ICL-ISRAEL CHEMICALS LTD. כימיקלים לישראל בע"מ

Directors Report on the State of the Company's Affairs
for the period ended March 31, 2010

Below is the Directors' Report of Israel Chemicals Ltd. ("ICL" or "the Company") for the period ended March 31, 2010.

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 lease agreements and licenses 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 of 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, 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, Canada, Ireland and Australia.

ICL's operations outside of Israel are primarily in the manufacture of products that are complementary to or are based on its operations in Israel or in related fields. Approximately 93% 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).

Approximately 7% of ICL's production is sold in Israel. For specific products, ICL and some ICL companies have been declared a monopoly in Israel.

Approximately 46% 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 that integrates social, economic and environmental considerations in all of its business activities. The main points of the policy include social responsibility, which covers contributing to the community, taking responsibility for the safety, hygiene and the well-being of employees, reducing environmental effects, crating a dialog and transparent communication with the authorities, as well as other subjects.

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 compound 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 32% of total global production in the reporting period. ICL Industrial Products uses about 76% of the elementary bromine it produces for manufacturing bromine compounds at its production sites in Israel, Holland and China. In addition, ICL Industrial Products produces and markets flame retardants and other phosphorus-based products in plants in the USA and Germany, 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 2009, about 77% of the sales of ICL Performance Products were of pure 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 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 exchange rates. The demand for ICL products is affected by the demand for basic agricultural products and the global economic situation, 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 in foreign currency, mainly US dollars and euro. A significant 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, while appreciation has the opposite effect. The depreciation of the average exchange rate of the Euro against the dollar has a negative impact on ICL's profitability, while appreciation has the opposite impact. The weakening of the dollar against the shekel in the period expenses compared with the corresponding period last year, impacted negatively on ICL's operating income and financing expenses, by an estimated $9.6 million and $5.5 million, respectively. For the coming 12 months, the forecast for ICL's surplus of revenues over expenses in Euro amounts to approximately $150 million.[1] Conversely, when the euro depreciates against the dollar, those of ICL's subsidiaries whose functional currency is the euro experience improvement in competing with competitors whose functional currency is the dollar. ICL hedges against some of these exposures in foreign currency.

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 derivatives. For details of hedging amounts for reducing the aforementioned exposures, see section 8 below.

There is interdependence between the amount of arable land and the amount of food for the population, and use of fertilizers. The increase in global consumption of grains (such as cereals, rice, soybean and corn) is affected by global population growth and the change in food consumption habits (a shift to richer nutrition, largely based on animal protein, which increases grain consumption) resulting from the rising standard of living, mainly in developing countries. Global consumption of grains is also affected by environmental-quality considerations and the efforts of western countries to reduce dependence on oil imports, which strengthens the trend to shift to bio-fuels. These trends have already led to significantly lower grain stocks a few years ago, and consequently, higher prices of agricultural produce, increased planting of grain crops worldwide and increased yield per unit of agricultural land, mainly by increased application of fertilizers.

In the short term, demand for fertilizers is volatile and is affected by factors such as weather in the world's central agricultural growing regions, fluctuations in planting of the main crops, agricultural input costs, agricultural product prices and developments in biotechnology. Some of these factors are influenced by subsidies and credit lines granted to farmers or to producers of agricultural inputs in various countries, and by environmental regulations. Changes in exchange rates, legislation and international trade policy also affect the supply, demand and level of consumption of fertilizer worldwide. Notwithstanding the volatility that can by caused in the short term as a result of these factors, the Company estimates that the policy of most countries in the world is to ensure orderly and high-quality supply of food to the population, thereby encouraging agricultural production, which should preserve the long-term growth trend.[2]

In 2009, the demand for fertilizers, particularly potash, was low compared to prior years. International suppliers did not renew contracts for potash supply to China in 2009 and import to the largest potash consumer in the world fell to below 2 million tons, compared with import of 9 million tons and 5 million tons in 2007 and 2008, respectively. In 2009, potash demand in Europe was also low. After an unprecedented slump in the global economy and consequently, in fertilizer consumption, farmers started to gradually return to the application of larger quantities of fertilizers. Demand for fertilizers increased as from the second half of 2009 and the trend continues up to the present.

At the end of December 2009, it was announced that Chinese importers (Sinofert, CNAMPGC) and BPC, a trading company representing Belaruskali and Uralkali signed contracts for the supply of potash in 2010, in quantities similar to those supplied in 2008 and at a CFR price of $350 per ton. This price is a significant decrease compared to the estimated CFR price of about $600 per ton in 2008. In January 2010, ICL signed contracts with customers in China for the supply of potash in a

1 The assessments of the surplus of revenues over expenses in Euro future trends in this paragraph are forward looking information and there is no certainty that they will be realized. 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 and changes in the magnitude of the operating expenses of the companies whose functional currency is the Euro.

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 transportation 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.

total scope of 620,000 tons in 2010 (including 100 thousand optional tons), with terms that are similar to the terms in the BPC contracts.

