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 June 30, 2012

Below is the Directors' Report of Israel Chemicals Ltd. ("ICL" or "the Company") for the period ended June 30, 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 46% 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 24.5 million and positively upon its finance expenses by approximately USD 10 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 August, the US Department of Agriculture (USDA) published a report on the development of agricultural crops for the 2012/2013 agricultural year. Due to the hot and dry weather in agricultural regions in the United States, Russia and the Ukraine, estimates for the expected yield were lowered, resulting in a sharp increase, mainly in corn and soy prices, as well as in wheat prices. The above-mentioned drought and the increase in prices of agricultural produce are expected to increase fertilizer demand in the next fertilizing season.[1]

The report foresees another fall in the ratio of grain stocks to annual consumption to 18.85% at the end of the 2012/2013 agricultural year (compared with 20.48% at the end of the 2011/2012 agricultural year and 20.7% at the end of the 2010/2011agricultural year).

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.[2]

The second quarter of 2012 has been characterized by low demand in the potash market compared to the corresponding period last year, however there is an improvement compared to the first quarter of the year. Demand for potash was harmed by postponement of orders by importers in India and low demand in the United States and Europe. Despite the decrease in the demand in the potash market compared with the corresponding period last year, ICL Fertilizers' deliveries were higher than the corresponding period last year, mainly due to shipments to China and Brazil. Deliveries of the balance of the sales contracts with China and India and the continued strong demand in Brazil are expected to positively influence the third quarter of 2012.

Towards the end of the first quarter of 2012, several potash producers signed sale contracts in China for the first half of 2012, and shipments to this country resumed at an accelerated pace. The new contracts were closed at USD 470 per ton CFR, which is the same price as in the second half of 2011. ICL Fertilizers reached an agreement with its customers in China for a contractual quantity of 670

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1 Estimates regarding future trends in this section are forward-looking information and there is no certainty as to whether, when and at what pace they will be realized. They could change as a result of fluctuations in global and local markets, particularly in sites where ICL produces and in the target markets for ICL products, including changes in supply and demand, prices of products, commodities and grains, and they could also be affected by actions taken by governments, producers and consumers. The financial markets could also have a possible effect, including changes in exchange rates, credit conditions and interest rates.

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 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.

thousand tons (including an optional 120 thousand tons), for delivery in the first half of the year, under similar terms to those agreed with the other international potash suppliers. A new contract for the second half of the year has not yet been signed.

There was also a high demand for potash in Brazil; however, total imports were lower compared with last year.

In India, the change in the level of subsidies for fertilizers and the depreciation of the local currency against the dollar resulted in an increase in the retail price of potash and phosphate fertilizers to the farmer, which caused a decline in demand for these fertilizers in India. In the last three months, due to a decrease in local inventories and the approaching fertilizing season, there was a sharp increase in demand, notwithstanding the declarations of importers in India regarding severe and ongoing damage to demands if the price remains at the current level. The Company estimates that potash supply in with the framework of the potash contracts signed last year with customers in India is expected to end by the end of the third quarter of the year.[3]

The demand for phosphate fertilizers has shown a modest improvement compared to the corresponding quarter last year and improvement compared to the previous quarter. Closing of phosphate fertilizer supply contracts to India by DAP producers, at a price of USD 580 per ton of DAP towards the end of the first quarter, revived the market demand and set a base price for market transactions.

The operations of ICL-IP are largely affected by activities in markets for electronics, construction, automotive, oil drilling, furniture, pharmaceuticals, agriculture, textile and products for water treatment. The uncertainty that characterized the first half of 2012 resulted in a decrease in demand for bromine-based flame retardants, mainly in the electronics market. There are also indications of lower demand for bromine in China, alongside a decrease in selling prices. The decrease in gas prices in the United States have increased the use of gas instead of coal to generate electricity, leading to a reduction in the expected growth rate of the new product line, inorganic bromides for neutralization of mercury, which is designed to reduce mercury emitted by coal-fired power stations.

Most of the products of ICL-PP are strongly affected by the global economic situation, competition in target markets and fertilizer price volatility which affect the prices of ICL-PP's principal raw materials, as well as by the volatility of energy prices. In the reporting period, there was a continuation of the credit crisis in Europe, instability in the Middle East countries 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, the decline in fertilizer prices continued, which has impacted on competition in the phosphate-based product market.

Marine transportation expenses amount to about 7% 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 second quarter of 2012 stood at 1,016 points which represents a decline of 26% compared with the corresponding quarter of the previous year. The average index for the second quarter is 17% higher than the average in the first quarter of 2012, which was 867 points.

Energy costs account for approximately 8% 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. The percentage reduction in the supply of gas from Yam Tethys between the months of December 2011 until June 2012 amounts to 50%. In relation to the potential use during the second quarter, the reduction amounts to about 73%. For additional details, see note 5(6) to the financial statements for the period ended June 30, 2012.

1.3. This Directors' Report is attached to the interim financial statements for the period ended June 30, 2012. The Directors' Report is in condensed form for the period and assumes that the interim

[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 due to fluctuations in local markets in India, including changes in the level of supply and demand and prices of products, goods and grain, and they could also be affected by actions taken by governments, manufacturers and consumers. The financial markets could also have a possible effect, including changes in exchange rates, the credit conditions and interest rates.

financial statements for the period ended June 30, 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.

USD	1-6/2012		1-6/2011		4-6/2012		4-6/2011		2011	
	USD millions	% of sales	USD millions	% of sales	USD millions	% of sales	USD millions	% of sales	USD millions	% of sales
Sales	3,516.7		3,457.1		1,964.6		1,928.8		7,067.8	
Gross profit	1,464.1	41.6	1,508.9	43.6	852.7	43.4	870.8	45.1	3,155.7	44.6
Operating income	894.6	25.4	903.3	26.1	545.1	27.7	542.8	28.1	1,926.0	27.2
Pre-tax profit	853.1	24.3	867.6	25.1	519.3	26.4	525.8	27.3	1,871.7	26.5
Net earnings for Company shareholders	696.2	19.8	705.9	20.4	407.3	20.7	426.2	22.1	1,511.8	21.4
EBIDTA*	1,033.8	29.4	1,029.9	29.8	610.6	31.1	611.0	31.7	2,190.2	31.0
Cash flow from operating activities	637.6		426.2		363.2		284.3		1,269.4	
Investments in property, plant and equipment less grants	330.0		204.4		202.4		121.5		494.9	

* Calculated as follows, in millions of dollars:

	1-6/2012	1-6/2011	4-6/2012	4-6/2011	2011
Net earnings for Company shareholders	696.2	705.9	407.3	426.2	1,511.8
Depreciation and amortization	137.8	122.6	65.2	67.6	267.4
Financing expenses (revenues), net	46.0	44.3	28.6	21.3	62.3
Taxes on income	153.8	157.1	109.5	95.9	348.7
Total	1,033.8	1,029.9	610.6	611.0	2,190.2

2.2. Results of operations for January – June 2012

Sales

Sales of ICL in the reporting period amounted to approximately USD 3,516.7 million, compared with USD 3,457.1 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 121 million in sales, consolidation of companies and operations acquired in 2011 which increased sales by approximately USD 121 million. In contrast, this increase was partly offset by a decrease in quantities sold, which resulted in a decrease of about USD 98 million in sales and by the adverse impact of a change in the exchange rates (mainly the euro against the dollar), which led to a decrease in sales of approximately USD 84 million.

Below is a geographical breakdown of sales:

CIF sales	1-6/2012		1-6/2011		2011	
	USD millions	%	USD millions	%	USD millions	%
Israel	242.9	6.9	160.1	4.6	376.9	5.3
North America	624.5	17.8	720.1	20.8	1,362.6	19.3
South America	431.6	12.3	318.6	9.2	665.9	9.4
Europe	1,258.8	35.8	1,308.8	37.9	2,418.6	34.2
Asia	878.1	25.0	862.7	25.0	2,093.6	29.6
Other countries	80.8	2.3	86.8	2.5	150.2	2.1
Total	**3,516.7**	**100.0**	**3,457.1**	**100.0**	**7,067.8**	**100.0**

The breakdown of sales indicates an increase in sales in South America which amounted to 12% of the total sales of ICL in the first half, stemming primarily from the increase in sales of fertilizers to Brazil . This percentage is higher than the percentage in recent years and higher than the percentage in the corresponding period last year which was impacted by the work sanctions at the Sodom facilities. Sales in Israel also increased, which stems mainly from the rise in income from the erection of desalination facilities in Israel. In contrast the decline in sales in Europe and North America stemmed mainly from a decrease in sales of performance products and fertilizers, respectively. The decrease in sales in Europe also stemmed from changes in the euro-dollar exchange rate.

Gross profit

Gross profit amounted to USD 1,464.1 million, compared with a profit of USD 1,508.9 million in the corresponding period last year, a decrease of about USD 45 million. The gross profit margin as a percentage of sales amounted to about 41.6%, compared with about 43.6% 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 32 million, a rise in the prices of raw materials and energy which led to a decline of USD 79 million, a rise in other operating expenses which led to a decrease of USD 54 million and the effect of the changes in the exchange rates, which resulted in a decrease of USD 15 million. This decrease was partially offset by a rise in sale prices which led to an increase of USD 113 million and by the inclusion of the results of companies and operations acquired and consolidated for the first time in 2011 which increased gross profit by USD 30 million.

