Translation from the Hebrew. The Hebrew version is the binding version.

Directors' Report on the State of the Company's Affairs for the period ended March 31, 2012

Below is the Directors' Report of Israel Chemicals Ltd. ("ICL" or "the Company") for the period ended March 31, 2012.

1. Description of the Company and its Business Environment

1.1. Description of ICL

Israel Chemicals (“the Company” or “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 relevant 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, specialty 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, aluminum 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.

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, Australia and Mexico.

ICL’s operations outside of Israel are primarily in the manufacture of products that are complementary to or 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. Bromine production utilizes chlorine, a by-product stream in the production of magnesium and others).

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 51% of ICL’s annual sales turnover comes from production outside of Israel.

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, creating a dialog and transparent communication with the authorities, as well as other subjects.

As noted, ICL operates in three segments of operation on a management-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, liquid fertilizers and soluble fertilizers. ICL also produces compound fertilizers in Holland, Germany and Belgium, liquid fertilizers and soluble fertilizers in Spain, slow-release and controlled-release in Holland and the United States and phosphate-based animal feed additives in Turkey and Israel. ICL Fertilizers markets its products worldwide, particularly in Europe, Brazil, India, China and Israel.

b. **ICL Industrial Products** ("ICL-IP") – ICL-IP manufactures elementary bromine from an end-brine that is created as a by-product of the potash production process in Sodom, as well as bromine-based compounds. In the last few years 2011 ICL-IP has been the world's leading manufacturer of elementary bromine. In 2011 it produced about one third of total global production. In 2011 ICL-IP used about 76% of the elementary bromine it produces for manufacturing bromine compounds at its production sites in Israel, Holland and China. In addition, ICL-IP produces and markets flame retardants and other phosphorus-based products in plants in the USA and Germany, produces various salt, magnesia and chlorine products (produced together with caustic soda by electrolysis of salt produced as a byproduct of potash production which is used as a raw material in the segment's production processes). ICL-IP also manufactures chlorine-based products for water treatment in the USA and in Ireland and markets its products worldwide.

c. **ICL Performance Products ("ICL-PP")** – 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 and the thermal phosphoric acid are 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, wildfire retardants and extinguishers. ICL-PP also produces phosphorus derivatives based on elemental phosphorus purchased from outside sources and specialty products based on aluminum oxide ("alumina") and other raw materials. The main production sites of ICL Performance Products are in Europe (mainly Germany), the USA, Brazil, Israel, China, Mexico and other countries. Products based on specialty phosphates constituted approximately 75% of ICL-PP's sales in 2011.

In addition to these segments, other ICL activities include desalination and the production of magnesium metal.

1.2. Business environment and profitability

ICL is a multinational company. Its 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. It 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. 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. Conversely, depreciation of the euro against the dollar improves the competitive ability of ICL's subsidiaries whose functional currency is the euro, compared with competitors whose functional currency is the dollar. The strengthening of the dollar against the shekel in the reporting period compared with the corresponding period last year, impacted positively on ICL's operating income by an estimated USD 7 million and negatively on its finance expenses by approximately USD 5 million. ICL hedges against some of these foreign currency 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 derivatives.

For details of hedging amounts for reducing such exposures, see section 8 below.

There is interdependence between the amount of available arable land and the amount of food needed for the population, and the use of fertilizers. Natural 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 and environmental-quality considerations and the efforts of western countries to reduce dependence on oil imports, strengthened the trend to shift to bio-fuels which affects the increase in global consumption of grains (cereals, rice, soya, corn, etc.). These trends 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 higher yield per unit of agricultural land, mainly by increased application of fertilizers.

In the first half of 2011 grain prices continued to rise as they did in 2010 and reached a peak in September 2011. In the fourth quarter of 2011 there was a fall in rice and soya prices accompanied by a more moderate fall in corn and wheat prices. Since the beginning of 2012 the trend has reversed, primarily in prices of soya and rice. Corn and wheat prices remained relatively stable. Grain prices are still high relative to the past and to production costs. High prices ensure good profits for farmers.[1]

The natural disasters which struck a number of locations around the world damaged crops and caused price rises. Among the major natural disasters were severe drought in northern China, floods in northern Australia, severe drought in southern Europe, mainly Spain and Portugal, dryness in the southern states of the USA and extreme cold in the northern states which damaged wheat crops, dryness in south America which damaged soybean crops, severe drought in Mexico and floods in Thailand.

The US Department of Agriculture (USDA), in its report published in May 2012, foresees another fall in the ratio of grain stocks to annual consumption to 20.1% at the end of the 2011/2012 agricultural year (compared with 20.5% at the end of the previous agricultural year and 22.3% at the end of the agricultural year 2009/2010). Most of the decline stems from a fall in corn stocks[2]. The preliminary forecast for the 2012/2013 season indicates a slight increase in the inventory ratio to 20.3% resulting mainly from a forecasted increase in the corn stocks.

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 fertilizers worldwide. Notwithstanding the volatility that can be 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.[3]

The first quarter of 2012 has been characterized by low demand for potash and phosphate. Demand for potash was harmed by a delay in signing contracts with China for the first half of 2012, high stocks

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[1] Source: CBOT – Chicago Board of Trade.

[2] The assessments of future trends in this paragraph are forward-looking information and there is no certainty that they will be realized, when and at what pace. They could change as a result of fluctuations in world markets as well as local markets, especially in the target markets for ICL products, including, *inter alia*, changes in supply and demand levels, extreme changes in weather, prices of products, commodities, grains, input prices, transportation and energy costs. There could also be impact from actions taken by governments, producers and consumers. In addition there could be an impact from the situation in the financial markets, including changes in exchange rates, credit conditions and interest rates.

[3] The assessments of future trends in this paragraph are forward-looking information and there is no certainty that they will be realized, when and at what pace. They could change as a result of fluctuations in world markets as well as local markets, especially at ICL's production sites and in the target markets for ICL products, including, inter alia, changes in supply and demand levels and in prices of products, commodities, grains. There could also be impact from actions taken by governments, producers and consumers. In addition there could be an impact from the situation in the financial markets, including changes in exchange rates, credit conditions and interest rates.

in the USA and reluctance in Europe to place early orders. In addition, in India a change in the level of subsidies caused an increase in the retail prices of potash and phosphate fertilizers to the farmer. This caused demand for these fertilizers to decline. Toward the end of 2011, as a result of the accumulated stocks in Indian ports, the Indian importers requested delay of shipments for the first quarter of 2012 by two to three months. The Company estimates that the agreement period which was scheduled for completion at the end of March, will be extended by a number of months.

There has been a noticeable recovery in demand for fertilizers from the beginning of the second quarter.

Shortly before the end of the first quarter of 2012 a number of potash producers signed sale contracts in China for the first half of 2012, and shipment to this country resumed at an accelerated pace. The new contracts closed at a price of USD 470 per ton CFR which is the same price as in the second half of 2011. ICL Fertilizers agreed with its customers in China on a contractual quantity of 670,000 tons (including an optional 120,000 tons) for the first half of the year under similar conditions.

Demand in Brazil this year has been high but because of accumulated stocks at the end of 2011, the total volume of imports in the first quarter by all producers was lower than in the previous year. Import volumes to Brazil are expected to increase in the second and third quarters before the seasonal fertilization peak which begins in September[4].

There has been a recovery in the phosphate market following India's return to the market and strong demand in Brazil, Asia and the USA. Fertilizer prices began to rise slowly as a result of renewed demand.

The operations of ICL-IP are largely affected by activities in the electronics, construction, automotive, oil drilling, furniture, pharmaceuticals, agriculture, textile and water treatment markets. Sale prices of bromine in China in the first quarter remained unchanged compared with the last quarter of 2011. However, there is a trend towards decreased demand for bromine in China which is accompanied by a decrease in prices after the reporting period High levels of demand for the segment's products which characterized most of 2011 leveled off toward the end of 2011, primarily in products intended for the electronics products market. The first quarter of 2012 was characterized by a gradual recovery in demand compared with the slowdown which took place at the end of 2011. Nevertheless, demand in the quarter was lower in comparison with the corresponding quarter of the previous year.

The ratio between order backlog and actual delivery of printed circuit boards in the USA and Canada is an indicator of the forecasts of demand in the electronics market and indirectly of the forecasts of demand for flame retardants. A ratio higher than 1 indicates a forecast of higher production in future. In most of 2011 the ratio between order backlog and actual delivery of printed circuit boards was lower than 1. Since January 2012 there has been a gradual rise in the ratio to 1.05 in March. This rise is likely to indicate an expected increase in the demand for flame retardants[5].

Most of the products of ICL-IP are strongly affected by the global economic situation, competition in target markets and fertilizer price volatility which affect the prices of ICL-IP's principal raw materials, as well as by the volatility of energy prices. In the first quarter of 2012 there was a continuation of the credit crisis in Europe, instability in the countries of north Africa and the Middle East and a slow recovery of the markets in the USA which all combined to create an atmosphere of uncertainty and cause a slowdown of demand.

In the current quarter there has been a decline in fertilizer prices which has impacted on competition in the phosphate-based product market.

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[4] The assessments of future trends in this paragraph are forward-looking information and there is no certainty that they will be realized, when and at what pace. They could change as a result of fluctuations in world markets as well as local markets, especially in Brazil, including*, inter alia*, changes in supply and demand levels, extreme changes in weather, prices of products, commodities and grains. There could also be impact from actions taken by governments, producers and consumers. In addition there could be an impact from the situation in the financial markets, including changes in exchange rates, credit conditions and interest rates.

[5] The assessments of future trends in this paragraph are forward-looking information and there is no certainty that they will be realized, when and at what pace. They could change as a result of fluctuations in the market for printed circuits including*, inter alia*, changes in supply and demand levels, prices of products. There could also be an impact from actions taken by producers and consumers. In addition there could be an impact from the situation in the financial markets, including changes in exchange rates, credit conditions and interest rates

Marine transportation expenses amount to about 4% of ICL's total operating costs in the reporting period. In recent years marine transportation prices have been characterized by high volatility where the trend is for a decline in the marine transportation index. The average index for the first quarter of 2012 stood at 867 points which represents a decline of 36% compared with the corresponding quarter of the previous year.

Energy costs account for approximately 9% of ICL's total operating costs in the reporting period. Since 2009 there has been a steady rise in energy prices. Petroleum-based energy prices in this quarter were higher than in the corresponding quarter of the previous year. In addition, on January 26, 2012, the Yam Tethys partnership announced reduction in quantities of gas it supplies because of the dilution of the gas in the well. For additional details, see note 5(4) to the financial statements for the period ended March 31, 2012.

1.3. This Directors' Report is attached to the interim financial statements for the period ended March 31, 2012. The Directors' Report is in condensed form for the period and assumes that the interim financial statements for the period ended March 31, 2012 and the Periodic Report for 2011 are available to the reader.

The financial data, including comparative figures, are taken from the financial statements of ICL, which were prepared in accordance with International Financial Reporting Standards (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.