At the beginning of the year, the Government of India published its new policy for fertilizer subsidies, which came into effect on April 1, 2010. The plan focuses on the shift from subsidy of a list of products to subsidy of a list of nutrients. In addition, the trend of the subsidy policy is to gradually change the method of payment from payment to the producers/importers to direct payment of the subsidy to the farmer. In respect of the subsidies for imported potash and phosphate fertilizers, a policy has been established for 2010-2011 according to which is that the final retail price will be abolished, but restrictions will be set on changes to the final retail price with the intention that the price will remain at a similar level as today.

In mid-February 2010, the Canadian Export Association (Canpotex), finalized an agreement to sell 600,000 tons of potash to its Indian customers, to be supplied in the second quarter of 2010 at a CFR price of $370 per ton. In March 2010, BPC finalized an agreement for the supply of 900,000 tons of potash over one year under similar terms. In March 2010, ICL Fertilizers also signed an agreement with a number of customers in India for the sale of 1,430,000 tons of potash (including an optional 90,000 tons) over one year, as from April 2010, at a CFR price of $370 per ton.

The first quarter of 2010 has signaled a trend to increasing demands for fall fertilization in the US, an improvement in demand levels for fertilizers and potash in Europe and demand for potash in the Chinese market and in Brazil. Potash shipments to India, after the signing of contracts for 2010/2011, signaled a positive continuation of the demand in the Indian market (in parallel to high demand for phosphate and nitrogen fertilizers), which continues into the second quarter of the year. Lively demand for potash and phosphate fertilizers in the Brazilian market in the first an second quarters of the year portend a good year of growing demand in this market as well and a return to the trend-line of continued growth in the demand for fertilizers. The European market, which was hit hard in the quantities of fertilization in 2009, is showing signs of recovery and increased demand of potash and phosphate fertilizers ahead of the coming fertilizing season.

According to forecasts of the United States Department of Agriculture (USDA), of April 2010, wheat, corn and soybean stocks are expected to increase, following favorable climatic conditions in the principal growing regions, which will lead to a slight increase in the ratio between stock and consumption. However, to date, this has not has a material impact on the price of agricultural commodities and fertilizers and their price has remained stable in recent weeks. On the other hand, the high yields in recent years depleted fertilizer nutrients in the soil, therefore in subsequent seasons it is estimated that a greater amount of fertilizer will be needed to compensate for the deficiency.

The operations of ICL Industrial Products are largely affected by the level of activity in several markets, including electronics (primarily printed circuits), construction, automotive, oil drilling, furniture, textile and water treatment. In 2009, there was a sharp decline in demand for flame retardants following the global economic crisis and its effect on the electronics, construction and automotive markets. As from the third quarter of 2009, there was an increase in demand which continued in the first quarter of 2010 and demands for most of the Company's products were substantially higher than in the corresponding period last year. Selling prices of segment products decreased gradually in 2009 as a result of the global economic crisis. Selling prices started to rise with the recovery of demand in the segment. Production of bromine in China continued to decrease, because of depletion of the bromine resources, a difficult winter and high production costs. These factors also brought about an increase in the prices of bromine and bromine-based flame retardants in the Chinese market and a significant decrease in production quantities of flame retardants in China. After the balance sheet date, the trend of increased demand for the segment's products continued with product prices increasing in parallel to an increase in the prices of raw materials sued to manufacture these products.

The operations of ICL Performance Products are also affected by competition in the target markets. The pressure to lower prices in the European market continued in 2009, as part of the availability of lower-cost alternatives, in particular, due to the increase in competition resulting from increased imports. On the other hand, there is less price pressure in North America and the relatively high prices in 2008 remained on a similar level in the first three quarters of 2009, although sales quantities declined. In the fourth quarter of 2009, selling prices started to fall in the USA as well. In the first quarter of 2010, an improvement in demand was noticeable compared with 2009. In the USA, demand for pure phosphoric acid stabilized during the first two months of the year, and started to increase in March 2010. In Europe, operations continued to improve. In addition, demand for other phosphate- and phosphorous-based products increased in the first quarter of 2009 compared with the corresponding period last year. The pressure to lower selling prices that was typical in 2009 was moderated, and prices stabilized in the first quarter of 2010.

Marine shipping costs accounted for 7% of total operating costs of ICL in the reporting period. In recent years, bulk shipping prices have been highly volatile. From the beginning of 2009, bulk shipping prices increased to a level of 3,005 points (according to the Baltic Dry Index – BDI) at the end of the year. In the first quarter of 2010, shipping prices continued to rise, with the index reaching an average of 3,027 points, which is 94% higher than the average price in the corresponding quarter last year.

Energy costs accounted for 8% of the total operating costs of ICL in the reporting period. As a result of the global economic crisis, energy prices started to fall in the fourth quarter of 2008. In 2009, average prices of fuel oil and naphtha were lower compared with prices in 2008. The trend changed in the third quarter of 2009, and energy prices started to rise. In the first quarter of 2010, energy prices were higher compared with the corresponding period last year.

At the beginning of December 2009, the project for laying the gas pipeline to Sodom was completed. At that date, gas began to flow to the power plant of Dead Sea Works in Sodom. The shift to natural gas brings a significant decrease in the pollutants in the area of the plants, improves the quality of the products, reduces maintenance costs and contributes to a significant financial savings as the result of substitution for other, more expensive fuels. Israel Natural Gas Lines Ltd. Is meant to complete the connection to the remainder of the Company’s plants in Mishor Rotem and Ramat Hovav during 2010, At the same time, the facilities are being converted for the use of natural gas.