Sales and marketing expenses

Expenses for this item amounted to approximately USD 407 million, compared with USD 427 million in the corresponding period last year. The decrease stems mainly from a decline in transportation quantities which caused a decline of USD 24 million and a decline in transportation prices, which resulted in a decrease of USD 11 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 13 million.

General and administrative expenses

These expenses amounted to approximately USD 129.5 million, compared with USD 130.7 million in the corresponding period last year..

Research and development expenses

R&D expenses (net of grants from the Chief Scientist) amounted to approximately USD 38 million, an increase of USD 3.3 million compared with the corresponding period last year.

Operating income

Operating income amounted to approximately USD 894.6 million, a decrease of USD 8.8 million compared with the corresponding period last year. The decrease in operating income stems mainly from a decrease in gross profit, as noted above, offset by a decrease in selling and marketing expenses..
Operating income as a percentage of sales turnover is about 25.4%, compared with 26.1% last year.

Finance income/expenses

Finance expenses amounted to approximately USD 46 million, compared with expenses of approximately USD 44.3 million in the corresponding period last year. The increase in finance expenses in the reporting period compared with the corresponding period is mainly due to expenses in the period from transactions in financial derivatives and from a revaluation of short-term financial liabilities net in the amount of USD 22 million compared with expenses of USD 8 million in the previous year and from an increase of USD 10 million in net interest expenses as a result of the increase in net financial liabilities and an increase in the interest rate. In contrast, revenues were recognized in the period due to the revaluation of long-term liabilities (mainly pension) of USD 9 million compared to an expense of USD 13 million in the corresponding period last year.

Tax expenses

Expenses amounted to USD 153.8 million, compared to USD 157.1 million in the corresponding period last year. The tax rate on income before tax is 18% compared to 18.1% last year.

Net profit

Net profit for the shareholders of the Company amounted to approximately USD 696.2 million, compared with USD 705.9 million in the corresponding period last year.

2.2 Results of operations for April – June 2012

Sales

Sales of ICL in the reporting period amounted to approximately USD 1,964.6 million compared with USD 1,928.8 million in the corresponding period last year, an increase of 1.9%. This increase is mainly due to an increase in selling prices, which resulted in an increase of approximately USD 35 million in sales, an increase in quantities sold, which resulted in an increase of USD 56 million and consolidation for the first time of companies acquired in 2011, which increased total sales by USD 8 million. In contrast, this increase was partially offset by the adverse effect of changes in the exchange rate, which resulted in a decrease of USD 64 million in sales.

Below is a geographical breakdown of sales:

CIF sales	4-6/2012 USD million	4-6/2012 %	4-6/2011 USD million	4-6/2011 %
Israel	137.1	7.0	95.5	5.0
North America	329.2	16.8	415.8	21.6
South America	280.6	14.3	226.0	11.7
Europe	593.5	30.2	666.9	34.6
Asia	578.8	29.5	471.1	24.4
Other countries	45.4	2.3	53.5	2.8
Total	1,964.6	100.0	1,928.8	100.0

The breakdown of sales indicates an increase in sales in South America and Asia, mainly due to an increase in fertilizer sales. Sales in Israel also increased, mainly due to an increase in revenue from construction of desalination plants in Israel. In contrast, the decrease in sales in Europe and North America is mainly due to an increase in segment sales of performance products and fertilizers, respectively.

Gross profit

Gross profit amounted to USD 852.7 million, compared with a profit of USD 870.8 million in the corresponding period last year, a decrease of USD 18.1 million. The gross profit margin as a percentage of sales amounted to 43.4%, compared with 45.1% in the corresponding period last year.

The decrease in the gross profit margin compared with the corresponding period last year is mainly due to an increase in prices of raw materials and energy, which resulted in a decrease of USD 32 million, an increase in other operating expenses, which resulted in a decrease of USD 42 million, and from the effect of changes in the exchange rate, which resulted in a decrease of USD 11 million. This decrease was partially offset by the increase in selling prices, which resulted in an increase of USD 31 million and an increase in quantities sold, which resulted in an increase of USD 38 million.

Sales and marketing expenses

Selling and marketing expenses for amounted to USD 229.5 million, a decrease of USD 5 million compared with the corresponding period last year. The decrease is due mainly to a decrease in transportation prices.

General and administrative expenses

General and administrative expenses amounted to USD 62.2 million, a decrease of USD 7.2 million compared with the corresponding period last year. The decrease is mainly due to changes in the shekel-dollar exchange rate for salary expenses and the decrease in costs recognized for employee options.

Research and development expenses

R&D expenses amounted to USD 19.2 million, an increase of USD 1 million compared with the corresponding quarter last year.

Operating income

Operating income increased by USD 2.3 million compared with the corresponding period last year, reaching USD 545.1 million. The increase in operating income is mainly due to the decrease in selling and marketing expenses and general and administrative expenses as described above. This increase was partially offset by the decrease in gross profit as described above.
The operating income as a percentage of sales turnover is 27.7% compared with 28.1%% in the corresponding period last year.

Finance income/expenses

Net finance expenses amounted to USD 28.6 million in the reporting period compared with USD 21.3 million in the corresponding quarter last year. The increase in finance expenses in the reporting period compared to last year is mainly due to expenses in the period from transactions in financial derivatives and from revaluation of net short-term financial liabilities of USD 25 million compared with expenses of USD 0.3 million last year and due to an increase of USD 8 million in net interest expenses as a result of the increase in net financial liabilities and an increase in the rate of interest. In contrast, revenue was recognized in the period from revaluation of long-term liabilities (mainly pension) of USD 15 million compared with expenses of USD 9 million in the corresponding period last year.

Tax expenses

Expenses amounted to USD 109.5 million compared with USD 95.9 million in the corresponding period last year. The rate of pre-tax income is 21.1% compared with 18.2% last year.

The increase in the tax rate in the reporting period compared with the corresponding period last year is mainly due to the effect of changes in the dollar-shekel exchange rate in the period compared with the corresponding period last year, which resulted in an increase in the rate of corporate tax in Israel, due to differences in the measurement basis.

Net profit

Net profit for Company shareholders amounted to USD 407.3 million compared with USD 426.2 million in the corresponding period last year, a decrease of USD 18.9 million.

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	1-6/2012		1-6/2011		4-6/2012		4-6/2011	
by operating segment	USD millions	% of sales	USD millions	By operating segment	USD millions	% of sales	USD millions	% of sales
ICL Fertilizers	2,036.1	54.8	1,937.4	53.2	1,189.8	57.5	1,100.8	54.4
ICL Industrial Products	763.6	20.6	797.3	21.9	401.2	19.4	424.4	21.0
ICL Performance Products	721.7	19.4	758.4	20.8	377.0	18.2	408.2	20.2
Others and setoffs	(4.7)		(36.0)		(3.4)		(4.6)	
Total	**3,516.7**		**3,457.1**		**1,964.6**		**1,928.8**	

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	1-6/2012		1-6/2011		4-6/2012		4-6/2011	
	USD millions	% of segment sales	USD millions	% of segment sale t	USD millions	% of segment sale	USD millions	% of segment sale
ICL Fertilizers	652.0	32.0	622.5	32.1	409.9	34.4	379.0	34.4
ICL Industrial Products	144.9	19.0	158.3	19.9	82.1	20.5	87.0	20.5
ICL Performance Products	88.0	12.2	113.1	14.9	48.1	12.7	65.7	16.1
Others and setoffs	9.7		9.4		5.0		11.1	
Operating income (consolidate)	894.6		903.3		545.1		542.8	

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):

	1-6/2012	1-6/2011	4-6/2012	4-6/2011	2011
Sales					
Potash	56%	56%	59%	56%	59%
Phosphate	44%	44%	41%	44%	41%
Operating income					
Potash	84%	78%	85%	80%	84%
Phosphate	16%	22%	15%	20%	16%

Sales

Sales in the reporting period amounted to approximately USD 2,036.1 million, an increase of USD 98.7 million compared with the corresponding period last year, representing an increase of 5.1%.

The increase in sales stems mainly from a change in the selling prices, which led to an increase of approximately USD 76 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 partially offset by a decrease in the quantities of fertilizers and phosphate rock sold, which led to a decrease of approximately USD 33 million and by the effect of changes in the exchange rate (mainly of the euro against the dollar) which led to a decrease in sales of approximately USD 50 million.

The volume of sales in the segment in the quarter amounted to USD 1,189.8 million, an increase of USD 89 million compared to the corresponding period last year, representing an increase of 8.1%

The increase in sales turnover in the quarter is mainly due to an increase in sales quantities of segment products, which resulted in an increase of USD 107 million in sales and a change in selling prices, which resulted in an increase of USD 19 million in sales. This increase was partially offset by the effect of the change in the exchange rate (mainly the euro against the dollar), which resulted in a decrease of USD 37 million in sales.

Profitability

Operating income in the reporting period amounted to USD 652 million, an increase of USD 29.5 million compared with the corresponding period last year. The margin of operating income as a percentage of sales was about 32%, the same as in the corresponding period last year.

The increase in operating income is mainly due to the increase in selling prices of potash, which is partially offset by a decrease in selling prices of phosphate fertilizers and resulted in an increase of USD 72 million in operating income and from consolidation of companies acquired in the prior year which contributed USD 16 million. In contrast, there was an adverse effect on profit due to an increase in the prices of inputs and other operating expenses, which reduced operating income by USD 50 million, and a decrease in sales quantities that reduced operating income by USD 8 million.