	1-3/2012		1-3/2011		2011	
	USD millions	% of sales	USD millions	% of sales	USD millions	% of sales
Sales	1,552.1		1,528.3		7,067.8	
Gross profit	611.4	39.4	638.1	41.8	3,155.7	44.6
Operating income	349.4	22.5	360.5	23.6	1,926.0	27.2
Profit before tax	333.8	20.9	341.8	22.4	1,871.7	26.5
Net profit to Company share-holders	288.9	18.2	279.7	18.3	1,511.8	21.4
EBITDA*	423.2	27.3	418.8	27.4	2,190.2	31.0
Cash flow from current operations	274.4		142.0		1,269.4	
Investment in property, plant and equipment	127.7		82.9		494.9	

* Calculated as follows, in millions of dollars:

	1-3/2012	1-3/2011	2011
Net profit to Company shareholders	288.9	279.7	1,511.8
Depreciation and amortization	72.6	54.9	267.4
Finance expenses (income), net	17.4	23.0	62.3
Taxes on income	44.3	61.2	348.7
Total	423.2	418.8	2,190.2
	======	======	======

2.2. Results of operations for January – March 2012

Sales

Sales of ICL in the reporting period amounted to approximately USD 1,552.1 million, compared with USD 1,528.3 million in the corresponding period last year. This increase is due to an increase in selling prices which led to an increase of about USD 85 million in sales, consolidation of companies and operations acquired in 2011 which increased sales by approximately USD 105 million. In contrast, this increase was partly offset by a decrease in quantities sold, which resulted in a decrease of about USD 146 million in sales and by the adverse impact of a change in the exchange rates which led to a decrease in sales of approximately USD 20 million.

Below is a geographical breakdown of sales:

	1-3/2012		1-3/2011	
	USD millions	**%**	**USD millions**	**%**
Israel	105.8	6.8	64.6	4.2
North America	295.3	19.0	304.2	19.9
South America	151.0	9.7	92.6	6.1
Europe	665.3	42.9	642.0	42.0
Asia	299.3	19.3	391.6	25.6
Rest of the world	35.4	2.3	33.3	2.2
Total	**1,552.1**	**100.0**	**1,528.3**	**100.0**

The breakdown of sales indicates an increase in sales in South America which stems primarily from the increase in sales of fertilizers to Brazil which amounted to 10% of the total sales of ICL in the first quarter. This percentage is higher than the percentage in recent years and higher than the percentage in the corresponding quarter last year. Sales in Israel increased, which stems mainly from the rise in income from the erection of desalination facilities in Israel. In contrast the decline in potash sales in Asia stemmed from a postponement of potash shipments to India under the existing contract and a delay in signing potash contracts for China.

<u>Gross profit</u>

Gross profit amounted to USD 611.4 million, compared with a profit of USD 638.1 million in the corresponding period last year, a decrease of about USD 27 million. The gross profit margin as a percentage of sales amounted to about 39.4%, compared with about 41.8% in the corresponding period last year.

The decrease in the gross profit margin compared to the corresponding period last year is mainly due to a drop in sale quantities which resulted in a decrease of USD 70 million, a rise in the prices of raw materials and energy which led to a decline of USD 43 million and a rise in other operating expenses which led to a decrease of USD 18 million. This decrease was partially offset by a rise in sale prices which led to an increase of USD 77 million and by the inclusion of the expenses of companies and operations acquired and consolidated for the first time in 2011 which increased gross profit by USD 29 million.

<u>Sales and marketing expenses</u>

Expenses for this item amounted to approximately USD 178 million, compared with USD 193 million in the corresponding period last year. The decrease stems mainly from a decline in transportation quantities which caused a decline of USD 30 million. This decline was partially offset by consolidation of the results of companies and operations acquired in 2011 which led to an increase of about USD 12 million.

<u>General and administrative expenses</u>

These expenses amounted to approximately USD 67.3 million, compared with USD 61.3 million in the corresponding period last year. The increase stems primarily from consolidation of the results of companies and operations acquired in 2011.

<u>Research and development expenses</u>

R&D expenses (net of grants from the Chief Scientist) amounted to approximately USD 19 million, an increase of USD 2.3 million compared with the corresponding period last year.

<u>Operating income</u>

Operating income amounted to approximately USD 349.4 million, a decrease of USD 11.1 million compared with the corresponding period last year. The decrease in operating income stems mainly from a decrease in gross profit, as noted above.
Operating income as a percentage of sales turnover is about 22.5%, compared with 23.6% last year.

Finance income/expenses

Finance expenses amounted to approximately USD 17.4 million, compared with expenses of approximately USD 23 million in the corresponding period last year. The decline in finance expenses in the reporting period compared with the corresponding period is mainly due to revenues in the period from transactions in financial derivatives and from a revaluation of short-term financial liabilities net in the amount of USD 2.5 million compared with expenses of USD 7.5 million in the previous year. In contrast there was an increase in interest expenses net in the amount of USD 1.5 million which stemmed primarily from the increase in financial liabilities net and an increase in expenses for long-term employee benefits in the amount of USD 3.5 million.

Tax expenses

Expenses amounted to USD 44.3 million, compared to USD 61.2 million in the corresponding period last year. The tax rate on income before tax is 13.3% compared to 17.9% last year. The decline in the tax rate in the reporting period compared with the corresponding period last year derives from the following factors:

a. The effect of the change in the USD against the shekel in the quarter compared with the corresponding quarter of the previous year which caused a decline in the tax rate of companies operating in Israel and derived from differentials in the measurement basis.
b. A tax credit received from overseas for a dividend distribution.
c. In the current quarter there was a decrease in expenses which are not recognized for tax purposes compared with the corresponding quarter of the previous year, resulting from a decline in the costs of options granted to Company employees.

Net profit

Net profit for the shareholders of the Company amounted to approximately USD 288.9 million, compared with USD 279.7 million in the corresponding period last year.

3. Operating Segments

The operating segments of ICL are presented below according to the management of segments described in the introduction to this report.

CIF sales by operating segment	1-3/2012		1-3/2011		1-12/2011	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
ICL Fertilizers	846.3	51.6	836.7	51.8	4,097.6	55.0
ICL Industrial Products	362.5	22.1	372.9	23.1	1,513.0	20.3
ICL Performance Products	344.6	21.0	350.1	21.7	1,494.8	20.1
Others and setoffs	(1.3)		(31.4)		(37.6)	
Total	1,552.1		1,528.3		7,067.8	

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

Operating income by operating segment	1-3/2012		1-3/2011		1-12/2011	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
ICL Fertilizers	242.2	28.6	243.5	29.1	1,403.4	34.2
ICL Industrial Products	62.8	17.3	71.3	19.1	297.7	19.7
ICL Performance Products	40.0	11.6	47.4	13.5	192.9	12.9
Others and setoffs	4.5		(1.8)		32.0	
Operating income (consolidated)	349.5		360.5		1,926.0	

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):

	1-3/2012	1-3/2011	2011
Sales			
Potash	51%	55%	59%
Phosphate	49%	45%	41%
Operating income			
Potash	82%	76%	84%
Phosphate	18%	24%	16%

Sales

Sales in the reporting period amounted to approximately USD 846.3 million, an increase of USD 10 million compared with the corresponding period last year.

The increase in sales stems mainly from an increase in the selling prices of the segment's products which led to an increase of approximately USD 57 million in sales, and from the first-time consolidation of the results of the companies acquired in 2011, which increased sales by USD 105 million. This increase was offset by a decrease in the quantities of potash and phosphate fertilizers sold, which led to a decrease of approximately USD 139 million in sales and by the adverse effect of changes in the exchange rate which led to a decrease in sales of approximately USD 13 million.

Profitability

Operating income in the segment in the reporting period amounted to USD 242.2 million, a decrease of USD 1.3 million compared with the corresponding period last year. The margin of operating income as a percentage of sales was 28.6%, compared with 29.1% last year.

The decrease in operating income is mainly due to a decrease in the sales quantities of potash and phosphate fertilizers of USD 64 million and an increase in the prices of inputs and other operating costs which reduced operating income by USD 6 million. In contrast, the decrease was offset by an increase in sales prices, particularly in the potash segment, in the amount of USD 51 million, as well as the first-time consolidation of the results of the companies acquired in the previous year in the amount of USD 16 million.

Potash

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

Potash – Revenue and profit

$ millions	1-3/2012	1-3/2011	1-12/2011
Revenue *	446.5	475.5	2,506.2
Operating income	199.1	182.1	1,182.0

* Including revenue from inter-segment sales

The decrease in revenues in the reporting period compared to the corresponding period of the previous year stems from the decrease in potash sales quantities which decreased sales by about USD 77 million. This decrease stems, inter alia, from the postponement of potash shipments to India and the delay in signing the semi-annual contract of the year with China, as well as sanctions and delays in the operations of the Israeli ports. The impact of the exchange rate changes also led to a decrease in sales in the amount of about USD 6 million. This decline was partially offset by an increase in potash prices which increased revenue by approximately USD 55 million.

The increase in the operating income stems mainly from the impact of the increased sales prices in the amount of about $50 million and from the decrease in other operating expenses which increased the operating income by about $16 million. This increase was offset by the decrease in sales quantities of potash which decreased the operating income by approximately $49 million.

Potash – Production, sales and closing inventories

Thousands of tons	1-3/2012	1-3/2011	2011
Production	1,212	748	4,261
Sales to external customers	850	987	4,904
Sales to internal customers	69	59	268
Total sales (including internal sales)	919	1,046	5,172
Closing inventory	992	1,312	699

The quantity of potash sold to external customers in the reporting period was lower by 137,000 tons in comparison with the corresponding period of the previous year, mainly because of the postponement in the first quarter of potash shipments to India and the delay in the signing of the semi-annual contract with China.

Toward the end of the quarter ICL Fertilizers signed agreements with its customers in China to supply 670,00 tons (including an optional 120,000 tons) in the first half of the year at a price of USD 470 CFR.

Production in the first quarter of 2012 was higher than production in the same quarter last year when potash production was harmed as a result of sanctions adopted by the employees' council at Dead Sea Works which caused immediate production losses of about 450,000 tons.

Geological studies carried out by CPL, a subsidiary in the ICL Fertilizers segment, indicate the existence of large-scale polyhalite (a mineral used in its natural form as fertilizer for agriculture whose commercial name is polysulphate) deposits, in quantities of over one billion tons beneath the potash layer in the Company's mine. ICL has started to conduct first sales of polyhalite in the European market. In addition, ICL Fertilizers has taken a number of marketing steps to promote the sales of this product in additional target markets.

Fertilizers and phosphates

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

Fertilizers and phosphates – Revenue and profit

$ millions	1-3/2012	1-3/2011	2011
Revenue *	429.8	383.7	1,705.9
Operating income	44.4	58.8	221.3

* Including revenue from inter-segment sales

The increase in revenues in the reporting period, compared to the corresponding period last year, is mainly due to the inclusion of the results of companies consolidated for the first time which increased income by about USD 105 million dollars and a price increase which increased sales by about USD 10 million. This increase was partially offset by a decrease in the quantity of phosphate fertilizers sold, which reduced sales by USD 62 million and by the effect of the change in the exchange rate which reduced sales by USD 6 million.

The decrease in operating profit in the reporting period compared with last year is mainly due to the decrease in sales quantities of phosphate fertilizers and phosphate rock which led to a decrease of USD 14 million and an increase in the prices of inputs and other operating costs which reduced operating income by USD 24 million. This decrease was offset by an increase in sales prices of USD 9 million and by the consolidation of the results of companies acquired in 2011 in the amount of USD 16 million.

Fertilizers and phosphates – Production and sales

Thousands of tons	1-3/2012	1-3/2011	2011
Phosphate rock			
Production of rock	876	793	3,105
Sales*	128	232	720
Phosphate rock used for internal purposes	598	636	2,454
Fertilizers			
Production	371	412	1,570
Sales*	329	486	1,638

* 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.

Production of phosphate rock in the first quarter of 2012 was lower than in the corresponding quarter last year, mainly as a result of the slowdown in sales and a temporary reduction in the availability of fertilizer production facilities.