1.3 This Directors' Report is attached to the interim financial statements for the period ended March 31, 2010, and assumes that financial statements are available to the reader. The Directors' Report is in condensed form for the period and assumes that the Periodic Report for 2009 is also available to the reader.

The financial data, including comparative figures, are taken from the financial statements of ICL, which were prepared in accordance with IFRSs.

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.

	1-3/2010		1-3/2009		2009	
	$ million	% of sales	$ million	% of sales	$ millions	% of sales
Sales	1,382.5		898.5		4,554.3	
Gross profit	559.1	40.4	369.0	41.1	1,836.5	40.3
Operating income	303.5	22.0	205.6	22.9	938.2	20.6
Pre-tax profit	302.1	21.9	228.8	25.5	942.8	20.7
Net profit to Company shareholders	240.5	17.4	158.8	17.7	770.4	16.9
EBITDA*	353.1	25.5	259.3	28.9	1,225.9	26.9
Cash flow from current operations	219.7		238.3		1,199.7	
Investments in property, plant and equipment, less grants	84.7		88.8		345.6	

* Calculated as follows, in millions of dollars:

	1-3/2010	1-3/2009	2009
Net profit to Company shareholders	240.5	158.8	770.4
Depreciation and amortization	52.1	47.6	204.6
Net finance expenses (income)	(0.1)	(22.6)	(6.1)
Income tax	60.6	75.5	168.5
Non-recurring expenses	-	-	88.5
Total	353.1	259.3	1, 225.9

2.2 Results of operations for January – March 2010

Sales

Sales of the ICL Group in the reporting period amounted to approximately $1,382.5 million, compared with $898.5 million in the corresponding period last year, an increase of about 53.9%. This increase reflects a sharp increase in quantities sold in all the Company's segments of operation, which contributed to an increase of $946 million in revenue. Additionally, the weakening of the dollar against the other functional currencies contributed to an increase of approximately $32 million in revenue. Conversely, the decrease in selling prices, mainly in the fertilizer segment, resulted in a decrease of about $505 million in revenue.

Below is a breakdown of sales by geographical region:

	1-3/2010		1-3/2009	
CIF sales	$ million	%	$ million	%
Israel	89.2	6.5	55.0	6.1
North America	253.7	18.4	234.3	26.1
South America	90.4	6.5	25.7	2.9
Europe	520.0	37.6	340.5	37.9
Asia	392.4	28.4	205.0	22.8
Rest of the world	36.8	2.6	38.0	4.2
Total	1,382.5	100.0	898.5	100.0

The breakdown in sales indicates an increase in sales in all geographical regions, mainly due to the recovery in demand after the global economic crisis.

Gross profit

Gross profit amounted to $559.1 million, compared with a profit of $369 million in the corresponding period last year, reflecting an increase of $190.1 million. The gross profit margin out of sales amounted to 40.4%, compared with 41.1% in the corresponding period last year.

The increase in the gross profit, compared with the corresponding period last year, is mainly due to an increase in the sales of most of the Company's products, which accounted for about $587 million, and a decrease in the prices of the main raw materials, which accounted for about $74 million. Conversely, a decrease in selling prices and the negative impact of the strengthening of the shekel against the dollar accounted for a decrease of approximately $469 million and $8 million, respectively.

Sales and marketing expenses

Expenses for this item amounted to $185.8 million, an increase of approximately $82.8 million compared with the corresponding period last year. The increase in expenses is due to an increase in sales in the fertilizer segment and from an increase in bulk shipping prices.

General and administrative expenses

These expenses amounted to $60.3 million, an increase of $13.4 million, compared with the corresponding period last year. The increase is mainly due to recognition of expenses for distribution over the purchase period of the fair value of share options allotted to employees amounting to $7.5 million in the reporting period and the strengthening of the shekel against the dollar, which led to an increase in the expenses in this item in dollar terms.

Research and development expenses

R&D expenses (net of grants from the Chief Scientist) amounted to $14.7 million, an increase of about $0.8 million compared with the corresponding quarter last year.

Operating income

Operating income increased by $97.9 million compared with the corresponding period last year, reaching $303.5 million. The increase in operating income is mainly due 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 an increase in transportation expenses.

The percentage of operating income out of sales turnover is 22.0%, compared with 22.9% in the corresponding period last year.

Finance income/expenses

Net finance income amounted to $0.1 million, compared with income of approximately $22.6 million in the corresponding quarter last year. The difference in finance income in the reporting period, compared with the corresponding period last year, is mainly due to the following factors:

A. The impact of the change in the shekel-dollar exchange rate on the liabilities for employee benefits resulted in an expense of about $6 million in the reporting period, compared with income of about $25 million in the reporting period last year.

B. The increase in interest expenses of $3 million following the increase in the average interest rate was mainly due to fixing of the interest rate in 2009.

Conversely, revenue was recognized in the period from transactions in financial derivatives and revaluation of net short-term financial liabilities of $19 million compared to income of $ 8 million in the reporting period last year.