Operating income in the segment amounted to approximately USD 409.9 million in the quarter, an increase of USD 30.9 million compared with the corresponding period last year. The percentage of operating income from sales amounted to 34.4%, similar to the corresponding period last year.

The increase in operating income in the quarter is mainly due to an increase in sales quantities of most of the segment products, which increased operating income by USD 53 million, an increase in selling prices of phosphate fertilizers, which contributed USD 19 million to operating income. This increase was partially offset by an increase in input prices and other operating expenses, which resulted in a decrease of USD 37 million and the change in the exchange rates which resulted in a decrease of about USD 3 million.

Potash

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

Potash – Revenue and profit

USD millions	1-6/2012	1-6/2011	4-6/2012	4-6/2011	2011
Revenue *	1,164.5	1,109.1	718.0	633.6	2,506.2
Operating income	547.8	487.4	348.7	305.3	1,182.0

* Including revenue from inter-segment sales

The increase in revenues in the reporting period compared to the corresponding period of the previous year stems from the increase of about USD 86 million in selling prices. In contrast, the effect of the change in the exchange rate, mainly the euro against the dollar, resulted in a decrease of USD 26 million in sales.

The increase in revenue in the second quarter compared with the corresponding period last year is due to the increase in potash quantities, which increased revenue by USD 73 million, and an increase in potash prices, which increased sales by USD 31 million. In contrast, the effect of the change in the exchange rate, mainly the euro against the dollar, resulted in a decrease of about USD 19 million in sales.

The increase in the operating income stems mainly from the impact of the increased sales prices in the amount of about USD 81 million. This increase was partially offset by the increase in input prices and other operating expenses, which decreased the operating income by approximately USD 17 million.

The increase in operating income in the quarter is due to the effect of an increase of USD 42 million in selling quantities and an increase of USD 29 million resulting from the increase of sales prices. This increase was partially offset by an increase of about USD 28 million in input prices and other operating expenses.

Potash – Production, sales and closing inventories

Thousands of tons	1-6/2012	1-6/2011	4-6/2012	4-6/2011	2011
Production	2,515	1,947	1,303	1,200	4,261
Sales to external customers	2,292	2,261	1,443	1,274	4,904
Sales to internal customers	139	136	69	78	268
Total sales (including internal sales)	2,431	2,397	1,512	1,352	5,172
Closing inventory	783	1,160	783	1,160	699

The quantity of potash sold to external customers in the reporting period was higher by 31,000 tons in comparison with the corresponding period of the previous year.

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

Production in the first half of 2011 was 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

USD millions	1-6/2012	1-6/2011	4-6/2012	4-6/2011	2011
Revenue *	930.2	886.1	500.4	502.4	1,705.9
Operating income	104.4	136.4	60.0	77.6	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. In contrast, the decrease in the quantities of fertilizers sold reduced revenue by USD 28 million, the decrease in selling prices of phosphate fertilizers reduced revenue by

USD 9 million and the effect of changes in the exchange rates, mainly the euro against the dollar, resulted in a decrease of USD 24 million in revenue.

Revenue in the quarter was similar to the corresponding period last year. Revenue in the quarter was mainly affected by a change in the selling prices of phosphate fertilizers, which reduced sales by USD 19 million and by changes in the exchange rate, mainly the euro against the dollar, which resulted in a decrease of USD 18 million in sales. In contrast, sales quantities of phosphate fertilizers increased by USD 34 million.

The decrease in operating income in the reporting period compared with last year is mainly due to the decrease of USD 8 million resulting from a change in selling prices of phosphate fertilizers and an increase in the prices of inputs and other operating costs which reduced operating income by USD 34 million. This decrease was partially offset by the consolidation of the results of companies acquired in 2011 in the amount of USD 16 million.

The decrease in operating income in the quarter compared with the corresponding quarter last year is mainly due to the decrease of USD 17 million resulting from a change in selling prices of phosphate fertilizers and an increase in input prices and other operating expenses, which resulted in a decrease of USD 8 million. The decrease was partially offset by the decrease in quantities of phosphate fertilizers sold, resulting in an increase of USD 11 million in operating income.

Fertilizers and phosphates – Production and sales

Thousands of tons	1-6/2012	1-6/2011	4-6/2012	4-6/2011	2011
Phosphate rock					
Production of rock	1,728	1,567	851	774	3,105
Sales*	291	398	163	167	720
Phosphate rock used for internal purposes	1,167	1,190	569	554	2,454
Fertilizers					
Production	755	816	384	404	1,570
Sales*	840	922	511	436	1,638

* To external customers

Phosphate rock is produced according to demand, both for internal uses and for sales to external customers.

3.2. ICL Industrial Products

Sales

Sales of ICL-IP in the first half of the year reached approximately USD 763.6 million, a decrease of about USD 33.7 million compared with the corresponding period last year. The decrease is primarily due to a decrease in sales quantities which impacted sales by about USD 56 million, principally due to the reduced sales quantities of flame retardants which impacted sales by about USD 42 million and due to the effect of changes in the exchange rate, which resulted in a decrease of USD 11 million. The decrease in sales was partially offset by a rise in selling prices of about USD 33 million.

In the second quarter of 2012, sales of ICL Industrial Products amounted to USD 401 million, a decrease of USD 23 million compared with the corresponding period last year. The decrease in sales is mainly due to the decrease in quantities sold, which resulted in a decrease of USD 25 million in sales, and due to the adverse effect of changes in the exchange rate, in an amount of USD 9 million. The decrease was partially offset by the increase of USD 11 million in selling prices.

Profitability

Operating income in the second half totaled USD 144.9 million, compared with USD 158.3 million in the corresponding period last year.

The percentage of operating income from sales amounted to about 19% compared with operating income of 19.9% last year.

Operating income in the first half declined mainly as a result of a decline in quantities sold and produced which contributed to a decline in profitability of USD 11 million, a rise in the prices of raw materials and energy of USD 18 million and a rise in other expenses, mainly salary, maintenance and outsourcing expenses, which contributed to a decline of USD 17 million. In contrast, the decline was partially offset by a rise in selling prices, which resulted in an increase of USD 33 million.

Operating income in the second quarter of 2012 amounted to USD 82 million, compared to operating income of USD 87 million in the corresponding period last year. In the second quarter of 2012, the rate of operating income from sales amounted to 20.5% similar to last year.

The decrease in operating income is mainly due to the increase of USD 10 million in prices of raw materials and energy and the increase of USD 6 million in other operating expenses. The decrease was partially offset by the increase in sales prices, which contributed to an increase of USD 11 million in profits.

3.3. ICL Performance Products

Sales:

Sales in this segment amounted to approximately USD 721.7 million in the reporting period, a decrease of USD 36.7 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 51 million and the impact of changes in the exchange rates which led to a decrease of USD 23 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 20 million and from consolidation for the first time of companies acquired in the second half of 2012, which increased sales by USD 16 million.

Sales in the second quarter of 2012 amounted to USD 377 million, a decrease of USD 31 million compared to the corresponding period last year.

The decrease is due to a decrease in quantities sold, which resulted in a decrease of USD 29 million and due to the negative effect of the change in the exchange rate in the amount of USD 18 million. The decrease was partially offset by an increase of USD 7 million in selling prices and by consolidation for the first time of companies acquired in 2011 and 2012, which increased sales by USD 8 million.

Profitability

Operating income of the segment in the reporting period amounted to approximately USD 88 million, a decrease of about USD 25 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 20 million and to a decrease in quantities sold which led to a decrease of USD 21 million in operating income and from the adverse effect of changes in the dollar-euro exchange rate in an amount of USD 3 million. This decrease was partially offset by a rise in selling prices which led to an increase of USD 20 million.

Segment operating income in the second quarter of 2012 amounted to USD 48 million, a decrease of USD 18 million compared with the corresponding period last year.

The decrease is due to a decrease in quantities sold, which resulted in a decrease of USD 10 million, and due to an increase of USD 9 million in prices of raw material and energy and the negative effect of changes in the exchange rate of the dollar-euro exchange rate, in the amount of USD 3 million. The decrease was partially offset by the increase in selling prices of some of the segment products, which resulted in an increase of USD 7 million in sales

4. The Financial Position and Sources of Financing of ICL

At June 30, 2012, a increase of USD 142 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 1,582 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 June 30, 2012, ICL had used USD 301 million of the securitization facility.

ICL also has long-term credit facilities of USD 1,325 million and EUR 100 million of which USD 670 million have not been used.

5. Cash Flow

Cash flow generated by operating activities in the reporting period amounted to USD 637.6 million, compared with USD 426.2 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 330 million in property, plant and equipment, and payment of a dividend amounting to USD 459 million.