3.2. ICL Industrial Products

Sales

Sales of ICL-IP in the reporting period reached approximately USD 362.5 million, a decrease of about USD 10.4 million compared with the corresponding period last year. The decrease is primarily due to a decrease in sales quantities which impacted sales by about $31 million, principally due to the reduced sales quantities of flame retardants which impacted sales by about USD 18 million. The decrease in sales was partially offset by a rise in selling prices of about USD 23 million.

Profitability

Operating income in the quarter totaled USD 62.8 million, compared with USD 71.3 million in the corresponding period last year.

The percentage of operating income from sales amounted to about 17.3% compared with operating income of 19.1% last year.

Operating income declined mainly as a result of a decline in quantities sold which contributed to a decline in profitability of USD 11 million, a rise in the prices of raw materials and energy of USD 8 million and a rise in other expenses, mainly maintenance expenses, which contributed to a decline of USD 12 million. In contrast, the decline was partially offset by a rise in selling prices and the impact of changes in the exchange rates on sales which contributed about USD 23 million to profitability.

3.3. ICL Performance Products

Sales:

Sales in this segment amounted to approximately USD 344.6 million, a decrease of USD 5.5 million compared with the corresponding period last year.

This decrease was due to a decrease in quantities sold which led to a decrease of USD 14 million and the impact of changes in the exchange rates which led to a decrease of USD 5 million. This decrease was partially offset by a rise in selling prices of some of the segment’s products which led to increased sales of USD 14 million.

Profitability

Operating income of the segment in the reporting period amounted to approximately USD 40 million, a decrease of about USD 7.4 million compared with the corresponding period last year. The decrease is mainly due to a rise in the prices of raw materials which led to a decrease of USD 11 million and to a decrease in quantities sold which led to a decrease of USD 9 million in operating income. This decrease was partially offset by a rise in selling prices which led to an increase of USD 14 million.

4. The Financial Position and Sources of Financing of ICL

At March 31, 2012, a decrease of USD 123 million was recorded in the net interest-bearing financial liabilities of ICL compared with the balance at the end of 2011, bringing the total to approximately USD 1,317 million.

ICL's sources of financing are short- and long-term loans, mostly from international banks, debentures issued to the public and to institutional investors in Israel and the USA, and customer securitization, in which some of the companies in the Group sell customer receivables in return for a credit facility. The total amount of the securitization framework and credit facility amounts to USD 350 million. At March 31, 2012, ICL had used USD 217 million of the securitization facility.

ICL also has long-term credit facilities of USD 1,325 million and 100 million Euros of which USD 820 million have not been used.

5. Cash Flow

Cash flow generated by operating activities in the reporting period amounted to USD 274.4 million, compared with USD 142 million in the corresponding period last year. Cash flow from operating activities in the previous year was affected by a one-time payment for income tax as part of the assessment agreement for 2004-2008 in the sum of USD 165 million. Cash flow from operating activities was the main source of net financing of investments of USD 128 million in property, plant and equipment, and of the decrease in financial liabilities net, as noted in section 4 above.

6. Investments

In the reporting period, investments in property, plant and equipment amounted to approximately USD 127.7 million, compared with about USD 82.9 million in the corresponding period last year. Most of the increase in investments stems from dynamic compacting of the dyke surrounding the evaporation pond of ICL Fertilizers at the Dead Sea and investments in a plan for a gradual increase of production capability in the Sodom plants and an upgrade of the logistics setup.

7. Human Resources

The total number of employees in ICL at March 31, 2012 was 11,996 compared with 11,135 on March 31, 2011, an increase of 861 employees. The increase in the number of employees is mainly due to the addition of human resources caused by the acquisition of companies worldwide as well as to the completion of investments in new facilities and increased production.

8. Market Risk – Exposure and Management

Base rates as at March 31, 2012:

Currency	Exchange rate
NIS/USD	0.26918
EUR/USD	1.33324
GBP/USD	1.59876
JPY/USD	0.01218
BRL/USD	0.54894
CNY/USD	0.15887

Update of sensitivity to changes in the exchange rates of balances in the statement of financial position at March 31, 2012:

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
USD/NIS	**(USD millions)**	**(USD millions)**	**(USD millions)**	**(USD millions)**	**(USD millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(6.7)	(3.3)	67.0	3.3	6.7
Short-term deposits and loans	(1.6)	(0.8)	16.1	0.8	1.6
Trade receivables	(7.0)	(3.5)	70.3	3.5	7.0
Receivables and debit balances	(3.4)	(1.7)	34.5	1.7	3.4
Long-term deposits and loans	(27.3)	(13.7)	273.3	13.7	27.3
Credit from banks and others	0.3	0.1	(2.6)	(0.1)	(0.3)
Trade payables	27.1	13.6	(271.3)	(13.6)	(27.1)
Other payables	20.4	10.2	(204.1)	(10.2)	(20.4)
Bank loans	6.6	3.3	(65.9)	(3.3)	(6.6)
Debentures	37.8	18.9	(378.1)	(18.9)	(37.8)
Options	(48.8)	(19.0)	2.3	21.9	53.0
Forward	(25.8)	(14.2)	1.3	15.0	31.7
Swap	(31.4)	(16.7)	11.5	17.6	37.5
Embedded derivative	(0.6)	(0.3)	1.1	0.3	0.6
Total	(60.4)	(27.1)	(444.6)	31.7	76.6

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
CPI	**(USD millions)**	**(USD millions)**	**(USD millions)**	**(USD millions)**	**(USD millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Long-term deposits and loans	7.4	3.7	74.2	(3.7)	(7.4)
Credit from banks and others	(0.3)	(0.1)	(2.5)	0.1	0.3
Other payables	(0.1)	0.0	(0.7)	0.0	0.1
Long-term bank loans	(6.6)	(3.3)	(65.9)	3.3	6.6
Fixed-interest debentures	(14.2)	(7.1)	(142.5)	7.1	14.2
CPI/USD swap	4.9	2.4	7.8	(2.4)	(4.9)
Forward	5.9	2.9	0.2	(2.9)	(5.9)
Embedded derivative	(0.4)	(0.2)	6.1	0.2	0.4
Total	(3.4)	(1.7)	(123.3)	1.7	3.4

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
EUR/USD	**(USD millions)**	**(USD millions)**	**(USD millions)**	**(USD millions)**	**(USD millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(6.6)	(3.3)	65.7	3.3	6.6
Short-term deposits and loans	(1.4)	(0.7)	13.6	0.7	1.4
Trade receivables	(38.5)	(19.2)	384.7	19.2	38.5
Receivables and debit balances	(1.9)	(1.0)	19.2	1.0	1.9
Long-term deposits and loans	(0.4)	(0.2)	3.9	0.2	0.4
Credit from banks and others	4.2	2.1	(42.2)	(2.1)	(4.2)
Trade payables	16.8	8.4	(168.3)	(8.4)	(16.8)
Other payables	15.5	7.7	(155.0)	(7.7)	(15.5)
Long-term bank loans	26.1	13.0	(260.7)	(13.0)	(26.1)
Options	4.8	2.1	1.4	(1.8)	(3.1)
Forward	28.2	13.4	(0.2)	(12.1)	(23.1)
Embedded derivative	(2.4)	(1.2)	3.9	1.2	2.4
Total	44.4	21.1	(134.0)	(19.5)	(37.6)

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
GBP/USD	**(USD millions)**	**(USD millions)**	**(USD millions)**	**(USD millions)**	**(USD millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(0.2)	(0.1)	1.6	0.1	0.2
Short-term deposits and loans	(1.0)	(0.5)	10.4	0.5	1.0
Trade receivables	(8.1)	(4.0)	80.8	4.0	8.1
Receivables and debit balances	0.0	0.0	(0.3)	0.0	0.0
Credit from banks and others	0.9	0.4	(8.7)	(0.4)	(0.9)
Trade payables	1.8	0.9	(17.8)	(0.9)	(1.8)
Other payables	1.9	0.9	(18.7)	(0.9)	(1.9)
Forward	(4.4)	(2.1)	0.5	1.9	3.6
Total	(9.1)	(4.5)	47.8	4.3	8.3

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
JPY/USD	**(USD millions)**	**(USD millions)**	**(USD millions)**	**(USD millions)**	**(USD millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(0.4)	(0.2)	3.9	0.2	0.4
Trade receivables	(1.9)	(1.0)	19.3	1.0	1.9
Receivables and debit balances	(0.1)	0.0	0.8	0.0	0.1
Long-term deposits and loans	0.0	0.0	0.2	0.0	0.0
Trade payables	0.3	0.2	(3.1)	(0.2)	(0.3)
Other payables	0.0	0.0	(0.3)	0.0	0.0
Options	1.6	0.7	0.6	(0.5)	(1.1)
Forward	2.1	1.1	0.0	(1.2)	(2.6)
Total	1.6	0.8	21.4	(0.7)	(1.6)

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
BRL/USD	**(USD millions)**	**(USD millions)**	**(USD millions)**	**(USD millions)**	**(USD millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(0.2)	(0.1)	1.9	0.1	0.2
Trade receivables	(0.9)	(0.4)	8.6	0.4	0.9
Receivables and debit balances	0.0	0.0	0.1	0.0	0.0
Trade payables	0.6	0.3	(6.5)	(0.3)	(0.6)
Other payables	0.1	0.0	(0.9)	0.0	(0.1)
Total	(0.4)	(0.2)	3.2	0.2	0.4

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
CNY/USD	**(USD millions)**	**(USD millions)**	**(USD millions)**	**(USD millions)**	**(USD millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(1.7)	(0.9)	17.4	0.9	1.7
Short-term deposits and loans	(0.2)	(0.1)	1.8	0.1	0.2
Trade receivables	(2.1)	(1.0)	20.8	1.0	2.1
Receivables and debit balances	(0.3)	(0.1)	2.7	0.1	0.3
Long-term deposits and loans	(0.1)	0.0	0.5	0.0	0.1
Credit from banks and others	0.3	0.1	(2.9)	(0.1)	(0.3)
Trade payables	0.7	0.3	(6.5)	(0.3)	(0.7)
Other payables	0.7	0.3	(6.5)	(0.3)	(0.7)
Long-term loans from banks	0.3	0.1	(2.6)	(0.1)	(0.3)
Total	(2.4)	(1.3)	24.7	1.3	2.4

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(USD millions)
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Hedging of marine transportation	4.5	2.3	(15.7)	(2.3)	(4.5)

Update of sensitivity to changes in the LIBOR interest rate at March 31, 2012:

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(USD millions)
Type of instrument	**Increase of 1%**	**Increase of 0.5%**		**Decrease of 0.5%**	**Decrease of 1%**
Fixed-interest debentures	1.9	1.0	(73.1)	(1.0)	(2.0)
Collar transactions	3.4	1.8	(4.7)	(2.0)	(2.6)
Swap transactions	10.2	5.2	(10.1)	(5.3)	(10.5)
NIS/USD swap	3.8	1.9	3.7	(2.0)	(3.9)
Total	19.3	9.9	(84.2)	(10.3)	(19.0)

Update of sensitivity to changes in the index interest rate at March 31, 2012:

Sensitivity to changes in the index interest rate	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(USD millions)
Type of instrument	**Increase of 1%**	**Increase of 0.5%**		**Decrease of 0.5%**	**Decrease of 1%**
Fixed-interest debentures	2.8	1.4	(142.5)	(1.4)	(2.9)
Long-term bank loans	3.6	1.8	(65.9)	(1.9)	(3.9)
CPI/USD swap	(0.9)	(0.4)	7.8	0.4	0.9
Total	5.5	2.8	(200.6)	(2.9)	(5.9)

Update of sensitivity to changes in the shekel interest rate at March 31, 2012:

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
Sensitivity to changes in the shekel interest rate	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(USD millions)
Type of instrument	**Increase of 1%**	**Increase of 0.5%**		**Decrease of 0.5%**	**Decrease of 1%**
Fixed-interest debentures	2.9	1.5	(207.9)	(1.5)	(3.0)
NIS/USD swap	(5.8)	(2.9)	5.4	2.9	5.9
Total	(2.9)	(1.4)	(202.5)	1.4	2.9

Update of positions in derivatives at March 31, 2012

Hedging transactions against the effect of changes in exchange rates on cash flow USD 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 USD thousands				
Forward	253,810		(158)	
Call options	47,815		(320)	
Put options	47,871		1,747	
JPY/USD in USD thousands				
Forward	23,265		(7)	
Call options	21,000		684	
Put options	21,000		(74)	
NIS/USD in USD thousands				
Forward		276,724		1,271
Call options		622,500		(7,401)
Put options		624,500		9,742
GBP/USD in USD thousands				
Forward		25,200		477
GBP/EUR in USD thousands				
Forward	51,728		(103)	
Other currencies				
Forward	10,180		8	
Hedging transactions against rise in ocean freight and energy prices – up to one year	45,951		(12,289)	
More than one year	20,460		(3,377)	
Swap contracts and futures contracts for the Company's liabilities				
Israeli shekel fixed to variable interest swap contract		70,175		1,694
Fixed interest shekel to dollar liability fixed-interest swap contract from fixed-interest shekel liability		38,892		7,823
Variable interest dollar liability swap contract from CPI-linked fixed interest liability – not recognized		91,782		2,498
Cash flow swap contract from fixed-interest shekel liability to fixed-interest dollar liability – recognized for accounting		178,553		1,247
Futures contract for CPI purchase – more than one year	53,836		196	

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

Interest-hedging transactions – for hedging against changes in variable interest rate (LIBOR) on dollar loans (in USD 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	100,000		361,262	48,000	(2,480)		(13,075)	5,425
Collars	50,000		170,000		(1,208)		(3,508)	

In swap transactions, the Company replaces the variable interest rate paid on loans received for fixed interest with rates between 1.4% and 4.3%. In cap and floor transactions, the Company fixes the float of variable interest loans in the range of 1% to 5.25%.

In 2009, the Company issued listed debentures amounting to NIS 1.6 billion. Some of these series are denominated in shekels, some are linked to the CPI and bear fixed interest, and some are linked to the USD (see section 5.3.5 in *Description of the Corporation's Business* at December 31, 2011).

For the CPI-linked shekel liabilities, the Company implemented derivatives transactions from shekel to dollar. The Company also implemented derivatives transactions to hedge most of its exposure to changes in the CPI.

In addition, during the third quarter of 2009 the Company invested in derivatives for hedging the exposure to changes in the cash flows of the expanded series 2 debentures, in respect of changes in the exchange rates of the shekel against the dollar. This hedging transaction was accounted for in the financial statements as accounting hedging. As a result of the accounting hedging, the Company recognized some of the changes in the fair value of the derivatives (loss of USD 5.1 million) in capital reserve.

None of the other hedging transactions made by the Company are accounted for as accounting hedges in the financial statements.

9. <u>Update on the description of the Company's business and material events during and after the balance sheet period</u>

9.1 On March 26, 2012, the board of directors of ICL resolved to distribute a cash dividend of USD 260 million (net dividend less the subsidiary's share is USD 259.5 million), which was distributed on April 30, 2012.

9.2 After the balance sheet date, on May 22, 2012, the Board of Directors of ICL resolved to distribute a cash dividend of USD 200 million (net dividend less the share of a subsidiary is USD 199.7 million), which will be distributed on June 26, 2012.

9.3 On January 1, 2012, the Israeli government approved the Finance Ministry's proposal regarding a permanent solution for the Dead Sea water level and royalties which was approved on December 28, 2011 by the Company's Board of Directors. On January 3, 2012, Adam Teva Ve Din – the Israel Union for Environmental Defense and the Movement for Quality Government in Israel petitioned the High Court of Justice for an order nisi and an interim injunction against the Government of Israel, the Ministry of Finance and Dead Sea Works in respect of the Government's decision. The Court set a date for a hearing on May 23, 2012 and did not deem it necessary to issue an interim injunction as requested by the petitioners. For additional details, see Section 4.1.18 A to the chapter *Description of the Corporation's Business* at December 31, 2011.

9.4 On January 26, 2012, the Yam Tethys partnership announced that it was forced to reduce the quantity of gas supplied by it, because of the dilution of the gas in the well. For additional details, see section 4.1.18 E to the chapter *Description of the Company's Business* at December 31, 2011 and Note 5(4) to the financial statements as at March 31, 2012.

9.5 On May 10, 2012 the court extended the deadline for receipt of the position of the parties regarding the proposed settlement of a class action filed against a subsidiary in the ICL-IP segment until July 1, 2012. For further details, see Note 24 C(3)(D) to the financial statements for 2011.

9.6 On January 5, 2012, the Company's CEO, Mr. Akiva Mozes, notified the Board of Directors, by arrangement with the chairman, Mr. Nir Gilad, that after 37 years in the Company, for 13 of which he served as CEO, he wished to resign from his position as CEO.

On March 4, 2012, the Board of Directors resolved to set up a committee to find a new CEO. The chairman of the committee is Nir Gilad, chairman of the board and the committee members are Messrs. Yossi Rosen and Yaakov Dior who is an external director. The committee members were selected, inter alia because of their longstanding familiarity with the Company and because of their vast experience of similar processes. Mr. Akiva Mozes was appointed as an observer of the committee's deliberations. The committee started its work, and for this purpose, engaged an international consulting firm which is assisting it in locating a suitable candidate.

On March 4, 2012, Mr. Nathan Dreyfuss, the Company's CFO, announced his desire to retire after 18 years in the Company. Mr. Dreyfuss retired from the Company on April, 30, 2012.

On March 4, 2012, the Company's board resolved as follows:

- To expand the responsibilities of CPA Avi Doitchman, Executive VP and CFO to cover the area of Strategy
- To appoint Adv. Yakir Menashe as VP Regulatory Affairs and Compliance
- To appoint CPA Amir Benita, Controller of ICL, as VP Accounting
- To appoint Mr. Michael Hazzan, CFO, as VP Finance
- To appoint Mr. Yehezkel Israel, VP Strategy and Business Development in the industrial products segments, to VP Business Development
- The four new VPs will report to Mr. Avi Doitchman.

9.7 On April 22, 2012, EMG, with which Dead Sea Works ("DSW") had entered into an agreement to supply natural gas to the power station which DSW was planning to construct at Sodom, announced that it had received a letter from Egyptian General Petroleum Corporation / Egyptian Natural Gas Holding Company ("EGPC/EGAS") which supplies natural gas to EMG, to the effect that, inter alia, EGPC/EGAS wished to cancel the natural gas supply agreement with between it and EMG. According to EMG's announcement, the cancellation notice it received is illegal and not in good faith and it is insisting on its demand that EGPC/EGAS cancel its notice. It is noted that under the agreement with EMG, DSW has the option of purchasing an additional quantity of gas until June 30, 2012. The Company and its legal counsel are reviewing EMG's announcement and the alternative courses of action available to it vis-à-vis EMG under their agreement. For further details, see Section 4.1.18 E to the chapter *Description of the Corporation's Business* at December 31, 2011.

9.8 ICL Fertilizers operates a power plant to produce electricity at Sodom and it also purchases electricity from IEC. After the balance sheet date, ICL's board authorized management to conduct negotiations to enter into an agreement with an external contractor for the construction of a new power plant at Sodom which would replace the existing one, subject to certain conditions to be determined by it. The new station, if constructed, will be a cogeneration natural gas-fired station designed to produce 250 MW and up to 330 tons of steam per hour which would supply all the electricity and steam requirements of the Sodom production facilities for the coming years.

9.9 On May 13, 2012, the Finance Committee discussed the financial statements at March 31, 2012 and formulated its recommendations for ICL's Board of Directors which were distributed to all the board members on May 17, 2012. The Committee's meeting was divided into two parts. In the first part, the Company's management reviewed the data from the financial statements and the way in which they were accounted. In the second part, at which only the board members serving as committee members were present, they held a discussion and formulated the committee's recommendations for the board. The committee members present at the meeting were: Prof. Yair Orgler, Dr. Miriam Haran, Victor Medina, Yaakov Dior, Ovadia Eli and Avraham (Beige) Shochat. The first part of the meeting was also attended by the members Nir Gilad, Yossi Rosen, Avisar Paz, Eran Sarig and Moshe Vidman. Both parts of the meeting were attended by CPA Zion Kesselman, the auditor, and the following officers: Akiva Mozes, Asher Grinbaum, Avi Doitchman, Eli Amit, Herzel Bar-niv, Lisa Haimovitz, Osi Sessler, Michael Hazzan, Yakir Menashe and Amir Benita (For details of the officers' duties, see the chapter, *Additional Details regarding the Corporation* in the 2011 periodic report).

On May 22, 2012 the board approved the financial statements. For proceedings instituted by the committee in order to formulate its recommendation, see sections 2.4 and 2.5 of Chapter D of the 2011 periodic report (Code of Ethics, Corporate Governance, Overall Control and Internal Audit).

9.10 For details of the Company's liabilities, see immediate report regarding liabilities by repayment date which was published by the Company on May 22, 2012 (ref. no. 2012-01-132054), the information contained therein is presented here by reference.

9.11 **Details pursuant to Regulation 10 (13) regarding a description of the debenture certificates which have been issued**

Series	Original issue date	Par value on issue date (NIS 000)	Par value balance in circulation (NIS 000)	Balance in the books (USD 000)	Accumulated interest (USD 000)	TASE value / fair value	Annual interest rate	Repayment dates of principal and interest	Trustee
A	April 27, 2009	452,350	452,350	132,896	1,882	142,463	3.4%	Principal – April 30, 2014. Interest – twice a year on October 31 of each of the years 2009 – 2013 and on April 30 of each of the years 2010 - 2014	Hermetic
B	April 27, 2009	60,700	60,700	16,339	357	17,151	5.25%	Principal – October 31, 2013. Interest – twice a year on October 31 of each of the years 2009 – 2012 and on April 30 of each of the years 2010 - 2013	Hermetic
B expanded	September 9, 2009	675,098	675,098	182,566	3,973	190,754	5.25%	The same dates as Series B	Hermetic
C	April 27, 2009	182,105	182,105	43,744	550	44,798	Libor + 2.4%	Principal – October 31, 2013. Interest – twice a year on October 31 of each of the years 2009 – 2013 and on April 30 of each of the years 2010 - 2013	Hermetic
C expanded	September 9, 2009	112,148	112,148	26,836	380	27,589	Libor + 2.4%	The same dates as Series C	Hermetic
D	September 9, 2009	99,871	99,871	26,833	172	27,781	Telbor + 1.45%	Principal – October 31, 2014. Interest – on the last day of January, April, July and October of each of the years 2010 - 2014	Clal Trusts

None of these series is material. Series A is linked to the CPI (base index March 2009). Series B, B expanded and D are in shekels. Series C and C expanded are in dollars. Series A, B and B expanded have fixed interest. The Company complies with all the terms of the debentures and trust deeds and was not required to take any action by the trustees. For the debenture rating report, see section 5.3.5 in *Description of the Corporation's Business* at December 31, 2011. Trustee details - Hermetic Trust (1975) Ltd. 113 Hayarkon Street Tel Aviv 63537, Telephone 03-5274867 (Contact: Dan Avnon), Clal Finance Trusts 2007 Ltd. 37 Menachem Begin Rd Tel Aviv 65220, Telephone 03 -6274848 (contact Adv. Yuval Likber).