Tax expenses

Income tax expenses amounted to $60.6 million, compared with $75.5 million in the corresponding period last year. The tax rate on pre-tax profit is about 20%, compared with approximately 33% in the corresponding period last year. The relatively high tax rate compared with last year was affect primarily from the strengthening of the dollar against the shekel which caused an increase in the tax rate of the companies operating in Israel, which arises from the differences in the measurement base, from the decrease in taxable revenues of the companies operating in Israel attributable to benefitted enterprises, from the decrease in revenues and also from the increase in the relative portion of companies whose tax rates are higher out of the total profit of the Company.

Net profit

Net profit for the shareholders amounted to $240.5 million, compared with $158.8 million in the corresponding period last year, an increase of $81.7 million.

3. Segments of Operation

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

CIF sales by segment of operations	1-3/2010		1-3/2009		2009	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
ICL Fertilizers	766.0	52.7	371.1	38.3	2,146.6	44.5
ICL Industrial Products	292.2	20.1	210.1	21.7	1,015.1	21.0
ICL Performance Products	319.3	22.0	301.4	31.1	1,328.0	27.5
Others and offsets	5.1		15.9		64.6	
Total	1382.5		898.5		4,554.3	

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	1-3/2010		1-3/2009		2009	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
ICL Fertilizers	232.4	30.3	138.8	37.4	723.1	33.7
ICL Industrial Products	33.7	11.5	5.1	2.4	20.9	2.1
ICL Performance Products	44.2	13.8	52.2	17.3	162.7	12.3
Others and offsets	(6.8)		9.5		31.5	
Operating income (consolidated)	303.5		205.6		938.2	

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

3.1 ICL Fertilizers

Below is a breakdown of the sales and operating income of the segment in the reporting period, by areas of operation (before setoffs of inter-segment sales)

	1-3/2010	1-3/2009	2009
Sales			
Potash	69%	62%	64%
Phosphate	31%	38%	36%
Operating income			
Potash	95%	89%	98%
Phosphate	5%	11%	2%

Sales

Sales in the reporting period amounted to $766 million, an increase of $394.9 million, compared with the corresponding period last year, representing an increase of 106.4%.

The increase in sales is mainly due to a sharp increase in quantities sold of the segment's products, which led to an increase of approximately $815 million in sales. This increase was partially offset by a decrease in prices of the segment's products, which led to a decrease in sales of $435 million.

Operating income

Operating income in the segment amounted to $232.4 million, an increase of $93.6 million compared with the corresponding period last year. The margin of operating income out of sales was 30.3%, compared with 37.4% last year.

The increase in operating income is mainly due to an increase in sales, which resulted in an increase of approximately $511 million in operating income. This increase was partially offset by a decrease in selling prices of the segment's products, resulting in a decrease of about $414 million operating income and by changes in the shekel-dollar exchange rate, resulting in a decrease of about $3 million in operating income.

Potash

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

Potash – Revenue and profit (million of $)

$ millions	1-3/2010	1-3/2009	2009
Revenue *	538.8	244.4	1,429.0
Operating income	217.8	126.1	708.1

* Including revenue from inter-segment sales

The increase in revenue in the period compared with the corresponding period last year is due to the sharp increase in the quantities of potash sold, which increased sales by approximately $620 million. This increase was partially offset by a decrease in potash prices, which reduced sales by about $342 million.

The increase in operating income is mainly due to an increase in sales, which resulted in an increase of approximately $423 million in operating income. This increase was partially offset by a decrease of about $327 million in selling prices and by the negative impact of about $2 million due to changes in the shekel-dollar exchange rates.

Potash – Production, sales and closing stock

Thousands of tons	1-3/2010	1-3/2009	2009
Production	996	997	4,109
Sales to external customers	1,273	299	2,562
Sales to internal customers	56	31	147
Total sales (including internal sales)	1,329	330	2,709
Closing stock	2,584	2,184	2,917

The quantity of potash sold in the first quarter of 2010 is about 974,000 tons higher than in the corresponding period last year. The quantity of potash produced in the first quarter of 2010 is similar to the quantity produced in the corresponding period last year. In view of the high level of stock in the Company's plants in Europe at the beginning of the year, it was decided to reduce the scope of the Group's production in Europe. In this framework, production was suspended for two months in the potash production sites in Spain (mines and plants), with the exception of the compaction plant, commencing from February 1, 2010. Operations resumed in these plants at the beginning of April 2010.

In January 2010, ICL signed contracts with a number of customers in China for the supply of 620,000 tons of potash in 2010 (including 100 thousand tons of optional quantities.).

In March 2010, ICL Fertilizers signed an agreement with a number of customers in India for the sale of 1,430,000 tons of potash (including an optional 90,000 tons) over one year, as from April 2010, at a CFR price of $370 per ton. At the reporting date, customers in India have contractual obligations to purchase potash from all potash suppliers in a volume of over 5 million tons.

In the first quarter of 2010, after a year of material decreases in potash production quantities, which according to IFA estimates totaled 45% less than production in 2008, demand for potash increased and manufacturers started to gradually return to higher production levels.

Fertilizers and phosphates

Revenue 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	1-3/2010	1-3/2009	2009
Revenue *	245.8	147.1	787.7
Operating income	10.6	16.0	11.5

* Including revenue from inter-segment sales

The increase in revenue in the reporting period compared with the corresponding period last year is due to the increase in quantities sold, which increased sales by approximately $195 million. Conversely, this increase was partially offset by a decrease of about $94 million in selling prices.