6. Investments

In the reporting period, investments in property, plant and equipment amounted to approximately USD 330 million, compared with about USD 204.4 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 June 30, 2012 was 12,101 compared with 11,636 on June 30, 2011, an increase of 465 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 June 30, 2012:

Currency	Exchange rate
NIS/USD	0.25491
EUR/USD	1.25718
GBP/USD	1.56378
JPY/USD	0.01256
BRL/USD	0.48211
CNY/USD	0.15758

Update of sensitivity to changes in the exchange rates of balances in the statement of financial position at June 30, 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	(5.5)	(2.8)	55.3	2.8	5.5
Short-term deposits and loans	(2.4)	(1.2)	23.8	1.2	2.4
Trade receivables	(7.7)	(3.8)	76.8	3.8	7.7
Receivables and debit balances	(2.2)	(1.1)	22.5	1.1	2.2
Long-term deposits and loans	(29.2)	(14.6)	292.4	14.6	29.2
Credit from banks and others	0.3	0.1	(2.7)	(0.1)	(0.3)
Trade payables	30.3	15.2	(303.1)	(15.2)	(30.3)
Other payables	18.0	9.0	(179.9)	(9.0)	(18.0)
Bank loans	6.3	3.2	(63.4)	(3.2)	(6.3)
Debentures	35.5	17.7	(354.8)	(17.7)	(35.5)
Options	(72.2)	(32.0)	(10.0)	22.3	54.8
Forward	(24.0)	(12.6)	(1.5)	13.8	29.2
Swap	(29.1)	(15.3)	(4.9)	16.9	35.6
Embedded derivative	3.1	1.5	0.4	(1.5)	(3.1)
Total	**(78.8)**	**(36.7)**	**(449.1)**	**29.8**	**73.1**

	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	7.0	3.5	70.4	(3.5)	(7.0)
Credit from banks and others	(0.2)	(0.1)	(2.4)	0.1	0.2
Other payables	(0.1)	(0.0)	(0.7)	0.0	0.1
Long-term bank loans	(6.3)	(3.2)	(63.4)	3.2	6.3
Fixed-interest debentures	(13.4)	(6.7)	(133.7)	6.7	13.4
CPI/USD swap	4.6	2.3	5.4	(2.3)	(4.6)
Forward	5.6	2.8	(0.3)	(2.8)	(5.6)
Embedded derivative	6.1	3.0	9.9	(3.0)	(6.1)
Total	**3.3**	**1.6**	**(114.8)**	**(1.6)**	**(3.3)**

	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	(5.0)	(2.5)	50.0	2.5	5.0
Short-term deposits and loans	(1.7)	(0.9)	17.1	0.9	1.7
Trade receivables	(36.8)	(18.4)	367.7	18.4	36.8
Receivables and debit balances	(1.9)	(0.9)	18.6	0.9	1.9
Long-term deposits and loans	(0.4)	(0.2)	3.5	0.2	0.4
Credit from banks and others	1.0	0.5	(10.1)	(0.5)	(1.0)
Trade payables	15.5	7.7	(154.6)	(7.7)	(15.5)
Other payables	13.0	6.5	(130.4)	(6.5)	(13.0)
Long-term bank loans	25.4	12.7	(254.4)	(12.7)	(25.4)
Options	2.0	0.9	1.1	(0.8)	(1.4)
Forward	18.0	8.5	0.4	(7.7)	(14.7)
Embedded derivative	2.3	1.2	1.4	(1.2)	(2.3)
Total	**31.4**	**15.1**	**(89.7)**	**(14.2)**	**(27.5)**

	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	(0.3)	(0.2)	3.2	0.2	0.3
Short-term deposits and loans	(3.2)	(1.6)	31.7	1.6	3.2
Trade receivables	(6.3)	(3.1)	62.6	3.1	6.3
Receivables and debit balances	(0.3)	(0.1)	2.9	0.1	0.3
Credit from banks and others	4.4	2.2	(44.1)	(2.2)	(4.4)
Trade payables	1.7	0.8	(16.9)	(0.8)	(1.7)
Other payables	1.3	0.7	(13.2)	(0.7)	(1.3)
Forward	(8.2)	(3.9)	0.4	3.5	6.7
Total	**(10.9)**	**(5.2)**	**26.6**	**4.8**	**9.4**

	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	(0.5)	(0.2)	4.5	0.2	0.5
Trade receivables	(2.2)	(1.1)	21.7	1.1	2.2
Receivables and debit balances	(0.0)	(0.0)	0.1	0.0	0.0
Long-term deposits and loans	(0.0)	(0.0)	0.3	0.0	0.0
Trade payables	0.3	0.2	(3.1)	(0.2)	(0.3)
Other payables	0.1	0.0	(0.5)	(0.0)	(0.1)
Long-term bank loans	0.0	0.0	(0.1)	(0.0)	(0.0)
Options	1.2	0.5	0.0	(0.4)	(1.0)
Forward	1.6	0.8	(0.1)	(0.9)	(1.9)
Total	**0.5**	**0.2**	**22.8**	**(0.2)**	**(0.6)**

	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)	2.0	0.1	0.2
Trade receivables	(1.1)	(0.6)	11.0	0.6	1.1
Receivables and debit balances	(0.0)	(0.0)	0.1	0.0	0.0
Trade payables	0.6	0.3	(6.3)	(0.3)	(0.6)
Other payables	0.1	0.0	(0.9)	(0.0)	(0.1)
Total	**(0.6)**	**(0.4)**	**5.9**	**0.4**	**0.6**

	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	(2.0)	(1.0)	20.4	1.0	2.0
Short-term deposits and loans	(0.1)	(0.1)	1.2	0.1	0.1
Trade receivables	(1.7)	(0.9)	17.5	0.9	1.7
Receivables and debit balances	(0.3)	(0.2)	3.2	0.2	0.3
Credit from banks and others	0.3	0.1	(2.9)	(0.1)	(0.3)
Trade payables	1.1	0.6	(11.3)	(0.6)	(1.1)
Other payables	0.7	0.4	(7.3)	(0.4)	(0.7)
Long-term loans from banks	0.3	0.2	(3.2)	(0.2)	(0.3)
Total	**(1.7)**	**(0.9)**	**17.6**	**0.9**	**1.7**

Update of sensitivity of derivatives which are used to hedge the prices of marine transportation and energy to changes in the prices of marine transportation and energy at June 30, 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 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Hedging of marine transportation	2.9	1.4	(17.1)	(1.4)	(2.9)
Hedging of energy	3.1	1.6	(2.0)	(1.6)	(3.1)

Update of sensitivity to changes in the LIBOR interest rate at June 30, 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	1.8	0.9	(73.9)	(0.9)	(1.8)
Collar transactions	3.1	1.7	(4.6)	(2.0)	(2.2)
Swap transactions	9.2	4.7	(11.7)	(4.8)	(9.6)
NIS/USD swap	3.3	1.7	(10.4)	(1.7)	(3.4)
Total	**17.4**	**9.0**	**(100.6)**	**(9.4)**	**(17.0)**

Update of sensitivity to changes in the index interest rate at June 30, 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	2.3	1.2	(133.7)	(1.2)	(2.4)
Long-term bank loans	3.5	1.8	(63.4)	(1.8)	(3.8)
CPI/USD swap	(0.7)	(0.4)	5.4	0.4	0.7
Total	**5.1**	**2.6**	**(191.7)**	**(2.6)**	**(5.5)**

Update of sensitivity to changes in the shekel interest rate at June 30, 2012:

Sensitivity to changes in the shekel 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	2.4	1.2	(194.9)	(1.2)	(2.5)
NIS/USD swap	(4.6)	(2.3)	(8.5)	2.4	4.7
Total	**(2.2)**	**(1.1)**	**(203.4)**	**1.2**	**2.2**

Update of positions in derivatives at June 30, 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	162,150		362	
Call options	18,975		(54)	
Put options	18,975		1,127	
JPY/USD in USD thousands				
Forward	17,050		(57)	
Call options	17,000		216	
Put options	17,000		(185)	
NIS/USD in USD thousands				
Forward		257,800		(1,836)
Call options		701,500		(15,166)
Put options		715,500		5,238
GBP/USD in USD thousands				
Forward		73,413		395
GBP/EUR in USD thousands				
Forward	1,369		(144)	
Other currencies				
Forward	9,170		(150)	
Hedging transactions against rise in ocean freight and energy prices – up to one year	73,781		(14,985)	
More than one year	22,738		(4,128)	
Swap contracts and futures contracts for the Company's liabilities				
Israeli shekel fixed to variable interest swap contract		66,454		1,886
Fixed interest shekel to dollar liability fixed-interest swap contract from fixed-interest shekel liability		91,782		(2,828)
Fixed interest dollar liability swap contract from shekel-linked fixed interest liability – recognized		178,553		(7,539)
Cash flow swap contract from CPI-linked fixed interest liability variable-interest dollar liability – not recognized for accounting		38,892		5,420
Futures contract for CPI purchase – more than one year	50,981		(326)	

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	(2,097)		(15,234)	5,602
Collars	75,000		145,000		(1,335)		(3,300)	

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 (in the reporting period, a loss of about USD 1.6 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. Update on the description of the Company's business and material events during and after the balance sheet period

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 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 Subsequent to the balance sheet date, on August 14, 2012, the board of directors of the Company resolved to distribute a dividend to the shareholders amounting to USD 285 million (the net dividend, less the share of the subsidiary, is USD 284.5 million). The dividend will be distributed on September 12th,2012.

9.4 On January 1, 2012, the Israeli government approved an outline of principles for a permanent solution for the Dead Sea water level and royalties. 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. On May 24, 2012, the court dismissed the petition and ordered the petitioners to cover court costs. On July 8, 2012, the Government of Israel and Dead Sea Works signed an agreement that essentially anchors the outline of principle. For additional details, see Section 4.1.18 A to the chapter *Description of the Corporation's Business* at December 31, 2011.

9.5 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 depletion of the gas in the well. The subsidiary Dead Sea Works is taking steps to exercise its legal rights in accordance with this agreement. 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(6) to the financial statements as at June 30, 2012.