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 22, 2012

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

TRANSLATION FROM THE HEBREW. THE BINDING VERSION IS THE ORIGINAL HEBREW VERSION

Israel Chemicals Ltd.

Condensed Consolidated Interim Financial Statements

As at March 31, 2012
(Unaudited)
In thousands of U.S. Dollars

Condensed Consolidated Interim Financial Statements as at March 31, 2012 (Unaudited)

Contents

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Review Report of the Independent Auditors to the Shareholders of Israel Chemicals Ltd.

Introduction

We have reviewed the accompanying financial information of Israel Chemicals Ltd. and its subsidiaries, including the condensed consolidated interim statement of financial position as at March 31, 2012 and the related condensed consolidated interim statements of income, other comprehensive income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and Management are responsible for preparation and presentation of this interim financial information in accordance with IAS 34 "*Interim Financial Reporting*", and are also responsible for preparation of the financial information for this interim period in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the financial information for this interim period based on our review.

Scope of Review

We conducted our review in accordance with Review Standard 1, "Review of Financial Information for Interim Periods Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of financial information for interim periods consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the abovementioned financial information is not prepared, in all material respects, in accordance with International Accounting Standard IAS 34.

In addition to that mentioned in the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the abovementioned financial information does not comply, in all material respects, with the disclosure requirements of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Somekh Chaikin
Certified Public Accountants (Isr.)

May 22, 2012

Condensed Consolidated Interim Statements of Financial Position as at

	March 31 2012	March 31 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Current assets			
Cash and cash equivalents	**245,347**	437,274	*284,477
Short-term investments, deposits and loans	**240,007**	*212,749	*189,770
Trade receivables	**1,314,038**	1,163,881	1,327,513
Other receivables and debit balances, including derivative Instruments	**187,061**	*193,620	181,531
Income taxes refundable	**45,059**	26,438	48,703
Inventories	**1,448,311**	1,171,543	1,410,930
Total current assets	**3,479,823**	3,205,505	3,442,924
Non-current assets			
Investments in associated companies	**35,747**	28,055	29,404
Long-term deposits and receivables	**299,197**	*212,697	270,732
Excess of assets over liabilities in respect of defined benefit plan	**75,477**	89,267	65,365
Long-term derivative instruments	**20,358**	36,212	18,229
Non-current inventories	**47,228**	51,204	48,795
Deferred taxes, net	**78,356**	109,971	85,356
Property, plant and equipment	**2,664,193**	2,281,194	2,575,988
Intangible assets	**754,639**	698,829	746,305
Total non-current assets	**3,975,195**	3,507,429	3,840,174
Total assets	**7,455,018**	6,712,934	7,283,098

	March 31 2012	March 31 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Current liabilities			
Credit from banks and others	**248,048**	183,077	367,148
Trade payables	**628,789**	571,159	665,028
Provisions	**43,421**	*48,267	47,178
Dividend payable	**259,547**	169,703	–
Other payables, including derivative instruments	**629,508**	568,141	629,385
Income taxes payable	**37,539**	46,375	44,784
Total current liabilities	**1,846,852**	1,586,722	1,753,523
Non-current liabilities			
Loans from banks and others	**1,069,785**	1,009,484	1,072,207
Debentures	**495,433**	517,228	485,470
Long-term derivative instruments	**19,731**	23,433	27,037
Deferred taxes, net	**177,686**	106,079	180,826
Employee benefits	**592,467**	590,477	579,560
Provisions	**79,148**	70,245	79,581
Total non-current liabilities	**2,434,250**	2,316,946	2,424,681
Total liabilities	**4,281,102**	3,903,668	4,178,204
Equity			
Share capital	**542,769**	542,055	542,377
Share premium	**101,485**	92,001	94,798
Capital reserves	**26,776**	79,909	884
Retained earnings	**2,733,202**	2,334,331	2,698,856
Treasury shares	**(260,113)**	(260,113)	(260,113)
Total equity attributable to the equity holders of the Company	**3,144,119**	2,788,183	3,076,802
Non-controlling interests	**29,797**	21,083	28,092
Total equity	**3,173,916**	2,809,266	3,104,894
Total liabilities and equity	**7,455,018**	6,712,934	7,283,098

* Reclassified.

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Nir Gilad	Akiva Mozes	Avi Doitchman
Chairman of the Board of Directors	Chief Executive Officer	Executive VP, CFO and Strategy

Date the financial statements were approved: May 22, 2012.

The notes to the condensed consolidated interim financial statements are an integral part thereof.

Condensed Consolidated Interim Statements of Income

	For the three month period ended		For the year ended
	March 31 2012	March 31 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Sales	**1,552,098**	1,528,296	7,067,834
Cost of sales	**940,683**	890,195	3,912,171
Gross profit	**611,415**	638,101	3,155,663
Selling, transportation and marketing expenses	**177,927**	192,994	870,616
General and administrative expenses	**67,343**	61,298	276,535
Research and development expenses, net	**18,878**	16,569	72,195
Other expenses	**381**	7,593	15,391
Other income	**(2,522)**	(850)	(5,039)
Operating income	**349,408**	360,497	1,925,965
Financing expenses	**31,366**	28,161	104,191
Financing income	**(13,950)**	(5,149)	(41,933)
Financing expenses, net	**17,416**	23,012	62,258
Share in income of associated companies, net of tax	**1,803**	4,307	8,001
Income before taxes on income	**333,795**	341,792	1,871,708
Taxes on income	**44,300**	61,156	348,692
Income for the period	**289,495**	280,636	1,523,016
Attributable to:			
Equity holders of the Company	**288,936**	279,735	1,511,821
Non-controlling interests	**559**	901	11,195
Income for the period	**289,495**	280,636	1,523,016
Earnings per share attributable to the holders of the Company:	**$**	**$**	**$**
Basic earnings per share	**0.228**	0.221	1.193
Diluted earnings per share	**0.227**	0.219	1.188

The notes to the condensed consolidated interim financial statements are an integral part thereof.

Condensed Consolidated Interim Statements of Other Comprehensive Income

	For the three month period ended		For the year ended
	March 31 2012	March 31 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Income for the period	**289,495**	280,636	1,523,016
Components of other comprehensive income			
Foreign currency translation differences with respect to foreign operations	**30,481**	41,123	(44,309)
Net change in fair value of financial assets available for sale	**–**	435	(3,756)
Actuarial gains (losses) from defined benefit plan	**7,696**	18,009	(41,460)
Change in fair value of derivatives used to hedge cash flows	**(2,740)**	(2,876)	(15)
Income tax on components of other comprehensive income	**(2,054)**	(3,175)	10,086
Other comprehensive income (loss) for the period, net of tax	**33,383**	53,516	(79,454)
Total comprehensive income for the period	**322,878**	334,152	1,443,562
Attributable to:			
Equity holders of the Company	**321,173**	333,771	1,432,743
Non-controlling interests	**1,705**	381	10,819
Total comprehensive income for the period	**322,878**	334,152	1,443,562

The notes to the condensed consolidated interim financial statements are an integral part thereof.

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to the equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve from foreign operations	Reserve from available for sale assets	Capital reserves	Treasury shares	Retained earnings	Total		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
For the three-month period ended March 31, 2012										
Balance as at January 1, 2012 (Audited)	**542,377**	**94,798**	**(52,982)**	**–**	**53,866**	**(260,113)**	**2,698,856**	**3,076,802**	**28,092**	**3,104,894**
Exercise of options allotted to employees	**392**	**6,687**	**–**	**–**	**(3,279)**	**–**	**–**	**3,800**	**–**	**3,800**
Share-based payments	**–**	**–**	**–**	**–**	**1,738**	**–**	**–**	**1,738**	**–**	**1,738**
Dividends to the equity holders	**–**	**–**	**–**	**–**	**–**	**–**	**(259,547)**	**(259,547)**	**–**	**(259,547)**
Tax benefit in respect of allotment of shares to employees	**–**	**–**	**–**	**–**	**153**	**–**	**–**	**153**	**–**	**153**
Comprehensive income for the period	**–**	**–**	**29,335**	**–**	**(2,055)**	**–**	**293,893**	**321,173**	**1,705**	**322,878**
Balance as at March 31, 2012 (Unaudited)	**542,769**	**101,485**	**(23,647)**	**–**	**50,423**	**(260,113)**	**2,733,202**	**3,144,119**	**29,797**	**3,173,916**

The notes to the condensed consolidated interim financial statements are an integral part thereof.

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to the equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve from foreign operations	Reserve from available for sale assets	Capital reserves	Treasury shares	Retained earnings	Total		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
For the three-month period ended March 31, 2011										
Balance as at January 1, 2011 (Audited)	541,858	90,675	(9,049)	2,427	44,166	(260,113)	2,210,143	2,620,107	21,123	2,641,230
Exercise of options allotted to employees	197	1,326	-	-	(1,523)	-	-	-	-	-
Share-based payments	-	-	-	-	4,072	-	-	4,072	-	4,072
Dividends to shareholders	-	-	-	-	-	-	(169,703)	(169,703)	(421)	(170,124)
Tax benefit in respect of allotment of shares to employees	-	-	-	-	(64)	-	-	(64)	-	(64)
Comprehensive income for the period	-	-	41,643	423	(2,186)	-	293,891	333,771	381	334,152
Balance as at March 31, 2011 (Unaudited)	542,055	92,001	32,594	2,850	44,465	(260,113)	2,334,331	2,788,183	21,083	2,809,266

The notes to the condensed consolidated interim financial statements are an integral part thereof.

Condensed Consolidated Interim Statements of Changes in Equity (cont'd)

	Attributable to the equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve from foreign operations	Reserve from available for sale assets	Capital reserves	Treasury shares	Retained earnings	Total		
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Balance as at January 1, 2011	541,858	90,675	(9,049)	2,427	44,166	(260,113)	2,210,143	2,620,107	21,123	2,641,230
Exercise of options allotted to employees	519	4,123	-	-	(4,548)	-	-	94	-	94
Share-based payments	-	-	-	-	15,476	-	-	15,476	-	15,476
Dividends to equity holders										
Tax benefit in respect of allotment of shares	-	-	-	-	-	-	(961,330)	(961,330)	(1,169)	(962,499)
to employees	-	-	-	-	(1,070)	-	-	(1,070)	-	(1,070)
Acquisition of additional rights in a subsidiary	-	-	-	-	-	-	(29,218)	(29,218)	-	(29,218)
Change in respect of options of proportionately consolidated company	-	-	-	-	-	-	-	-	(2,681)	(2,681)
Comprehensive income for the year	-	-	(43,933)	(2,427)	(158)	-	1,479,261	1,432,743	10,819	1,443,562
Balance as at December 31, 2011	542,377	94,798	(52,982)	-	53,866	(260,113)	2,698,856	3,076,802	28,092	3,104,894

The notes to the condensed consolidated interim financial statements are an integral part thereof.