The decrease in operating income in the reporting period compared with the corresponding period last year is mainly due to the effect of the decrease of about $92 million in selling prices. Conversely, the decrease in operating income was partially offset by the impact of the increase of approximately $88 million in sales.

Fertilizers and phosphates – Production and sales

Thousands of tons	1-3/2010	1-3/2009	1-12/2009
Phosphate rock			
Rock production	697	617	2,697
Sales *	189	83	610
Phosphate rock used for internal purposes	588	380	1,960
Fertilizers			
Production	403	141	917
Sales	454	102	1,061

* To external customers

Phosphate rock is produced according to demand, both for internal uses and for sales to external customers, while maintaining appropriate stock levels.

The low production in the corresponding period last year is due to suspension of production for defined periods in a number of sites due to the decrease in the demand for fertilizers in the Company's main markets.

The increase in fertilizer sales in the first quarter of 2010 is due to the recovery in demand as from the second half of 2009, with focus being on the market in India. In this market, there was an increase in demand for phosphate fertilizers after the government set the level of the subsidies and consequently, the import price of fertilizers. In April 2010, agreements were signed with various manufacturers for the acquisition of DAP amounting to over 7 million tons in the next agricultural year.

The increase in phosphate fertilizer sales compared with the corresponding period last year is due to the increased demand for phosphate fertilizers as from the second quarter of 2009, which accelerated in the second half of 2009, mainly in Brazil and Europe.

3.2 ICL Industrial Products

Sales

Sales of ICL Industrial Products in the reporting period amounted to $292.2 million, an increase of $82.1 million compared with the corresponding period last year.

The increase is due an increase of about $92.7 in quantities sold, offset by the decrease in selling prices of some of the segment products, compared with the corresponding period last year, which reduced sales by approximately $10.6 million. Selling prices decreased gradually in 2009, as a result of the economic crisis, while after the recovery in demand, selling prices in the segment started to rise.

There was a sharp increase in sale volumes of flame retardants and inorganic bromine products compared with last year, accounting for an increase of about $57.7 million and $21.6 million, respectively, in sales. Conversely, the increase in sales was partially offset by a decrease in these selling prices compared to last year, accounting for a decrease of about $3.4 million and $6.9 million, respectively, in sales.

Operating income

Operating income in the reporting period amounted to about $33.7 million, compared with $5.1 million in the corresponding period last year.

The increase was mainly due to the sharp increase in production and sales volumes, which were produced and sold in an amount of about $27.7 million, and a decrease of about $14 million in raw materials and energy prices, which was partially offset by a decrease in selling prices, as described above, and the strengthening of the shekel against the dollar, in the amount of about $3.2 million.

3.3 ICL Performance Products

Sales in this segment amounted to $319.3 million, an increase of approximately $17.9 compared with the corresponding period last year.

This increase is due to an increase in quantities in most of the segment's products, which resulted in an increase of about $46 million in sales. The strengthening of the euro against the dollar in the reporting period compared with the corresponding period last year resulted in an increase of about $10 million in revenue in dollar terms. Conversely, the low selling prices resulted in a decrease of $47 million in sales.

Operating income

Operating income in the segment amounted to $44.2 million in the reporting period, a decrease of about $8 million compared with the corresponding period last year. This decrease is mainly due to the decrease of about $44 million in selling prices, which was partially offset by the decrease of about $23 million in the prices of the main raw materials and an increase in quantities sold compared with last year, which accounted for an increase of about $14 million in operating income.

4. The Financial Position and Sources of Financing of ICL

As at March 31, 2010, a decrease of approximately $137 million was recorded in the net interest-bearing financial liabilities of ICL compared with the balance at the end of 2009, so that they amounted to approximately $720 million.

ICL's sources of financing are short- and long-term loans, mostly from international banks, debentures which were issued to the public and to institutional investors in Israel and the USA, unlisted short-term commercial papers 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 securitization is $300 million. As at March 31, 2010, ICL had not utilized the securitization framework and had not issued short-term commercial papers. During the third quarter of 2009, the Company extended the securitization agreement through July 7, 2010 on the market terms at that date of extension.

5. Cash Flow

Cash flow generated by operating activities as at March 31, 2010 amounted to $219.6 million, compared with $238.3 million in the corresponding period last year. Notwithstanding the increase in operating income, the cash flow from operating activities in the reporting period was adversely affected by increased income-tax payments in the period which totaled approximately $94 million. In the corresponding period, the Company benefited from tax returns of about $27 million. Cash flow from operating activities was the principal source for net financing of investments of about $84.7 million in property, plant and equipment and for reducing net financial liabilities by about $136 million.

6. Investments

In the reporting period, investments in property, plant and equipment amounted to approximately $84.7 million, compared with about $88.8 in the corresponding period last year. The increase is mainly due to the investments in expanding production capacity, and investments in ecology and infrastructures.

7. Human Resources

The total number of employees at ICL at March 31, 2010 is 10,544, compared with 10,565 on March 31, 2009, a decrease of 21 employees. The decrease in the number of employees is due to the continuation of the efficiency measures in the Company in Israel and abroad. This decrease is notwithstanding the addition of employees due to acquisition of companies by ICL Performance Products, investments in new plants and expansion of production.