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 engaged an international consulting firm for assistance in locating and choosing a suitable candidate. The committee considered several candidates and will soon bring its recommendations to the Board of the Company.

9.7 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 and July 19,2012, 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.
- To appoint Adv. Lisa Haimovitz, previously General Counsel and Company Secretary, as VP General Counsel and Company Secretary

9.8 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 is going to construct at Sodom (See paragraph 9.9 below), 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.

On June 4, 2012, EMG informed DSW that the cancellation notice it received from EGPC/EGAS is final and that the agreement between them has been terminated. For further details, see Section 4.1.18 E to the chapter *Description of the Corporation's Business* at December 31, 2011.

9.9 ICL Fertilizers operates a power plant to produce electricity at Sodom and it also purchases electricity from IEC. On June 28, 2012, the subsidiary, DSW, signed agreements for a project to construct the new cogeneration station in Sodom. The station will be a dual-fuel plant with a production capacity of 330 tons of steam per hour and generating capacity of 250 MW of electricity, which will provide all the electricity and steam requirements of the production plants at the Sodom site in the coming years. The project is expected to begin in the third quarter of 2012 and to be completed in the second half of 2015. The cost of the project is estimated at USD 320 million.

9.10 Subsequent to the reporting date, on July 1, 2012, an amended application was filed at the court for approval of the settlement for the class action lawsuit filed against a subsidiary of ICL Industrial Products, after receiving approval from the Attorney General. For further details see Note 24C(3)(d) to the financial statements of 2011.

9.11 Subsequent to the reporting date, on July 8, 2012, the Ministry of Finance and the subsidiary DSW signed an agreement, which is an appendix to the Ministry of Finance's letter to DSW of December 2007, stating that DSW will bear 39.5% of the cost of the temporary defenses and protection of the Dead Sea shore ("the shore protection"). The appendix includes clarifications for a number of issues related to implementation and planning of the solution for protecting the Dead Sea shore. The rate of

DSW's participation in financing the defenses remains unchanged, as well as the assertion that the Dead Sea Preservation Government Company Ltd. is responsible for developing and implementing the shore protection project.

9.12 On August 9, 2012, the Finance Committee discussed the financial statements at June 30, 2012 and formulated its recommendations for ICL's Board of Directors which were distributed to all the board members on August 9, 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) ShochatThe first part of the meeting was also attended by the members Nir Gilad, Yossi Rosen, Avisar Paz, Eran Sarig, Moshe Vidman and Haim Erez.Both parts of the meeting were attended by CPA Anna Pelah, the auditor, Shlomo Ben-Shimol, the internal auditor and the following officers: Akiva Mozes, Avi Doitchman, Eli Amit, Herzel Bar-niv, Asher Rapoport, Hezi Israel, 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 August 14, 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).

9.13 For details of the Company's liabilities, see immediate report regarding liabilities by repayment dates which was published by the Company on August 14, 2012 (ref. no. 2012-01-210306), the information contained therein is presented here by reference.

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: August 14, 2012

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

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

Israel Chemicals Ltd.

Condensed Consolidated Interim Financial Statements

As at June 30, 2012
(Unaudited)
In thousands of U.S. Dollars

Condensed Consolidated Interim Financial Statements as at June 30, 2012 (Unaudited)

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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 June 30, 2012 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six-month and three-month periods 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 this interim financial information 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.)

August 14, 2012

Condensed Consolidated Interim Statements of Financial Position as at

	June 30 2012 (Unaudited) US$ thousands	June 30 2011 (Unaudited) US$ thousands	December 31 2011 (Audited) US$ thousands
Current assets			
Cash and cash equivalents	**249,890**	271,275	* 284,477
Short-term investments, deposits and loans	**223,267**	189,556	* 189,770
Trade receivables	**1,440,187**	1,411,827	1,327,513
Other receivables and debit balances, including derivative instruments	**185,565**	*226,634	181,531
Income taxes refundable	**37,818**	14,367	48,703
Inventories	**1,336,617**	1,233,406	1,410,930
Total current assets	**3,473,344**	3,347,065	3,442,924
Non-current assets			
Investments in associated companies	**35,072**	31,898	29,404
Long-term deposits and receivables	**316,144**	235,677	270,732
Excess of assets over liabilities in respect of defined benefit plan	**64,065**	84,001	65,365
Long-term derivative instruments	**14,867**	45,176	18,229
Non-current inventories	**58,824**	53,174	48,795
Deferred taxes, net	**84,168**	111,271	85,356
Property, plant and equipment	**2,780,728**	2,400,325	2,575,988
Intangible assets	**730,490**	833,177	746,305
Total non-current assets	**4,084,358**	3,794,699	3,840,174
Total assets	**7,557,702**	7,141,764	7,283,098

	June 30 2012	June 30 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Current liabilities			
Credit from banks and others	**380,944**	341,946	367,148
Trade payables	**641,481**	722,621	665,028
Provisions	**45,468**	*60,423	47,178
Other payables, including derivative instruments	**551,784**	495,984	629,385
Income taxes payable	**27,511**	80,899	44,784
Total current liabilities	**1,647,188**	1,701,873	1,753,523
Non-current liabilities			
Loans from banks and others	**1,205,790**	1,046,794	1,072,207
Debentures	**478,011**	526,350	485,470
Long-term derivative instruments	**34,082**	29,092	27,037
Deferred taxes, net	**222,800**	104,080	180,826
Employee benefits	**581,518**	601,796	579,560
Provisions	**79,171**	79,895	79,581
Total non-current liabilities	**2,601,372**	2,388,007	2,424,681
Total liabilities	**4,248,560**	4,089,880	4,178,204
Equity			
Share capital	**542,769**	542,162	542,377
Share premium	**101,485**	92,683	94,798
Capital reserves	**(25,383)**	99,074	884
Retained earnings	**2,922,643**	2,553,748	2,698,856
Treasury shares	**(260,113)**	(260,113)	(260,113)
Total equity attributable to the equity holders of the Company	**3,281,401**	3,027,554	3,076,802
Non-controlling interest	**27,741**	24,330	28,092
Total equity	**3,309,142**	3,051,884	3,104,894
Total liabilities and equity	**7,557,702**	7,141,764	7,283,098

* Reclassified

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

Date the financial statements were approved: August 14, 2012.

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

Condensed Consolidated Interim Statements of Income

	For the six month period ended		For the three month period ended		For the year ended
	June 30 2012	June 30 2011	June 30 2012	June 30 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Sales	**3,516,719**	3,457,138	**1,964,621**	1,928,842	7,067,834
Cost of sales	**2,052,596**	1,948,262	**1,111,913**	1,058,067	3,912,171
Gross profit	**1,464,123**	1,508,876	**852,708**	870,775	3,155,663
Selling, transportation and marketing expenses	**407,468**	427,487	**229,541**	234,493	870,616
General and administrative expenses	**129,530**	130,696	**62,187**	69,398	276,535
Research and development expenses, net	**38,058**	34,760	**19,180**	18,191	72,195
Other expenses	**699**	13,450	**318**	5,857	15,391
Other income	**(6,187)**	(850)	**(3,665)**	-	(5,039)
Operating income	**894,555**	903,333	**545,147**	542,836	1,925,965
Financing expenses	**69,133**	56,130	**37,767**	27,969	104,191
Financing income	**(23,149)**	(11,845)	**(9,199)**	(6,696)	(41,933)
Financing expenses, net	**45,984**	44,285	**28,568**	21,273	62,258
Share in income of associated companies, net of tax	**4,516**	8,565	**2,713**	4,258	8,001
Income before taxes on income	**853,087**	867,613	**519,292**	525,821	1,871,708
Taxes on income	**153,794**	157,076	**109,494**	95,920	348,692
Income for the period	**699,293**	710,537	**409,798**	429,901	1,523,016
Attributable to:					
Equity holders of the Company	**696,198**	705,904	**407,262**	426,169	1,511,821
Non-controlling interests	**3,095**	4,633	**2,536**	3,732	11,195
Income for the period	**699,293**	710,537	**409,798**	429,901	1,523,016
Earnings per share attributable to the equity holders of the Company:	**$**	**$**	**$**	**$**	**$**
Basic earnings per share	**0.548**	0.557	**0.321**	0.336	1.193
Diluted earnings per share	**0.548**	0.554	**0.321**	0.334	1.188