Condensed Consolidated Interim Statements of Cash Flows

	For the three month period ended		For the year ended
	March 31 2012	**March 31 2011**	**December 31 2011**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	US$ thousands	**US$ thousands**	**US$ thousands**
Cash flows from operating activities			
Income for the period	**289,495**	280,636	1,523,016
Adjustments:			
Depreciation and amortization	**72,582**	54,893	267,440
Interest expenses, net	**7,121**	5,653	27,992
Share in income of associated companies, net of tax	**(1,803)**	(4,307)	(8,001)
Gain on sale of property, plant and equipment	**(172)**	(340)	(2,396)
Gain on securities classified as held for trade and available-for-sale	**–**	–	(4,535)
Share-based payment transactions	**1,738**	4,072	12,795
Revaluation of assets and liabilities denominated in foreign currency	**15,539**	9,578	(32,443)
Income tax expenses	**44,300**	61,156	348,692
	428,800	411,341	2,132,560
Change in inventories	**(25,866)**	14,013	(221,818)
Change in trade and other receivables	**(8,280)**	*(162,670)	(343,553)
Change in trade and other payables	**(61,481)**	80,535	182,491
Change in provisions and employee benefits	**2,610**	*(2,466)	(32,320)
	335,783	340,753	1,717,360
Income taxes paid	**(55,317)**	(197,482)	(422,083)
Interest received	**4,727**	6,206	23,699
Interest paid	**(10,785)**	(7,496)	(49,609)
Net cash provided by operating activities	**274,408**	141,981	1,269,367
Cash flows from investing activities			
Investment in long-term deposits	**(542)**	*-	(2,147)
Proceeds from sale of property, plant and equipment	**337**	1,296	5,526
Short-term deposits, net	**(47,734)**	*284,898	*285,345
Business combinations less cash acquired	**–**	(262,588)	(437,475)
Dividend received from associated companies	**2,191**	2,894	8,644
Acquisition of property, plant and equipment	**(127,686)**	(82,881)	(496,102)
Investment grants received	**–**	–	1,194
Acquisition of intangible assets	**(2,778)**	(3,978)	(17,983)
Sale of securities classified as available-for-sale	**–**	–	14,421
Investments and loans to associated companies	**(5,570)**	–	(1,617)
Proceeds from realization of long-term deposits	**836**	475	3,453
Net cash used in investing activities	**(180,946)**	(59,884)	(636,741)

*Reclassified.

The notes to the condensed consolidated interim financial statements are an integral part thereof.

Condensed Consolidated Interim Statements of Cash Flows (cont'd)

	For the three month period ended		For the year ended
	March 31 2012	March 31 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Cash flows from financing activities			
Proceeds from exercise of options allotted to employees	**3,800**	–	94
Dividend paid to Company's equity holders	**–**	(169,703)	(1,131,033)
Dividend paid to holders of non-controlling interests	**–**	(421)	(1,169)
Receipt of long-term loans	**28,004**	137,712	969,174
Repayment of long-term loans	**(63,523)**	(122,003)	(888,068)
Short-term credit from banks and others, net	**(103,474)**	108,836	308,673
Net cash used in financing activities	**(135,193)**	(45,579)	(742,329)
Net increase (decrease) in cash and cash equivalents	**(41,731)**	36,518	(109,703)
Cash and cash equivalents as at beginning of the period	**284,477**	400,914	400,914
Effect of exchange rate fluctuations on cash and cash equivalents	**2,601**	(158)	(6,734)
Cash and cash equivalents as at end of the period	**245,347**	437,274	*284,477

*Reclassified.

The notes to the condensed consolidated interim financial statements are an integral part thereof.

Note 1 - The Reporting Entity

Israel Chemicals Ltd. (hereinafter - "the Company" or "ICL"), is an Israeli-resident company that was incorporated in Israel and whose shares are traded on the Tel-Aviv Stock Exchange. The Company's registered office is 23 Aranha St., Tel-Aviv, Israel, and its subsidiaries and associated companies (hereinafter – "the Group") constitute a multi-national group operating primarily in the fertilizers and specialty chemicals sectors, in three main operating segments: fertilizers (including potash and phosphate products), industrial products and performance products. In addition, the Group has activities in a number of other segments. The Company is a subsidiary of Israel Corporation Ltd.

The Group's activities are based principally on natural resources – potash, bromine, magnesium and salt produced from the Dead Sea and phosphate rock mined from the State's southern region, all in accordance with concessions and licenses from the State of Israel. The activities are also based on potash and salt mines in the United Kingdom and Spain, as well as on lease agreements and licenses from the appropriate authorities in these countries. The Company is engaged in the extraction of these minerals and the sale thereof throughout the world, as well as in the development, manufacture and marketing of downstream derivative products based primarily on these raw materials. The Company and some of the Group companies were declared a monopoly with respect to some of the products they manufacture and/or sell in Israel.

The Group's main production facilities are located in Israel, Germany, the United States, the Netherlands, Spain, the United Kingdom, China, Brazil and France. In addition, the Group has additional production facilities in Austria, Belgium, Turkey, Argentina, Australia and Mexico.

The Group's activities outside of Israel are mainly in the manufacture of products using or based on the Group's activities in Israel or in related areas. About 93% of the Group's output is sold to customers outside of Israel.

Note 2 - Basis of Preparation of the Financial Statements

A. Declaration of compliance with International Financial Reporting Standards (IFRS)

The condensed consolidated interim financial statements were prepared in accordance with IAS 34, "Interim Financial Reporting" and do not include all of the information required in complete, annual financial statements. These statements should be read together with the financial statements as at and for the year ended December 31, 2011 (hereinafter – "the Annual Financial Statements"). In addition, these financial statements were prepared in accordance with the provisions of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The condensed consolidated interim financial statements were approved for publication by the Group's Board of Directors on May 22, 2012.

B. Functional currency and presentation currency

The United States dollar is the currency representing the main economic environment in which the Company operates and, accordingly, the dollar constitutes the functional and presentation currency in these financial statements. Currencies other than the dollar constitute foreign currency.

Note 2 - Basis of Preparation of the Financial Statements (cont'd)

C. Use of estimates and judgment

In preparation of the condensed financial statements in accordance with IFRS, Company management is required to use judgment when making estimates and assumptions that affect implementation of the policies and the amounts of assets, liabilities, income and expenses. It is clarified that the actual results are likely to be different from these estimates.

Management's judgment, at the time of implementing the Group's accounting policies and the main assumptions used in the estimates involving uncertainty, are consistent with those used in the annual financial statements.

In the period of the report, the Group examined the useful lives of its property, plant and equipment by making a comparison with the industry in which the Group operates, the level of maintenance of the facilities and the functioning of the facilities over the years. Based on this examination, it was found in a subsidiary, that the depreciation period of certain property, plant and equipment items is shorter than the remaining useful lives anticipated for them. On the basis of this evaluation, a change in the economic useful lives of those property, plant and equipment items in that subsidiary was made. As a result, the expected useful lives of these assets were lengthened to a period of 25-40 years from the beginning of the year.

The change in estimate is based on the Group's accumulated experience, and not on changes that took place in the assets or the business environment. A prior evaluation that gave rise to a change in the estimated useful lives of the Group's property, plant and equipment was made in 2007. This evaluation was also based on the experience accumulated by the Group.

The impact of the change in estimate on the annual anticipated depreciation expenses to be recorded to the cost of sales is about $9 million. The impact of the change in the period of the report is not significant.

Note 3 - Significant Accounting Policies

A. The Company's accounting policies in these condensed consolidated interim financial statements are the policies that were applied in the Annual Financial Statements as at December 31, 2011.

B. Indices and Exchange Rates

Data regarding the representative exchange rates and the CPI are as follows:

	Consumer Price Index	Dollar–NIS exchange rate	Dollar–Euro exchange rate
Rates of change for the three months ended:			
March 31, 2012	**0.4%**	**(2.8%)**	**(3.1%)**
March 31, 2011	0.7%	(1.9%)	(6.1%)
For the year ended December 31, 2011	2.2%	7.7%	3.3%

Note 4 - Business Segments

A. General

ICL is a multi-national enterprise, which operates mainly in the fields of fertilizers and specialty chemicals, in three reporting segments – fertilizers, performance products and industrial products. The segments are described below:

ICL Fertilizers – ICL Fertilizers extracts potash from the Dead Sea and mines and produces potash and salt from subterranean mines in Spain and in the UK. ICL Fertilizers processes the potash into its types and markets it throughout the world. This segment also uses part of the potash to produce complex fertilizers.

In addition, ICL Fertilizers mines and processes phosphate rock in open mines in the South, and produces sulphuric acid in Israel, agricultural phosphoric acid, phosphate fertilizers, compound fertilizers, based mainly on potash and phosphate, liquid fertilizers and soluble fertilizers. ICL Fertilizers also manufactures compound fertilizers in the Netherlands, Germany and Belgium, liquid fertilizers and soluble fertilizers in Spain, slow-release fertilizers and controlled-release fertilizers in the Netherlands and in the United States, and phosphate-based food additives for livestock, in Turkey and in Israel.

ICL Fertilizers markets its products worldwide, mainly in Europe, Brazil, India, China and Israel. The activities of ICL Fertilizers also include the activities of Mifalei Tovala Ltd., which is engaged in the transportation of cargo, mainly of ICL companies in Israel, since a large part of the Company’s activities consists of bulk transport of cargo of the ICL Fertilizers segment.

ICL Industrial Products – ICL Industrial Products produces bromine out of a solution that is created as a by-product of the potash production process in Sodom, as well as bromine-based compounds. ICL Industrial Products uses most of the bromine it produces for self-production of bromine compounds at production sites in Israel, the Netherlands and China. In addition, ICL Industrial Products extracts salt, magnesia and chlorine from Dead Sea brine, and produces chlorine based products in Israel and the United States. Also, ICL Industrial Products engages in the production and marketing of flame retardants and additional phosphorus-based products.

ICL Performance Products – ICL Performance Products cleans some of the agricultural phosphoric acid manufactured by ICL Fertilizers, purchases clean phosphoric acid from other sources and also manufactures thermal phosphoric acid. The clean phosphoric acid and the thermal phosphoric acid are used to manufacture downstream products with high added value, phosphate salts, which are also used as a raw material for manufacturing, food additives, hygiene products and flame-retardants and fire extinguishment products. ICL Performance Products also manufactures phosphorous derivatives based on phosphorous acquired from outside sources and manufactures specialty products, based on aluminum acids (hereinafter – “Aluminum”) and other raw materials. Manufacture of ICL’s performance products is mostly carried out at production sites in Europe, (particularly in Germany), the United States, Brazil, Israel, China, and other countries.

In addition to the segments detailed above, ICL has other activities, including, water desalinization (through a proportionately consolidated company) and production and marketing pure magnesium and magnesium alloys.

