, in a volume of up to 5% of the issued and paid up capital of the Company, out of distributable Company profits as defined in the Companies Law, 5759-1999. The buy-back, which is taking place throughout the period from the date of the resolution through June 30, 2009, can be either during stock exchange trading or off the stock exchange floor. The resolution does not oblige the Company to implement the buy-back in any quantity or part of a quantity. The buy-back is being effected in accordance with statutory limitations and the internal compliance plan for securities of the Company³ according to directives given from time to time by an ad hoc committee of the Board of Directors appointed for this matter, and within the framework of the aforementioned resolution.

Between September 2008 and March 31, 2009, the Company has bought back 22,368,342 ordinary shares of ICL, comprising, at the report date, about 1.74% of ICL's capital, in consideration of \$258 million. The bought-back shares are treasury shares, as the term is defined in Section 308 of the Companies Law.

12.2 On March 29, 2009, the Board of Directors of the Company resolved to distribute a dividend of \$175 million (net, after deduction of the share of a subsidiary which is \$174.7 million). The dividend was distributed on May 4, 2009. On May 19, 2009, after the balance sheet date, the Board of Directors of the Company resolved to distribute a dividend of \$100million (net, after deduction of the share of a subsidiary which is \$99.8 million).

12.3 On April 27, 2009 the Company issued three series of debentures ("the Debentures") in a private placement by way of a tender for institutional investors, in consideration of NIS 695 million (approximately \$164 million). The Debentures were issued in the following three series:

- a. Series A – approximately NIS 452 million of CPI-linked debentures, redeemable after 5 years.
- b. Series B – approximately NIS 61 million of unlinked shekel debentures, redeemable after 4.5 years.
- c. Series C – approximately NIS 182 million of dollar-linked debentures, redeemable after 4.5 years.

ICL intends to list the Debentures for trading on the Tel Aviv Stock Exchange and is preparing to do so.

The interest rate set in the tender for the period after the Debentures are listed is 3.4% per year for the CPI0-linked debentures, 5.25% per year for the shekel debentures, and 2.4% above the six months dollar LIBOR rate for the dollar-linked debentures.

The Debentures will be listed for trading in the trading system for institutional investors which is operated by the stock exchange, and will bear additional annual interest of 0.5% until they are listed.

³ As part of its strategy, ICL examines from time to time transactions for the acquisition of companies or operations, mainly in its own area of operations or related areas. It also examined the sale of operations, mainly those which are not in its area of operation. ICL reports on such transactions wherever required, and at times, in appropriate cases, it decides to refrain from or delay reporting until the transaction has been closed, always in accordance with statutory terms. It is clarified that the aforesaid is relevant also in a period when a buy-back plan is being executed.

In respect of the shekel and CPI-linked liabilities, the Company has made transactions in derivatives for changing shekel cash flow to dollars. In addition, the Company has made transactions in derivatives for hedging most of the exposure to changes in the CPI.

- 12.4 On April 22, 2009, Maalot S&P published an AA+ rating for the Debentures described above, up to NIS 500 million. On April 27, 2009, Maalot S&P confirmed the rating for the actual amount of the issue.
- 12.5 On May 6, 2009, Mrs. Irit Izakson, a director in the Company, announced her resignation as a member of the Board of Directors of the Company, effective immediately.
- 12.6 On March 29, 2009 the Board of Directors of the Company resolved to appoint Adv. Lisa Haimovitz as General Counsel and Company Secretary, effective from May 1, 2009, replacing Adv. Aner Berger, who gave notice of his resignation from ICL.

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 19, 2009

Akiva Mozes
CEO

Nir Gilad
Chairman of the Board