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

Condensed Consolidated Interim Statements of Comprehensive Income

	For the six month period ended		For the three month period ended		For the year ended
	June 30 2012	June 30 2011	June 30 2012	June 30 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Income for the period	**699,293**	710,537	**409,798**	429,901	1,523,016
Components of other comprehensive income					
Foreign currency translation differences with respect to foreign operations	**(25,002)**	63,491	**(55,483)**	22,368	(44,309)
Net change in fair value of financial assets available for sale	**-**	(3,756)	**-**	(4,191)	(3,756)
Actuarial gains (losses) from defined benefit plan	**(15,977)**	3,008	**(23,673)**	(15,001)	(41,460)
Change in fair value of derivatives used to hedge cash flows	**(1,568)**	(6,782)	**1,172**	(3,906)	(15)
Income tax on components of other comprehensive income	**3,158**	2,013	**5,212**	5,188	10,086
Other comprehensive income (loss) for the period, net of tax	**(39,389)**	57,974	**(72,772)**	4,458	(79,454)
Total comprehensive income for the period	**659,904**	768,511	**337,026**	434,359	1,443,562
Attributable to:					
Equity holders of the Company	**656,580**	764,135	**335,407**	430,364	1,432,743
Non-controlling interest	**3,324**	4,376	**1,619**	3,995	10,819
Total comprehensive income for the period	**659,904**	768,511	**337,026**	434,359	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 equity holders of the Company							Non-controlling interest	Total equity
	Share capital	Share premium	Translation reserve from foreign operations	Capital reserves	Treasury shares	Retained earnings	Total		
	(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
For the six-month period ended June 30, 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	-	-	-	3,306	-	-	3,306	-	3,306
Dividends to equity holders	-	-	-	-	-	(459,200)	(459,200)	(3,675)	(462,875)
Tax benefit in respect of allotment of shares to employees	-	-	-	113	-	-	113	-	113
Comprehensive income for the period	-	-	(25,231)	(1,176)	-	682,987	656,580	3,324	659,904
Balance as at June 30, 2012 (Unaudited)	542,769	101,485	(78,213)	52,830	(260,113)	2,922,643	3,281,401	27,741	3,309,142

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

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to equity holders of the Company								Non-controlling interest	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 six-month period ended June 30, 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	304	2,008	-	-	(2,312)	-	-	-	-	-
Share-based payments	-	-	-	-	7,845	-	-	7,845	-	7,845
Dividends to equity holders	-	-	-	-	-	-	(364,363)	(364,363)	(1,169)	(365,532)
Tax benefit in respect of allotment of shares to employees	-	-	-	-	(170)	-	-	(170)	-	(170)
Comprehensive income for the period	-	-	63,748	(2,427)	(5,154)	-	707,968	764,135	4,376	768,511
Balance as at June 30, 2011 (Unaudited)	542,162	92,683	54,699	-	44,375	(260,113)	2,553,748	3,027,554	24,330	3,051,884

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 equity holders of the Company							Non-controlling interest	Total equity
	Share capital	Share premium	Translation reserve from foreign operations	Capital reserves	Treasury shares	Retained earnings	Total		
	(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
For the three-month period ended June 30, 2012									
Balance as at April 1, 2012	**542,769**	**101,485**	**(23,647)**	**50,423**	**(260,113)**	**2,733,202**	**3,144,119**	**29,797**	**3,173,916**
Share-based payments	**-**	**-**	**-**	**1,568**	**-**	**-**	**1,568**	**-**	**1,568**
Dividends to equity holders	**-**	**-**	**-**	**-**	**-**	**(199,653)**	**(199,653)**	**(3,675)**	**(203,328)**
Tax benefit in respect of allotment of shares to employees	**-**	**-**	**-**	**(40)**	**-**	**-**	**(40)**	**-**	**(40)**
Comprehensive income for the period	**-**	**-**	**(54,566)**	**879**	**-**	**389,094**	**335,407**	**1,619**	**337,026**
Balance as at June 30, 2012	**542,769**	**101,485**	**(78,213)**	**52,830**	**(260,113)**	**2,922,643**	**3,281,401**	**27,741**	**3,309,142**

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 equity holders of the Company								Non-controlling interest	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 June 30, 2011										
Balance as at April 1, 2011	542,055	92,001	32,594	2,850	44,465	(260,113)	2,334,331	2,788,183	21,083	2,809,266
Exercise of options allotted to employees	107	682	-	-	(789)	-	-	-	-	-
Share-based payments	-	-	-	-	3,773	-	-	3,773	-	3,773
Dividends to equity holders	-	-	-	-	-	-	(194,660)	(194,660)	(748)	(195,408)
Tax benefit in respect of allotment of shares to employees	-	-	-	-	(106)	-	-	(106)	-	(106)
Comprehensive income for the period	-	-	22,105	(2,850)	(2,968)	-	414,077	430,364	3,995	434,359
Balance as at June 30, 2011	542,162	92,683	54,699	-	44,375	(260,113)	2,553,748	3,027,554	24,330	3,051,884

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 equity holders of the Company								Non-controlling interest	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
For the year ended December 31, 2011										
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	-	-	-	-	-	-	(961,330)	(961,330)	(1,169)	(962,499)
Tax benefit in respect of allotment of shares to employees	-	-	-	-	(1,070)	-	-	(1,070)	-	(1,070)
Acquisition of additional rights in 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 six month period ended June 30 2012	For the six month period ended June 30 2011	For the three month period ended June 30 2012	For the three month period ended June 30 2011	For the year ended December 31 2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Cash flows from operating activities					
Income for the period	**699,293**	710,537	**409,798**	429,901	1,523,016
Adjustments:					
Depreciation and amortization	**137,826**	122,566	**65,244**	67,673	267,440
Interest expenses, net	**21,042**	10,462	**13,921**	4,809	27,992
Share in income of associated companies, net of tax	**(4,516)**	(8,565)	**(2,713)**	(4,258)	(8,001)
Loss (gain) on sale of property, plant and equipment	**(223)**	(33)	**(51)**	307	(2,396)
Gain on securities classified as held for trading and available-for-sale	**-**	(4,535)	**-**	(4,535)	(4,535)
Share-based payment transactions	**3,306**	7,845	**1,568**	3,773	12,795
Revaluation of assets and liabilities denominated in foreign currency	**(16,008)**	(542)	**(31,547)**	(10,120)	(32,443)
Income tax expenses	**153,794**	157,076	**109,494**	95,920	348,692
	994,514	994,811	**565,714**	583,470	2,132,560
Change in inventories	**52,486**	(23,528)	**78,352**	(37,541)	(221,818)
Change in trade and other receivables	**(169,331)**	(382,938)	**(161,051)**	(220,268)	(343,553)
Change in trade and other payables	**(97,301)**	82,803	**(35,820)**	2,268	182,491
Change in provisions and employee benefits	**(6,820)**	12,876	**(9,430)**	15,342	(32,320)
	773,548	684,024	**437,765**	343,271	1,717,360
Income taxes paid	**(113,076)**	(247,714)	**(57,759)**	(50,232)	(422,083)
Interest received	**10,978**	11,293	**6,251**	5,087	23,699
Interest paid	**(33,819)**	(21,370)	**(23,034)**	(13,874)	(49,609)
Net cash provided by operating activities	**637,631**	426,233	**363,223**	284,252	1,269,367
Cash flows from investing activities					
Investment in long-term deposits	**(1,028)**	*-	**(486)**	*-	(2,147)
Proceeds from sale of property, plant and equipment	**571**	2,054	**234**	758	5,526
Short-term deposits and investments, net	**(34,765)**	*294,077	**12,969**	*9,179	*285,345
Business combinations less cash acquired	**(18,748)**	(424,100)	**(18,748)**	(161,512)	(437,475)
Dividend received from associated companies	**2,830**	4,054	**639**	1,160	8,644
Acquisition of property, plant and equipment	**(330,038)**	(204,408)	**(202,352)**	(121,527)	(496,102)
Investment grants received	**-**	-	**-**	-	1,194
Acquisition of intangible assets	**(5,048)**	(8,501)	**(2,270)**	(4,523)	(17,983)
Sale of securities classified as available-for-sale	-	14,421	-	14,421	14,421
Investments and loans to associated companies	**(5,570)**	-	-	-	(1,617)
Proceeds from realization of long-term deposits	**1,883**	2,307	**1,047**	1,832	3,453
Net cash used in investing activities	**(389,913)**	(320,096)	**(208,967)**	(260,212)	(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 six month period ended		For the three month period ended		For the year ended
	June 30 2012	June 30 2011	June 30 2012	June 30 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	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 the Company's equity holders	**(459,200)**	(534,066)	**(459,200)**	(364,363)	(1,131,033)
Dividend paid to non-controlling interest	**(3,675)**	(1,169)	**(3,675)**	(748)	(1,169)
Receipt of long-term loans	**198,333**	173,522	**170,329**	35,810	969,174
Repayment of long-term loans	**(66,116)**	(124,781)	**(2,593)**	(2,778)	(888,068)
Short-term credit from banks and others, net	**44,580**	248,999	**148,054**	140,163	308,673
Net cash used in financing activities	**(282,278)**	(237,495)	**(147,085)**	(191,916)	(742,329)
Net increase (decrease) in cash and cash equivalents	**(34,560)**	(131,358)	**7,171**	(167,876)	(109,703)
Cash and cash equivalents at beginning of the period	**284,477**	400,914	**245,347**	437,274	400,914
Effect of changes in the exchange rate on cash and cash equivalents	**(27)**	1,719	**(2,628)**	1,877	(6,734)
Cash and cash equivalents at end of the period	**249,890**	271,275	**249,890**	271,275	* 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 95% 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 August 14, 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. The 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. As a result of lengthening the useful lives of property, plant and equipment, the Group recognized deferred tax expenses of $ 5 million in the reporting period.