Note 4 - Business Segments (cont'd)

B. Information on business segments

	Fertilizers				Industrial	Performance	Other		
	Potash	Phosphate	Eliminations	Total	Products	Products	activities	Eliminations	Consolidated
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Three-month period ended March 31, 2012									
Sales to external parties	391,059	397,510	–	788,569	359,011	327,588	76,930	–	1,552,098
Inter-segment sales	55,396	32,302	(29,936)	57,762	3,449	17,025	11,586	(89,822)	–
Total sales	446,455	429,812	(29,936)	846,331	362,460	344,613	88,516	(89,822)	1,552,098
Income from ordinary activities	199,104	44,409	(1,336)	242,177	62,785	39,959	6,816		351,737
Unallocated expenses and intercompany eliminations									(2,329)
Operating income									349,408
Financing expenses									(31,366)
Financing income									13,950
Share in income of associated companies, net of tax									1,803
Income before taxes on income									333,795
Capital expenditures	72,658	17,608	-	90,266	30,217	10,595	2,445	-	133,523
Unallocated capital expenditures									117
Total capital expenditures									133,640
Depreciation and amortization	29,161	15,528	-	44,689	15,648	10,587	1,553	-	72,477
Unallocated depreciation and amortization									105
Total depreciation and amortization									72,582

Note 4 - Business Segments (cont'd)

B. Information on business segments

	Fertilizers				Industrial	Performance	Other		
	Potash	Phosphate	Eliminations	Total	Products	Products	activities	Eliminations	Consolidated
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Three-month period ended March 31, 2011									
Sales to external parties	429,432	346,200	–	775,632	368,374	332,706	51,584	–	1,528,296
Inter-segment sales	46,019	37,506	(22,506)	61,019	4,539	17,426	5,114	(88,098)	–
Total sales	475,451	383,706	(22,506)	836,651	372,913	350,132	56,698	(88,098)	1,528,296
Income from ordinary activities	182,091	58,826	2,586	243,503	71,346	47,428	4,344		366,621
Unallocated expenses and intercompany eliminations									(6,124)
Operating income									360,497
Financing expenses									(28,161)
Financing income									5,149
Share in income of associated companies, net of tax									4,307
Income before taxes on income									341,792
Capital expenditures	38,472	182,615	–	221,087	19,027	12,534	2,600	–	255,248
Unallocated capital expenditures									193
Total capital expenditures									255,441
Depreciation and amortization	20,600	9,806	–	30,406	14,059	8,695	1,642	–	54,802
Unallocated depreciation and amortization									91
Total depreciation and amortization									54,893

Note 4 - Business Segments (cont'd)

B. Information on business segments

	Fertilizers				Industrial	Performance	Other		
	Potash	Phosphate	Eliminations	Total	Products	Products	activities	Eliminations	Consolidated
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
2011:									
Sales to external customers	2,284,707	1,551,412	–	3,836,119	1,498,482	1,430,345	302,888	–	7,067,834
Inter-segment sales	221,451	154,493	(114,416)	261,528	14,532	64,475	40,992	(381,527)	–
Total sales	2,506,158	1,705,905	(114,416)	4,097,647	1,513,014	1,494,820	343,880	(381,527)	7,067,834
Income from ordinary activities	1,181,985	221,264	128	1,403,377	297,712	192,890	38,521		1,932,500
Unallocated expenses and intercompany eliminations									(6,535)
Operating income									1,925,965
Financing expenses									(104,191)
Financing income									41,933
Share in income of associated companies, net of tax									8,001
Income for the year before tax									1,871,708
Capital expenditures	241,707	404,513	–	646,220	117,156	133,782	11,096	–	908,254
Unallocated capital expenditures									701
Total capital expenditures									908,955
Depreciation and amortization	105,935	55,988	–	161,923	58,096	40,397	6,284	–	266,700
Unallocated depreciation and amortization									740
Total depreciation and amortization									267,440

Note 5 - Additional Information

(1) On March 26, 2012, the Company's Board of Directors decided to distribute a dividend in the amount of $260 million (the net dividend, less the share of a subsidiary, amounts to $259.5 million), about $0.20 per share. The dividend was distributed after the date of the report on April 30, 2012.

(2) Subsequent to the date of the report, on May 22, 2012, the Company's Board of Directors decided to distribute a dividend in the amount of $200 million (the net dividend, less the share of a subsidiary amount to $199.7 million), about $0.16 per share. The dividend will be distributed after the date of the report on June 26, 2012.

(3) During the period of the report 2,156,596 options were exercised for 1,604,957 of the Company's ordinary shares.
After exercise of the options, the Company's issued and paid-up share capital is 1,294,703,009 ordinary shares for NIS 1 par value.

(4) Further to Note 24A(9) to the financial statements as at December 31, 2011, on January 26, 2012, the Yam Thetys Partnership notified that it is forced to reduce the amount of gas it is supplying, due to depletion of the gas in the well, which it defined as an "Act of G-d", and therefore, unfortunately according to the details in the said announcement to ICL the gas in the Yam Thetys well will be exhausted during 2013.The rate of reduction of the supply of gas from Yam Thetys to ICL's plants between December 2011 and March 2012 amounted to about 40%. Subsequent to the date of the report, in April 2012, the rate of reduction amounted to 70%. As at the approval date of the financial statements, the amount of the reduction expected in the future is not known. ICL notified Yam Thetys that its notification does not meet the contractual requirements for declaration of an "Act of G-d", and that it demands to receive all the information and data, in accordance with its contractual right, in connection with the depletion in the reserve and that it expects from the partners in Yam Thetys to supply gas from other sources it owns. In addition, ICL, with the assistance of its legal advisors, is assessing all legal remedies available on the basis of the agreement with the Yam Thetys Group.

In addition, on April 22, 2012, East Mediterranean Gas S.A.E. (hereinafter – "EMG"), with which a subsidiary has signed an agreement for supply of natural gas to the power station it is considering to construct in Sdom, notified that it received a letter from Egyptian General Petroleum Corporation and Egyptian Natural Gas Holding Company ("EGPC/EGAS"), who are the suppliers of the natural gas to EMG, whereby, among other things, EGPC/EGAS request to cancel the gas supply agreement with EMG. In its notification, EMG contends that the cancellation notification it received, as stated, is not legally valid and lacks good faith and it continues to insist that EGPC/EGAS retract the cancellation notification. It is noted that in the agreement with EMG, the subsidiary was granted an option up to June 30, 2012 to acquire an additional quantity of gas.

The Company and its legal advisors are examining EMG's notification and the Company's possible courses of action vis-à-vis EMG based on the agreement between them.

Note 5 - Additional Information (cont'd)

(5) Further to Note 24C(4) to the financial statements as at December 31, 2011, in January, 2012 the Government approved the outline of the plan for the permanent solution for the rising level of pond 150 and made the decisions required by the outline, as stated above.

The total royalties paid to the Government by Dead Sea Works in 2011 and 2010, amounted to about $66 million and about $23 million, respectively. Subsequent to the date of the report, ICL paid additional royalties in respect of the said years, in the amount of about $32.5 million, as a result of agreements reached regarding an increase in the royalties' rate. With respect to all the amounts described above, provisions were included in the financial statements as at December 31, 2011.

(6) Regarding the rest of the contingent liabilities of the Company and the subsidiaries – see Note 24 to the Company's financial statements as at December 31, 2011.

<u>Translation from the Hebrew. The binding version is the original Hebrew version.</u>

Israel Chemicals Ltd.

Separate Interim Financial Information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970

Condensed Financial Data Related to the Company from the Condensed Consolidated Interim Financial Statements as at March 31, 2012 (Unaudited)

Separate Interim Financial Information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970
Condensed Financial Data Related to the Company from the Condensed Consolidated Financial Statements as at March 31, 2012

Contents

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To: The shareholders of Israel Chemicals Ltd.

Subject: Special auditors' report on separate financial data according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970 of Israel Chemicals Ltd. (hereinafter - the Company), as at March 31, 2012 and for the three month period then ended. The separate interim financial information is the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements 1, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of separate interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial information is not prepared, in all material respects, in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970.

Somekh Chaikin
Certified Public Accountants (Isr.)

May 22, 2012

Financial Data Related to the Company from the Condensed Consolidated Interim Financial Statements

Condensed Details of Interim Financial Position as at

	March 31 2012	March 31 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Current assets			
Cash and cash equivalents	**59,907**	269,885	70,025
Short-term investments, deposits and loans	**436**	14,532	421
Investee companies - current account	**526,980**	483,862	492,469
Other receivables, including derivative instruments	**2,908**	5,954	2,210
Income taxes refundable	**47,075**	5,951	8,755
Total current assets	**637,306**	780,184	573,880
Non-current assets			
Investments in investee companies	**3,400,460**	2,928,001	3,285,807
Long-term deposits and receivables	**7,589**	8,118	7,624
Loans to subsidiaries	**570,000**	440,000	570,000
Long-term derivative instruments	**20,358**	36,212	18,229
Deferred taxes, net	**8,449**	8,750	9,584
Property, plant and equipment	**922**	1,291	1,044
Total non-current assets	**4,007,778**	3,422,372	3,892,288
Total assets	**4,645,084**	4,202,556	4,466,168

	March 31 2012	March 31 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Current liabilities			
Credit from banks and others	**22,027**	101,784	22,106
Credit from investee companies	**203,852**	278,298	293,364
Dividend payable	**259,547**	169,703	-
Other payables, including derivative instruments	**36,515**	31,914	53,283
Total current liabilities	**521,941**	581,699	368,753
Non-current liabilities			
Loans from investee companies	**517,086**	346,522	561,482
Debentures	**428,433**	450,228	418,470
Long-term derivative instruments	**17,364**	18,990	25,171
Employee benefits	**16,141**	16,934	15,490
Total non-current liabilities	**979,024**	832,674	1,020,613
Total liabilities	**1,500,965**	1,414,373	1,389,366
Equity			
Share capital	**542,769**	542,055	542,377
Share premium	**101,485**	92,001	94,798
Capital reserves	**26,776**	79,909	884
Retained earnings	**2,733,202**	2,334,331	2,698,856
Treasury shares	**(260,113)**	(260,113)	(260,113)
Total equity attributable to the owners of the Company	**3,144,119**	2,788,183	3,076,802
Total liabilities and equity	**4,645,084**	4,202,556	4,466,168

Nir Gilad Chairman of the Board of Directors	Akiva Mozes Chief Executive Officer	Avi Doitchman Executive VP, CFO and Strategy

Approval date of the separate financial information: May 22, 2012.

The additional information attached to the condensed interim separate company financial information constitutes an integral part thereof.

Financial Data Related to the Company from the Condensed Consolidated Interim Financial Statements

Condensed Details of Interim Profit and Loss

	For the three-month period ended		For the year ended
	March 31 2012	**March 31 2011**	**December 31 2011**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	US$ thousands	**US$ thousands**	**US$ thousands**
Financing income	**5,960**	918	19,858
Expenses			
General and administrative	**11,821**	14,269	47,208
Financing	**11,719**	6,374	33,680
	23,540	20,643	80,888
Income from investee companies, net	**311,139**	304,470	1,580,674
Income before taxes on income	**293,559**	284,745	1,519,644
Taxes on income	**4,623**	5,010	7,823
Income for the period attributed to the owners of the Company	**288,936**	279,735	1,511,821

The additional information attached to the condensed interim separate company financial information constitutes an integral part thereof.

Financial Data Related to the Company from the Condensed Consolidated Interim Financial Statements

Condensed Details of Interim Comprehensive Income

	For the three-month period ended		For the year ended
	March 31 2012	March 31 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Income for the period attributed to the owners of the Company	**288,936**	279,735	1,511,821
Components of other comprehensive income			
Net change in fair value of financial assets available for sale	**-**	435	(3,756)
Change in fair value of derivatives used for hedging cash flows	**(2,740)**	(2,876)	(15)
Income taxes in respect of components of other comprehensive income	**685**	678	1,234
Other comprehensive income (loss) in respect of investee companies, net	**34,292**	55,799	(76,541)
Other comprehensive income (loss) for the period, net of tax	**32,237**	54,036	(79,078)
Total comprehensive income for the period attributed to the owners of the Company	**321,173**	333,771	1,432,743

The additional information attached to the condensed interim separate company financial information constitutes an integral part thereof.