8. Market Risk Exposure and Management

Base rates as at March 31, 2010:

Currency	Exchange rate
NIS/USD	0.26932
EUR/USD	1.34406
GBP/USD	1.51069
JPY/USD	0.01072
BRL'USD	0.55666

Update of sensitivity to changes in the exchange rates of balances in the statement of financial position as at March 31, 2010:

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
USD/NIS	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(8.9)	(4.4)	88.9	4.4	8.9
Short-term deposits and loans	(2.8)	(1.4)	28.4	1.4	2.8
Trade receivables	(5.4)	(2.7)	54.2	2.7	5.4
Receivables and debit balances	(2.3)	(1.1)	22.6	1.1	2.3
Long-term deposits and loans	(18.0)	(9.0)	180.4	9.0	18.0
Credit from banks and others	6.8	3.4	(68.2)	(3.4)	(6.8)
Trade payables	20.4	10.2	(203.7)	(10.2)	(20.4)
Other payables	16.2	8.1	(161.7)	(8.1)	(16.2)
Bank loans	6.5	3.3	(65.2)	(3.3)	(6.5)
Debentures	37.1	18.6	(371.4)	(18.6)	(37.1)
Options	(9.3)	(4.9)	4.3	8.4	21.1
Forward	(26.5)	(13.9)	2.7	15.3	32.3
Embedded derivatives	2.6	1.3	2.2	(1.3)	(2.6)
Total	16.4	7.5	(486.5)	(2.6)	1.2

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
CPI	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Long-term deposits and loans	7.3	3.7	73.2	(3.7)	(7.3)
Credit from banks and others	(0.2)	(0.1)	(2.3)	0.1	0.2
Other payables	(0.1)	0.0	(0.7)	0.0	0.1
Long-term loans from banks	(6.5)	(3.3)	(65.2)	3.3	6.5
Fixed-interest debentures	(13.5)	(6.7)	136.3	6.7	13.5
CPI/USD swap	4.6	2.3	4.9	(2.3)	(4.6)
Forward	5.3	2.7	0.0	(2.7)	(5.3)
Embedded derivative	1.4	0.7	2.2	(0.7)	(1.4)
Total	(1.7)	(0.7)	(124.2)	0.7	1.7

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
EUR/USD	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(3.0)	(1.5)	30.2	1.5	3.0
Short-term deposits and loans	(4.4)	(2.2)	44.3	2.2	4.4
Trade receivables	(31.2)	(15.6)	312.4	15.6	31.2
Receivables and debit balances	(1.0)	(0.5)	9.9	0.5	1.0
Long-term deposits and loans	(0.2)	(0.1)	2.3	0.1	0.2
Credit from banks and others	2.7	1.4	(27.5)	(1.4)	(2.7)
Trade payables	14.7	7.4	(147.1)	(7.4)	(14.7)
Other payables	7.7	3.9	(77.4)	(3.9)	(7.7)
Long-term loans from banks	24.5	12.3	(245.3)	(12.3)	(24.5)
Options	5.8	2.7	4.4	(2.4)	(4.4)
Forward	17.7	8.4	(1.0)	(7.6)	(14.4)
Embedded derivative	0.7	0.4	5.1	(0.4)	(0.7)
Total	34	16.6	(89.7)	(15.5)	(29.3)

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
GBP/USD	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(0.1)	0.0	1.0	0.0	0.1
Short-term deposits and loans	(2.2)	(1.1)	22.0	1.1	2.2
Trade receivables	(6.4)	(3.2)	63.9	3.2	6.4
Receivables and debit balances	0.1	0.0	(0.5)	0.0	(0.1)
Credit from banks and others	0.6	0.3	(6.2)	(0.3)	(0.6)
Trade payables	0.9	0.4	(8.6)	(0.4)	(0.9)
Other payables	1.9	0.9	(18.6)	(0.9)	(1.9)
Forward	(0.1)	0.0	0.0	0.0	0.1
Options	(0.2)	(0.1)	0.2	0.1	0.3
Total	(5.5)	(2.8)	53.2	2.8	5.6

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
JPY/USD	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(0.8)	(0.4)	8.1	0.4	0.8
Trade receivables	(1.5)	(0.7)	14.8	0.7	1.5
Receivables and debit balances	0.0	0.0	0.0	0.0	0.0
Long-term deposits and loans	0.0	0.0	0.2	0.0	0.0
Credit from banks and others	0.0	0.0	0.0	0.0	0.0
Trade payables	0.4	0.2	(3.6)	(0.2)	(0.4)
Other payables	0.0	0.0	(0.4)	0.0	0.0
Options	1.2	0.5	0.2	(0.9)	(0.9)
Forward	1.1	0.6	0.6	(0.6)	(1.3)
Total	0.40	0.2	19.9	(0.6)	(0.3)

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
BRL/USD	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(1.0)	(0.5)	10.2	0.5	1.0
Trade receivables	(0.7)	(0.3)	6.9	0.3	0.7
Receivables and debit balances	0.0	0.0	0.4	0.0	0.0
Trade payables	0.4	0.2	(4.2)	(0.2)	(0.4)
Other payables	0.2	0.1	(1.7)	(0.1)	(0.2)
Total	(1.1)	(0.5)	11.6	0.5	1.1