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 six months ended:			
June 30, 2012	**1.0%**	**2.7%**	**2.8%**
June 30, 2011	2.2%	(3.8%)	(7.8%)
Rates of change for the three months ended:			
June 30, 2012	**0.6%**	**5.6%**	**6.1%**
June 30, 2011	1.5%	(1.9%)	(1.8%)
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 segments – fertilizers, industrial products and performance 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, Mexico, 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
Six-month period ended June 30, 2012									
Sales to external parties	**1,048,135**	**858,247**	**-**	**1,906,382**	**756,528**	**688,545**	**165,264**	**-**	**3,516,719**
Inter-segment sales	**116,338**	**71,955**	**(58,548)**	**129,745**	**7,107**	**33,109**	**25,857**	**(195,818)**	**-**
Total sales	**1,164,473**	**930,202**	**(58,548)**	**2,036,127**	**763,635**	**721,654**	**191,121**	**(195,818)**	**3,516,719**
Income from ordinary activities	**547,833**	**104,426**	**(222)**	**652,037**	**144,908**	**88,010**	**9,482**		**894,437**
Unallocated expenses and intercompany eliminations									**118**
Operating income									**894,555**
Financing expenses									**(69,133)**
Financing income									**23,149**
Share in income of associated companies, net of tax									**4,516**
Income before taxes on income									**853,087**
Capital expenditures	**198,479**	**53,500**	**-**	**251,979**	**67,705**	**24,078**	**4,815**	**-**	**348,577**
Unallocated capital expenditures									**16**
Total capital expenditures									**348,593**
Depreciation and amortization	**53,522**	**30,046**	**-**	**83,568**	**30,810**	**20,350**	**2,976**	**-**	**137,704**
Unallocated depreciation and amortization									**122**
Total depreciation and amortization									**137,826**

Note 4 - Business Segments (cont'd)

B. Information on business segments (cont'd)

	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
Six-month period ended June 30, 2011									
Sales to external parties	1,001,395	810,510	-	1,811,905	790,512	722,724	131,997	-	3,457,138
Inter-segment sales	107,690	75,587	(57,768)	125,509	6,821	35,652	14,513	(182,495)	-
Total sales	1,109,085	886,097	(57,768)	1,937,414	797,333	758,376	146,510	(182,495)	3,457,138
Income from ordinary activities	487,388	136,447	(1,365)	622,470	158,347	113,149	15,743		909,709
Unallocated expenses and intercompany eliminations									(6,376)
Operating income									903,333
Financing expenses									(56,130)
Financing income									11,845
Share in income of associated companies, net of tax									8,565
Income before taxes on income									867,613
Capital expenditures	92,326	324,377	-	416,703	47,326	89,706	4,874	-	558,609
Unallocated capital expenditures									210
Total capital expenditures									558,819
Depreciation and amortization	48,433	22,794	-	71,227	28,922	18,897	3,219	-	122,265
Unallocated depreciation and amortization									301
Total depreciation and amortization									122,566

Note 4 - Business Segments (cont'd)

B. Information on business segments (cont'd)

	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 June 30, 2012									
Sales to external parties	**657,076**	**460,737**	**-**	**1,117,813**	**397,517**	**360,957**	**88,334**	**-**	**1,964,621**
Inter-segment sales	**60,942**	**39,653**	**(28,612)**	**71,983**	**3,658**	**16,084**	**14,271**	**(105,996)**	**-**
Total sales	**718,018**	**500,390**	**(28,612)**	**1,189,796**	**401,175**	**377,041**	**102,605**	**(105,996)**	**1,964,621**
Income from ordinary activities	**348,729**	**60,017**	**1,114**	**409,860**	**82,123**	**48,051**	**2,666**		**542,700**
Unallocated expenses and intercompany eliminations									**2,447**
Operating income									**545,147**
Financing expenses									**(37,767)**
Financing income									**9,199**
Share in income of associated companies, net of tax									**2,713**
Income before taxes on income									**519,292**
Capital expenditures	**125,821**	**35,892**	**-**	**161,713**	**37,488**	**13,483**	**2,370**	**-**	**215,054**
Unallocated capital expenditures									**(101)**
Total capital expenditures									**214,953**
Depreciation and amortization	**24,361**	**14,518**	**-**	**38,879**	**15,162**	**9,763**	**1,423**	**-**	**65,227**
Unallocated depreciation and amortization									**17**
Total depreciation and amortization									**65,244**

Note 4 - Business Segments (cont'd)

B. Information on business segments (cont'd)

	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 June 30, 2011									
Sales to external parties	571,963	464,310	-	1,036,273	422,138	390,018	80,413	-	1,928,842
Inter-segment sales	61,671	38,081	(35,262)	64,490	2,282	18,226	9,399	(94,397)	-
Total sales	633,634	502,391	(35,262)	1,100,763	424,420	408,244	89,812	(94,397)	1,928,842
Income from ordinary activities	305,297	77,621	(3,951)	378,967	87,001	65,721	11,399		543,088
Unallocated expenses and intercompany eliminations									(252)
Operating income									542,836
Financing expenses									(27,969)
Financing income									6,696
Share in income of associated companies, net of tax									4,258
Income before taxes on income									525,821
Capital expenditures	53,854	141,762	-	195,616	28,299	77,172	2,274	-	303,361
Unallocated capital expenditures									17
Total capital expenditures									303,378
Depreciation and amortization	27,833	12,988	-	40,821	14,863	10,202	1,577	-	67,463
Unallocated depreciation and amortization									158
Total depreciation and amortization									67,621

Note 4 - Business Segments (cont'd)

B. Information on business segments (cont'd)

	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 on April 30, 2012.

(2) 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 amounts to $199.7 million), about $0.16 per share. The dividend was distributed on June 26, 2012.

(3) Subsequent to the date of the report, on August 14, 2012 the Company's Board of Directors decided to distribute a dividend in the amount of $285 million (the net dividend, less the share of a subsidiary amounts to $284.5 million), about $0.22 per share. The dividend will be distributed after the date of the report on September 12, 2012.

(4) Further to that mentioned in Note 25C(1) to the financial statements as at December 31, 2011, during the period of the report 2,156,596 options that had been allotted to employees were exercised for 1,604,957 of the Company's ordinary shares. All the options were exercised in the framework of the aforementioned private placement plan other than 16,667 options that had expired.
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.

(5) On June 26, 2012, the Company received a short-term loan in the amount of $ 50 million from the Company's controlling shareholder (Israel Corporation Ltd.) that bears interest at the rate of 1.22%. The loan's repayment date is September 24, 2012.

(6) Further to that mentioned in 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 June 2012 amounted to about 50%. 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. ICL, with the assistance of its legal advisors, is acting to exercise its legal right on the basis of the agreement with the Yam Thetys Partnership.

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 that will be constructed in Sdom (see Paragraph 8), 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 natural 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. On June 4, 2012 EMG announced that it is obliged to agree to cancellation of the agreement between it and EGPC/EGAS, but it is acting to find an alternative gas source.

Note 5 - Additional Information (cont'd)

(7) Further to that mentioned in Note 24C(4) to the financial statements as at December 31, 2011, in January 2012 the Israeli government approved a set of principles for a final solution to the rise in the level of the Dead Sea. On July 8, 2012, subsequent to the reporting date, the Government of Israel and the subsidiary Dead Sea Works Ltd. (hereinafter – DSW) signed an agreement that essentially confirmed the framework of the principles.

In 2011 and 2010 DSW paid royalties to the Israeli government in the amount of $ 66 million and $ 23 million, respectively. In the second quarter, ICL paid additional royalties in the amount of $ 32.5 million in respect of the aforesaid years following the understandings that were reached for raising the rate of the royalties. The aforesaid amounts were fully provided for in the financial statements as at December 31, 2011.

As regards to the temporary protections (hereinafter – "the shore protections"), in December 2007 DSW received a letter from the Ministry of Finance stating that the share of DSW in the cost of the shore protections is 39.5%. In July 2012, subsequent to the reporting date, an addendum to the letter was signed that provides clarifications for a number of matters relating to the execution and planning of the shore protections. There is no change in the share of DSW in their financing and Dead Sea Preservation Government Company Ltd. continues to be responsible for the planning and execution of the shore protections project.

(8) On June 28, 2012, DSW entered into agreements regarding a project to construct a new dual-fuel cogeneration plant in Sdom (hereinafter – "the project") with a production capacity of 330 tons of steam per hour and 250 megawatts of electricity that will fulfill all the electricity and steam requirements of the production plants at the Sdom site in the forthcoming years. The project is expected to begin in the third quarter of 2012 and to be completed in the middle of 2015. The cost of the project is estimated to be $ 320 million. The construction agreements are linked to the exchange rate of the euro.
Subsequent to the reporting date, the Company invested in a derivative hedging instrument to hedge the exposure to changes in the project's cash flows deriving from changes in the dollar-euro exchange rate.

This hedging transaction meets the criteria of an accounting hedge. As a result of the implementation of hedge accounting the Company will record changes in fair value of the derivative instrument in capital reserves in other comprehensive income.

(9) See Note 24 of the Company's financial statements as at December 31, 2011 regarding the other contingent liabilities of the Company and its subsidiaries.

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

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 June 30, 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 June 30, 2012

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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 June 30, 2012 and for the six-month and three-month periods 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.)