Financial Data Related to the Company from the Condensed Consolidated Interim Financial Statements

Condensed Details of Interim Cash Flows

	For the three-month period ended		For the year ended
	March 31 2012	March 31 2011	December 31 2011
	US$ thousands	US$ thousands	US$ thousands
Cash flows from operating activities			
Income for the period	**288,936**	279,735	1,511,821
Adjustments:			
Depreciation and amortization	**87**	72	372
Interest expenses, net	**3,881**	5,262	17,908
Gain on realization of securities classified as available-for-sale	**-**	-	(4,535)
Capital loss on sale of property, plant and equipment	**12**	-	-
Income from investee companies	**(311,139)**	(304,470)	(1,580,674)
Share based payment transactions	**1,738**	4,072	15,476
Revaluation of assets and liabilities denominated in foreign currency	**(2,692)**	3,466	(741)
Income tax expense	**4,623**	5,010	7,823
	(14,554)	(6,853)	(32,550)
Change in other receivables	**(692)**	(1,627)	2,114
Change in trade and other payables	**(19,954)**	1,908	25,533
Change in employee benefits	**651**	1,183	(261)
	(34,549)	(5,389)	(5,164)
Income tax paid	**(40,345)**	(171,256)	(293,653)
Interest received	**364**	48	3,485
Interest paid	**(1,429)**	(901)	(20,079)
Net cash used in operating activities related to the Company	**(79,959)**	(177,498)	(315,411)
Net cash provided by operating activities related to investee companies	**230,516**	606,729	1,479,909
Net cash provided by operating activities	**154,557**	429,231	1,164,498
Cash flows from investing activities			
Sale of securities available-for-sale	**-**	-	14,421
Proceeds from sale of property plant and equipment	**24**	-	-
Acquisition of property, plant and equipment	**(1)**	(61)	(114)
Short term loans and deposits, net	**-**	143,414	143,414
Net cash provided by investing activities related to the Company	**23**	143,353	157,721
Net cash provided by (used in) investing activities related to investee companies	**(34,511)**	165,503	26,896
Net cash provided by (used in) investing activities	**(34,488)**	308,856	184,617
Cash flows from financing activities			
Proceeds from exercise of options issued to employees	**3,800**	-	94
Dividend paid	**-**	(169,703)	(1,131,033)
Repayment of long-term loans	**-**	(120,000)	(150,000)
Short-term credit from banks and others	**(79)**	(180,243)	(229,921)
Net cash provided by (used in) financing activities related to the Company	**3,721**	(469,946)	(1,510,860)
Net cash provided by (used in) financing activities related to investee companies	**(133,908)**	(113,938)	116,088
Net cash used in financing activities	**(130,187)**	(583,884)	(1,394,772)
Net increase (decrease) in cash and cash equivalents	**(10,118)**	154,203	(45,657)
Cash and cash equivalents as at the beginning of the period	**70,025**	115,682	115,682
Cash and cash equivalents as at the end of the period	**59,907**	269,885	70,025

The additional information attached to the condensed interim separate company financial information constitutes an integral part thereof.

Additional Information

Note 1 - General

The separate interim financial information is presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) - 1970, and does not include all the information required by Regulation 9C and the 10th Addendum to the Securities Regulations (Periodic and Immediate Reports) - 1970 regarding the separate financial information of a corporation. The information should be read in conjunction with the separate financial information as at and for the year ended December 31, 2011 and in conjunction with the condensed consolidated interim financial statements as at March 31, 2012.

In this interim financial information:

(1)	The Company	- Israel Chemicals Ltd.
(2)	Subsidiaries	- Companies, including partnerships, whose financial statements are fully consolidated, directly or indirectly, with the financial statements of the Company.
(3)	Investee companies	- Subsidiaries and companies, including partnerships or joint ventures, the Company's investment in which is included in the financial statements, directly or indirectly, on the equity basis.

Note 2 - Significant Accounting Principles Applied in the Condensed Consolidated Interim Financial Information

The accounting principles in this condensed interim financial information are in accordance with the accounting principles detailed in the separate financial information as at December 31, 2011.

Note 3 - Material Relationships, Commitments and Transactions with Investee Companies

A. On March 11, 2012, a dividend in the amount of $5.5 million was received from the subsidiary Tovala.

B. On March 20, 2012, a dividend in the amount of $8 million was received from a proportionately consolidated company, IDE.

C. On March 25, 2012, dividends in the amount of $180 million and $20 million were declared by the subsidiaries Dead Sea Works and Rotem Amfert Negev, respectively. The dividends were received after the date of the report, on April 30, 2012.

D. After the date of the report, on May 20, 2012, a dividend in the amount of $40 million was declared by the subsidiary Dead Sea Bromine.

E. After the date of the report, on May 21, 2012, dividends in the amount of $140 million and $30 million were declared by the subsidiaries Dead Sea Works and Rotem Amfert Negev, respectively.

Quarterly Report regarding Effectiveness of the Internal Control over the Financial Reporting and the Disclosure in accordance with Regulation 38C(a):

The management, under the supervision of the Board of Directors of Israel Chemicals Ltd. (hereinafter – "the Corporation"), is responsible for determining and maintaining proper internal control over the Corporation's financial reporting and disclosure.

Regarding this matter, the members of management are:

1. Akiva Mozes, CEO
2. Asher Grinbaum, Deputy CEO and COO
3. Nissim Adar, CEO of ICL Industrial Products
4. Dani Chen, CEO of ICL Fertilizers
5. Avi Doitchman, Executive Vice President, CFO and Strategy
6. Eli Amit, Senior VP of Economics
7. Asher Rapaport, Senior VP of Human Resources
8. Lisa Haimovitz, General Counsel and Company Secretary
9. Herzel Bar-Niv, VP of International taxation
10. Amir Benita, VP Accounting
11. Osnat Sessler, VP of Investor Relations and Communications
12. Michael Hazan, VP Finance
13. Yakir Menashe, VP Regulation and Compliance, Assistant to the CEO
14. Hezi Israel, VP Business Development and Strategy

Internal control over the financial reporting and disclosure includes the Corporation's existing controls and procedures, which were planned by the CEO and the most senior officer in the finance area or under their supervision, or by a party actually executing the said functions, under the supervision of the Corporation's Board of Directors, which were intended to provide a reasonable level of confidence regarding the reliability of the financial reporting and preparation of the financial statements in accordance with law, and to ensure that information the Corporation is required to disclose in the statements it publishes under law was gathered, processed, summarized and reported on the date and in the format prescribed by law.

The internal control includes, among other things, controls and procedures that were planned to ensure that information the Corporation is required to disclose, as stated, was accumulated and transferred to Corporation management, including to the CEO and to the most senior officer in the finance area or to a party actually executing the said functions, in order to enable making decisions at the appropriate time, with respect to the disclosure requirement.

Due to its inherent limitations, the internal control over the financial reporting and disclosure is not intended to provide complete assurance that a misrepresentation or omission of information in the statements will be avoided or discovered.

In the annual report regarding the effectiveness of internal control over financial reporting and disclosure which was attached to the periodic report for the period ended December 31, 2011 (hereinafter: the last annual report regarding internal controls), the Board of Directors and management assessed the internal controls of the Corporation. Based on that assessment, The Board of Directors and management of the Corporation concluded that the said internal controls are effective as of December 31, 2011 are effective.

Up to the date of the report, no event or matter came to the attention of the Board of Directors and management that would require a change in the evaluation of the internal controls, as was presented in the last annual report regarding internal controls.

As of the report date, based on the evaluation of the internal controls in the last annual report regarding internal controls, and based on the information that came to the attention of management and the Board of Directors as above, the internal controls are effective.

Date: May 22, 2012

Akiva Mozes Chief Executive Officer	Nir Gilad Chairman of the Board of Directors	Avi Doitchman Executive Vice President, CFO and Strategy

Declaration of the CEO in accordance with Regulation 38C(d)(1):

I, Akiva Mozes, declare that:

1. I have examined the quarterly report of Israel Chemicals Ltd. (hereinafter – "the Corporation") for the first quarter of 2012 (hereinafter – "the Statements");

2. As far as I am aware, the Statements do not include a misrepresentation of a material fact and they do not lack a material fact that is required so that the representations included therein, in light of the circumstances in which such representations were included, will not be misleading with reference to the period covered by the Statements;

3. As far as I am aware, the financial statements and other financial information included in the Statements properly reflect, in all material respects, the Corporation's financial position, results of operations and cash flows as at the dates and for the periods to which the Statements relate;

4. I have disclosed to the Corporation's auditors, Board of Directors and Audit and Financial Statements Committees, based on my most up-to-date estimation with respect to the internal control over the Corporation's financial reporting and disclosure:

   A) All the significant deficiencies and weaknesses in determination or operation of the internal control over the financial reporting and disclosure that might reasonably have an unfavorable impact on the Corporation's ability to gather, process, summarize or report financial information in such a manner that could cause doubt with respect to the reliability of the financial report and preparation of the financial statements in accordance with the provisions of law;

   and –

   B) Every fraud, whether or not significant, wherein the CEO is involved or a party under his direct supervision or other employees are involved that have a significant function in the internal control over the financial reporting and disclosure;

5. I, alone or together with others in the Corporation:

   A) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, which are designed to ensure that significant information relating to the Corporation including subsidiaries as defined in the Securities Law (annual financial statements), 2010, is brought to my attention by others in the Corporation and subsidiaries, particularly during the period of preparation of the Statements; and –

   B) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, which are designed to reasonably assure the reliability of the financial report and preparation of the financial statements in accordance with the provisions of law, including in accordance with generally accepted accounting principles (GAAP);

   C) No event or matter that happened during the period since the last reporting period and this reporting period has come to my attention, which would require a change in the conclusion by the Board of Directors and management in relation to the effectiveness of the internal controls over financial reporting and disclosure of the Corporation.

Nothing in that stated above detracts from my responsibility or the responsibility of any other person under any law.

Date: May 22, 2012

____

Akiva Mozes, CEO

Declaration of the most senior officer in the finance area in accordance with Regulation 38C(d)(2):

I, Avi Doitchman, declare that:

1. I have examined the financial statements and other financial information included in the interim financial statements of Israel Chemicals Ltd. (hereinafter – "the Corporation") for the first quarter of 2012 (hereinafter – "the Statements or the Interim Statements");

2. As far as I am aware, the interim financial statements and the other financial information included in the Interim Statements do not include a misrepresentation of a material fact and they do not lack a material fact that is required so that the representations included therein, in light of the circumstances in which such representations were included, will not be misleading with reference to the period covered by the Statements;

3. As far as I am aware, the interim financial statements and other financial information included in the Statements properly reflect, in all material respects, the Corporation's financial position, results of operations and cash flows as at the dates and for the periods to which the Statements relate;

4. I have disclosed to the Corporation's auditors, Board of Directors and Audit and Financial Statements Committees, based on my most up-to-date estimation with respect to the internal control over the Corporation's financial reporting and disclosure:

   A) All the significant deficiencies and material weaknesses in determination or operation of the internal control over the financial reporting and disclosure to the extent it relates to the financial statements and the other financial information included in the Statements, which could reasonably have an adverse impact on the Corporation's ability to gather, process, summarize or report financial information in such a manner that could cause doubt with respect to the reliability of the financial report and preparation of the financial statements in accordance with the provisions of law; and –

   B) Every fraud, whether or not significant, wherein the CEO is involved or a party under his direct supervision or other employees are involved that have a significant function in the internal control over the financial reporting and disclosure;

5. I, alone or together with others in the Corporation:

   A) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, which are designed to ensure that significant information relating to the Corporation including subsidiaries as defined in the Securities Law (annual financial statements), 2010, to the extent it is relevant to the financial statements and to other financial information included in the Statements is brought to my attention by others in the Corporation and subsidiaries particularly during the period of preparation of the Statements; and –

   B) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, which are designed to reasonably assure the reliability of the financial report and preparation of the financial statements in accordance with the provisions of law, including in accordance with generally accepted accounting principles (GAAP);

   C) No event or matter that happened during the period since the last reporting period and this reporting period has come to my attention, which would require a change in the conclusion by the Board of Directors and management in relation to the effectiveness of the internal controls over financial reporting and disclosure of the Corporation.

Nothing in that stated above detracts from my responsibility or the responsibility of any other person under any law.

Date: May 22, 2012

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Avi Doitchman,
Executive Vice President, CFO and Strategy