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
CNY/USD	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(0.7)	(0.3)	6.6	0.3	0.7
Short-term deposits and loans	(1.5)	(0.8)	15.0	0.8	1.5
Trade receivables	(1.9)	(0.9)	18.9	0.9	1.9
Receivables and debit balances	0.0	0.0	0.3	0.0	0.0
Credit from banks and others	0.3	0.1	(2.9)	(0.1)	(0.3)
Trade payables	0.6	0.3	(6.0)	(0.3)	(0.6)
Other payables	0.5	0.2	(4.8)	(0.2)	(0.5)
Total	(2.7)	(1.4)	27.1	1.4	2.7

Update of sensitivity to changes in the LIBOR interest rate as at March 31, 2010:

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	($ millions)	($ millions)	($ millions)	($ millions)	($ millions)
Type of instrument	**Increase of 1%**	**Increase of 0.5%**		**Decrease of 0.5%**	**Decrease of 1%**
Fixed-interest debentures	3.3	1.7	(92.6)	(1.7)	(3.5)
Collar transactions	3.8	1.9	(6.7)	(1.8)	(3.4)
Swap transactions	8.3	4.2	(2.9)	(4.4)	(9.0)
Other options	(0.1)	(0.1)	(0.3)	(0.5)	(0.9)
NIS/USD swap	7.9	4.0	8.3	(4.0)	(8.2)
Total	23.2	11.7	(94.2)	(12.4)	(25.0)

Update of sensitivity to changes in the index interest rate as at March 31, 2010:

Sensitivity to changes in the index interest rate	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	($ millions)	($ millions)	($ millions)	($ millions)	($ millions)
Type of instrument	**Increase of 1%**	**Increase of 0.5%**		**Decrease of 0.5%**	**Decrease of 1%**
Fixed-interest debentures	4.9	2.5	(136.3)	(2.5)	(5.1)
Long-term loans from banks	3.9	2.0	(65.2)	(2.1)	(4.3)
CPI/USD swap	(1.6)	(0.8)	4.9	0.8	1.7
Total	7.2	3.7	(196.6)	(3.8)	(7.7)

Update of sensitivity to changes in the shekel interest rate as at March 31, 2010:

Sensitivity to changes in the shekel interest rate	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	($ millions)	($ millions)	($ millions)	($ millions)	($ millions)
Type of instrument	**Increase of 1%**	**Increase of 0.5%**		**Decrease of 0.5%**	**Decrease of 1%**
Fixed-interest debentures	6.3	3.2	(207.5)	(3.3)	(6.6)
NIS/USD swap	(9.5)	(4.4)	9.1	6.2	11.6
Total	(3.2)	(1.2)	(198.4)	2.9	5.0

Update of positions in derivatives at March 31, 2010

Hedging transactions against the effect of changes in exchange rates on cash flow ($ thousands				
	Nominal value Up to one year		Fair value Up to one year	
	Long	Short	Long	Short
Transactions in dollars against other currencies (direction of transaction in derivatives is dollar purchase)				
EUR/USD in $ thousands				
Forward	158,933		(956)	
Call options	53,214		(162)	
Put options	53,214		4,540	
JPY/USD in $ thousands				
Forward	12,168		609	
Call options	17,500		372	
Put options	16,000		(132)	
NIS/USD in $ thousands				
Forward		288,594		2,733
Call options		147,000		(890)
Put options		247,000		5,200
GBP/USD in $ thousands				
Forward	604		(3)	
Call options	3,116		(10)	
Put options	3,116		250	
Other currencies				
Call options	857		32	
Put options	857		(2)	
GBP/EUR in $ thousands **(Direction of transaction is GBP purchase)**				
Forward		792		1
Swap contracts and futures contracts for the Company's liabilities				
Fixed to variable interest swap contract		70,555		835
Fixed interest shekel to dollar liability swap contract		48,177		4,692
Fixed interest CPI-linked liability to variable interest dollar liability swap contract – not recognized for accounting		178,553		3,616
Fixed-interest shekel to dollar liability swap contract - recognized for accounting		38,892		4,928
Futures contract for CPI purchase – more than one year	53,291		43	

Principal terms of the material derivative instruments used for economic hedging of foreign currency risk:

	Nominal value in $ thousands	Carrying amount/fair value	Average transaction rate
Forward transactions			
USD/NIS	288,594	2,733	3.73
EUR/USD	158,933	(956)	1.37

The expiration date of all the derivatives used for economic hedging of foreign currency risk is up to one year.

Interest-hedging transactions – for hedging against changes in variable interest rate (LIBOR) on dollar loans (in $ thousands)								
	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			356,262	68,000			(8,745)	5,796
Caps			195,000				1,450	
Floors			195,000				(8,141)	
Other options			20,000				(262)	

In swap transactions, the Company replaces the variable interest rate paid on loans received with fixed interest at rates between 2.4% and 4.3%. In cap and floor transactions, the Company fixes the float of variable interest loans in the range of 2.28% to 5.25%.