August 14, 2012

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

Condensed Details of Interim Financial Position as at

	June 30 2012	June 30 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Current assets			
Cash and cash equivalents	**59,881**	73,974	70,025
Short-term investments, deposits and loans	**7,985**	466	421
Investee companies - current account	**560,059**	313,183	492,469
Other receivables, including derivative instruments	**4,975**	3,266	2,210
Income taxes refundable	**60,200**	5,747	8,755
Total current assets	**693,100**	396,636	573,880
Non-current assets			
Investments in investee companies	**3,526,243**	3,168,599	3,285,807
Long-term deposits and receivables	**7,391**	8,070	7,624
Loans to subsidiaries	**570,000**	570,000	570,000
Long-term derivative instruments	**14,867**	45,176	18,229
Deferred taxes, net	**8,463**	8,407	9,584
Property, plant and equipment	**937**	1,241	1,044
Total non-current assets	**4,127,901**	3,801,493	3,892,288
Total assets	**4,821,001**	4,198,129	4,466,168

	June 30 2012	June 30 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Current liabilities			
Credit from banks and others	**72,131**	51,535	22,106
Credit from investee companies	**274,866**	189,926	293,364
Other payables, including derivative instruments	**40,179**	24,778	53,283
Total current liabilities	**387,176**	266,239	368,753
Non-current liabilities			
Loans from investee companies	**694,740**	404,142	561,482
Debentures	**411,011**	459,350	418,470
Long-term derivative instruments	**31,186**	23,947	25,171
Employee benefits	**15,487**	16,897	15,490
Total non-current liabilities	**1,152,424**	904,336	1,020,613
Total liabilities	**1,539,600**	1,170,575	1,389,366
Equity			
Share capital	**542,769**	542,162	542,377
Share premium	**101,485**	92,683	94,798
Capital reserves	**(25,383)**	99,074	884
Retained earnings	**2,922,643**	2,553,748	2,698,856
Treasury shares	**(260,113)**	(260,113)	(260,113)
Total equity attributable to the holders of the Company's rights	**3,281,401**	3,027,554	3,076,802
Total liabilities and equity	**4,821,001**	4,198,129	4,466,168

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

Approval date of the financial statements: August 14, 2012.

The notes to the interim separate financial data are 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 six-month period ended		For the three-month period ended		For the year ended
	June 30 2012	June 30 2011	June 30 2012	June 30 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Financing income	**-**	3,201	**-**	2,283	19,858
Expenses					
General and administrative	**20,842**	24,873	**9,021**	10,604	47,208
Financing	**13,236**	9,844	**7,477**	3,470	33,680
	34,078	34,717	**16,498**	14,074	80,888
Income from investee companies, net	**734,187**	744,908	**423,048**	440,438	1,580,674
Income before taxes on income	**700,109**	713,392	**406,550**	428,647	1,519,644
Taxes on income	**3,911**	7,488	**(712)**	2,478	7,823
Income for the period attributed to the owners of the Company	**696,198**	705,904	**407,262**	426,169	1,511,821

The notes to the interim separate financial data are 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 six-month period ended		For the three-month period ended		For the year ended
	June 30 2012	June 30 2011	June 30 2012	June 30 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Income for the period attributed to the owners of the Company	**696,198**	705,904	**407,262**	426,169	1,511,821
Components of other comprehensive income					
Net change in fair value of financial assets available for sale	**-**	(3,756)	**-**	(4,191)	(3,756)
Change in fair value of derivatives used for hedging cash flows	**(1,568)**	(6,782)	**1,172**	(3,906)	(15)
Income taxes in respect of components of other comprehensive income	**392**	2,957	**(293)**	2,279	1,234
Other comprehensive income in respect of investee companies, net	**(38,442)**	65,812	**(72,734)**	10,013	(76,541)
Other comprehensive income (loss) for the period, net of tax	**(39,618)**	58,231	**(71,855)**	4,195	(79,078)
Total comprehensive income for the period attributed to the owners of the Company	**656,580**	764,135	**335,407**	430,364	1,432,743

The notes to the interim separate financial data are 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 six-month period ended		For the three-month period ended		For the year ended
	June 30 2012	**June 30 2011**	**June 30 2012**	**June 30 2011**	**December 31 2011**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	US$ thousands	**US$ thousands**	**US$ thousands**	**US$ thousands**	**US$ thousands**
Cash flows from operating activities					
Income for the period	**696,198**	705,904	**407,262**	426,169	1,511,821
Adjustments for:					
Depreciation and amortization	**179**	139	**92**	67	372
Interest expenses, net	**7,182**	10,121	**3,301**	4,859	17,908
Gain on realization of securities classified as available-for-sale	**-**	(4,535)	**-**	(4,535)	(4,535)
Capital gain on sale of property, plant and equipment	**(28)**	-	**(40)**	-	-
Income from investee companies, net	**(734,187)**	(744,908)	**(423,048)**	(440,438)	(1,580,674)
Share based payment transactions	**3,306**	7,845	**1,568**	3,773	15,476
Revaluation of assets and liabilities denominated in foreign currency	**589**	4,712	**3,281**	1,246	(741)
Income tax expense	**3,911**	7,488	**(712)**	2,478	7,823
	(22,850)	(13,234)	**(8,296)**	(6,381)	(32,550)
Change in other receivables	**(2,772)**	1,049	**(2,080)**	2,676	2,114
Change in trade and other payables	**(11,234)**	9,723	**8,720**	7,815	25,533
Change in employee benefits	**(3)**	1,146	**(654)**	(37)	(261)
	(36,859)	(1,316)	**(2,310)**	4,073	(5,164)
Income tax paid	**(85,449)**	(220,125)	**(45,412)**	(48,869)	(293,653)
Interest received	**213**	74	**157**	26	3,485
Interest paid	**(9,011)**	(10,085)	**(7,582)**	(9,184)	(20,079)
Net cash used in operating activities related to the Company	**(131,106)**	(231,452)	**(55,147)**	(53,954)	(315,411)
Net cash provided by operating activities related to investee companies	**486,781**	855,053	**256,265**	248,324	1,479,909
Net cash provided by operating activities	**355,675**	623,601	**201,118**	194,370	1,164,498

The notes to the interim separate financial data are an integral part thereof.

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

Condensed Details of Interim Cash Flows (cont'd)

	For the six-month period ended		For the three-month period ended		For the year ended
	June 30 2012	June 30 2011	June 30 2012	June 30 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Cash flows from investing activities					
Receipts from sale of investment in securities available-for-sale	**-**	14,421	**-**	14,421	14,421
Acquisition of property, plant and equipment	**(108)**	(78)	**(107)**	(17)	(114)
Receipts from sale of property plant and equipment	**64**	-	**40**	-	-
Short term loans and deposits, net	**(7,570)**	143,414	**(7,570)**	-	143,414
Net cash provided by (used in) investing activities related to the Company	**(7,614)**	157,757	**(7,637)**	14,404	157,721
Net cash provided by (used in) investing activities related to investee companies	**(67,590)**	206,182	**(33,079)**	40,679	26,896
Net cash provided by (used in) investing activities	**(75,204)**	363,939	**(40,716)**	55,083	184,617
Cash flows from financing activities					
Proceeds from exercise of options issued to employees	**3,800**	-	**-**	-	94
Dividend paid	**(459,200)**	(534,066)	**(459,200)**	(364,363)	(1,131,033)
Repayment of long-term loans	**-**	(120,000)	**-**	-	(150,000)
Short-term credit from banks and others	**50,025**	(230,492)	**50,104**	(50,249)	(229,921)
Net cash used in financing activities related to the Company	**(405,375)**	(884,558)	**(409,096)**	(414,612)	(1,510,860)
Net cash provided by (used in) financing activities related to investee companies	**114,760**	(144,690)	**248,668**	(30,752)	116,088
Net cash used in financing activities	**(290,615)**	(1,029,248)	**(160,428)**	(445,364)	(1,394,772)
Net increase (decrease) in cash and cash equivalents	**(10,144)**	(41,708)	**(26)**	(195,911)	(45,657)
Cash and cash equivalents as at the beginning of the period	**70,025**	115,682	**59,907**	269,885	115,682
Cash and cash equivalents as at the end of the period	**59,881**	73,974	**59,881**	73,974	70,025

The notes to the interim separate financial data are 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. It 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 June 30, 2012.

In this interim financial information:

(A)	The Company	-	Israel Chemicals Ltd.
(B)	Subsidiaries	-	Companies, including partnerships, whose financial statements are fully consolidated, directly or indirectly, with the financial statements of the Company.
(C)	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 April 30, 2012, dividends in the amount of $180 million and $20 million were received from the subsidiaries Dead Sea Works and Rotem Amfert Negev, respectively.

D. On May 21, 2012, a dividend in the amount of $40 million was received from the subsidiary Dead Sea Bromine.

E. On June 12, 2012, dividends in the amount of $140 million and $30 million were received from the subsidiaries Dead Sea Works and Rotem Amfert Negev, respectively.

Note 3 - Material Relationships, Commitments and Transactions with Investee Companies (cont'd)

F. Subsequent to the date of the report, on August 13, 2012 the Subsidiaries Dead Sea Works and Dead Sea Bromine declared dividends to be distributed of $150 million and $41 million, respectively.

G. On June 26, 2012, the Company received a short-term loan in the amount of $ 50 million from Israel Corporation Ltd. (the Company's controlling shareholder) that bears interest at the rate of 1.22%. The loan's repayment date is September 24, 2012.

Second Quarterly Report for 2012 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, VP 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 quarterly report regarding the effectiveness of internal control over financial reporting and disclosure which was attached to the quarterly report for the period ended March 31, 2012 (hereinafter: the last quarterly report regarding internal controls), concluded that the said internal controls 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 quarterly report regarding internal controls.

As of the report date, based on the evaluation of the internal controls in the last quareterly 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: August 14, 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 second 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: August 14, 2012

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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 second 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: August 14, 2012

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Avi Doitchman,
Executive Vice President, CFO and Strategy