For CPI-linked shekel debentures issued by the Company, the Company has transactions in derivatives to swap cash flows from shekels to dollars as well as transactions in derivatives for hedging most of the exposure to changes in the CPI. Some of the transactions to hedge exposure to the cash flow (for expanded Debentures Series B) were accounted for in the financial statements as an accounting hedge. Following application of the accounting hedge, the Company recognized some of the fair value changes of the derivatives in capital reserve (a loss of about $1.2 million). None of the other hedging transactions made by the Company are accounted for as an accounting hedge in the financial statements.

9. Disclosure Regarding the Procedure 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 periodic reports and financial statements and recommends their approval. The Finance Committee has seven members, including all the outside directors. 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, 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 significant 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 audit.

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 the material disclosure and thereafter, immediately prior to the date of approval of the financial statements, the Board of Directors discussed the analysis of the business of the results by the finance division. The auditing accounts and the Internal Auditor are invited to these meetings of the Board of Directors. The auditing accountant responds to questions arising during the discussions, and where necessary, presents the principal findings that came to light during the auditing process. The Board of Directors approves the financial statements once it is satisfied that they correctly reflect ICL's position and the results of its operations.

10. 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 Additional General Information at the corporate level, and in the chapter Additional Details – in the Periodic report for 2009 ("the Periodic Report).

10.1 The Company's financial position has improved steadily in recent years. The Company's operations, profits and cash flows have grown significantly, alongside a significant decrease in its debt. In view of the aforesaid, on March 23, 2010, the board of directors of the Company, resolved to assess the dividend distribution policy that was established on March 27, 2007, whereby the board of directors may approve a quarterly dividend distribution of up to 70% of the Company's net profit. For this purpose, an ad hoc board of directors' committee was established to assess the issue and form recommendations for the board of directors. The ad hoc committee has four members of the board of directors, of which two are external directors and one is an independent director.

The committee held three meetings in April and May 2010 and received a broad review from the Company's management and from outside financial experts and legal consultants. The committee examined the possible implications of the dividend distribution, including the possible effect on the Company's financial position, current and anticipated cash flow, approved and future investment plans and the Company's liabilities, and assessed the tax implications that are expected for distribution of different amounts of dividends, the expected implications on the Company's rating and its liabilities and the accounting implications arising from application of accounting standards in the financial statements.

The committee also assessed a number of scenarios that take into account changes, mainly adverse, in the Company's financial position, and the impact of the changes on the current dividend policy and on a possible decision to distribute a dividend in any one-time amount.

After assessing all the considerations, including the improvement in the financial results, the increase in profits, the investment plans, the improved cash flow, the decrease in the Company's financial debt, the repayment dates of the financial liabilities and the Company's credit sources, and in order to achieve a more appropriate debt-capital ratio from the aspect of returns for the shareholders, the committee recommended unanimously, based on the opinion of outside consultants and the opinion of the Company's management, the distribution of a dividend in a one-time amount of $500 million, which will not prevent the Company from meeting its current and anticipated liabilities at their due date, and will not impair the Company's growth capacity.

The committee also recommended that the board of directors form a new policy for distribution of a quarterly dividend of up to 70% of the net profits, provided the distribution does not prevent the Company from meeting its current and anticipated liabilities at their due date.

On May 24, 2010, the board of directors of the Company discussed the committee's recommendations, heard the outside experts and the position of the legal consultants and approved the recommendations of the committee. The board of directors determined that distribution of a one-time dividend of $500 million is not expected to prevent the Company from fulfilling its financial liabilities, and if the Company has the opportunity to make a material acquisition, the distribution of a one-time dividend will not prevent the Company from financing the possible transaction, as it has material amounts of unused credit sources.

The board of directors also approved the distribution of a dividend of $168 million for the profits of the first quarter of 2010, representing 70% of the Company's profits attributable to the shareholders. The board of directors believes that payment of this dividend is not expected to prevent the Company from paying its liabilities on their due date, notwithstanding the payment of this one-time dividend.

The board of directors also established anew the policy of distributing a dividend of up to 70% of the quarterly net profit.

.

The total amount of the dividend according to the approval of the board of directors on May 24, 2010 is $668 million (the net dividend, less the share of a subsidiary, is $666.8 million). The amount of the distributable profit, as at March 31, 2010, after deduction of the full amount of the dividend to be distributed, is $1.779 billion. The dividend will be distributed on June 28, 2010.

10.2 Article 26 in the chapter Additional Details of the Corporation: On May 2, 2010, Mrs. Noga Yatziv, a director in the Company, tendered her resignation from the Board of Directors of the Company, effective from the date of the notice. See also the immediate report of May 2, 2010..

10.3 Article 26(A) in the chapter Additional Details of the Corporation, officers in the corporation: On May 24, 2010, the Board of Directors of the Company extended the term of the internal auditor, Mr. Shlomo Ben Shimol, by another three years. See also the immediate report of May 2, 2010.

11. Events During and After the Reporting Period

A. For details of distribution of a dividend as at the reporting date, see section 11.1 above.

B. On January 7, 2010, the Board of Directors of the Company approved an allotment of up to 11,000,000 non-negotiable options, for no consideration, to 318 officers and senior employees in the Group. For further details, see section 5.2(E) of the Description of the Corporation's Business as at December 31, 2009.

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

Date: May 24, 2010

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