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 September 30, 2012

Below is the Directors' Report of Israel Chemicals Ltd. ("ICL" or "the Company") for the period ended September 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 45% 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 45 million and negatively 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 October 2012, 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 18.5% at the end of the 2012/2013 agricultural year (compared with 20.4% 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 and the global macroeconomic situation. 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 global potash market during the third quarter of 2012 was characterized by low demand compared to the corresponding quarter last year, mainly due to non-renewal of contracts for potash supply in India and China and the ongoing economic crisis in Europe. Notwithstanding the decrease in the total volume of global potash trade compared to the corresponding period last year, the volume of shipments at ICL Fertilizers was the same as in the corresponding period last year. The decrease in shipments to China was mainly offset by an increase in shipments to Brazil and India. In the third quarter and during October 2012, potash shipments to India, which had been delayed beyond the delivery date stipulated in the agreement, were completed under the supply contracts that were signed in the second half of 2011. There was high demand for potash in the Brazilian market and the volume of imports in the first nine months of the year was similar to the peak recorded last year.

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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.

Completion of the current contracts and the delay in the new contracts in India and China is expected to significantly reduce potash shipments in the fourth quarter compared to the fourth quarter of 2011.[3]

There has been a decline in demand in the phosphate fertilizer market in India due to higher fertilizer prices to the final customer following a decrease in subsidies per product ton, the depreciation of the rupee against the dollar, and the late monsoon rains. In recent weeks, there has been a significant increase in demand and the market has stabilized following the start of rains in India.

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 global economic slowdown in the reporting period, particularly the slowdown in the rate of growth in China, resulted in a decrease in demand for bromine-based flame retardants, mainly for the electronics and construction markets. There has also been a decrease in demand for bromine in China, alongside a decrease in selling prices in this market. In the reporting period, the demand for clear brine fluids for oil and gas drilling increased, due to increased drilling in the Gulf of Mexico. The decrease in natural gas prices in the US boosted the use of gas for production of electricity rather than the use of coal, a step which brought about a decrease in the expected growth of the new product line, inorganic bromides for neutralization of mercury, which is intended to aid in the reduction of mercury emitted from coal-fueled power stations.

ICL-PP is 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, by the availability of raw materials, as well as by the volatility of energy prices. These market conditions cause the formation of a competitive environment in the market for ICL PP's products. In addition, some of the target markets of ICL PP experience seasonality especially in the fire safety market. As a result of the seasonality and since December is always slower because of the holidays, the fourth quarter is generally characterized by lower profit margins.

In continuation of the trends that have characterized the global economy recently, the third quarter was also impacted by the atmosphere of uncertainty about the stability of the global economy, political instability in the Middle East countries, a slow recovery of the markets in the USA, the slowdown in the Euro countries and the emerging markets, including India and China, continued to negatively influence the volumes of exports from the US and Germany.

In the third quarter of 2012, the decline in fertilizer (which are the raw materials for phosphate –based products) prices continued, which has mainly impacted the price levels of phosphate-based products in the European markets, while price levels of these products in the US remained stable.

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 third quarter of 2012 stood at 846 points which represents a decline of 45% compared with the corresponding quarter of the previous year, and a decline of about 17% compared to the average in the second quarter of 2012, which was 1,016 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 September 2012 amounts to 50%. In relation to the potential use during the second quarter, the reduction amounts to about 44%. For additional details, see note 5(8) to the financial statements for the period ended September 30, 2012.

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[3] 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, the credit conditions and interest rates.

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

	1-9/2012		1-9/2011		7-9/2012		7-9/2011		2011	
	USD millions	% of sales	USD millions	% of sales	USD millions	% of sales	USD millions	% of sales	USD millions	% of sales
Sales	5,334.2		5,355.5		1,817.5		1,898.3		7,067.8	
Gross profit	2,250.1	42.2	2,380.2	44.4	786.0	43.2	871.4	45.9	3,155.7	44.6
Operating income	1,382.5	25.9	1,459.5	27.3	487.9	26.8	556.2	29.3	1,926.0	27.2
Pre-tax profit	1,330.2	24.9	1,410.2	26.3	477.1	26.3	542.6	28.6	1,871.7	26.5
Net earnings for Company shareholders	1,091.0	20.5	1,142.2	21.3	394.8	21.7	436.3	23.0	1,511.8	21.4
EBIDTA*	1,595.5	29.9	1,661.6	31.0	561.7	30.9	631.7	33.3	2,190.2	31.0
Cash flow from operating activities	1,317.7		925.0		680.1		498.8		1,269.4	
Investments in property, plant and equipment less grants	522.0		360.8		192.2		156.4		494.9	

* The EBIDTA is calculated as follows, in millions of dollars:

	1-9/2012	1-9/2011	7-9/2012	7-9/2011	2011
Net earnings for Company shareholders	1,091.0	1142.2	394.8	436.3	1,511.8
Depreciation and amortization	210.3	197.7	72.5	75.1	267.4
Financing expenses (revenues), net	59.4	60.5	13.4	16.3	62.3
Taxes on income	234.8	261.2	81.0	104.1	348.7
Total	1,595.5	1661.6	561.7	631.8	2,190.2
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2.2. Results of operations for January – September 2012

Sales

Sales of ICL in the reporting period amounted to USD 5,334 million compared to USD 5,355 million in the corresponding period last year. The decrease is due to a decrease in sales quantities, which resulted in a decrease of about USD 92 million in sales and due to the negative effect of the change in the exchange rate (mainly the euro-dollar exchange rate), which resulted in a decrease of USD 155 million in sales. Conversely, the decrease was partially offset by the increase in selling prices, which resulted in an increase of about USD 100 million in sales, and by consolidation for the first time of the reports of companies and operations acquired in 2011, which increased total sales by USD 125 million.

Below is a geographical breakdown of sales:

	1-9/2012		1-9/2011		שנת 2011	
	USD millions	%	USD millions	%	USD millions	%
Israel	352.8	6.6	265.9	5.0	376.9	5.3
North America	987.8	18.5	1,061.4	19.8	1,362.6	19.3
South America	682.4	12.8	531.6	9.9	665.9	9.4
Europe	1,830.4	34.3	1,927.5	36.0	2,418.6	34.2
Asia	1,374.8	25.8	1,441.4	26.9	2,093.6	29.6
Other countries	106.0	2.0	127.7	2.4	150.2	2.2
Total	**5,334.2**	**100.0**	**5355.5**	**100.0**	**7,067.8**	**100.0**

The breakdown of sales indicates an increase in sales in South America which amounted to about 13% of the total sales of ICL in the reporting period, stemming primarily from the increase in sales of potash 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. The decline in sales to Asia stems mainly from the decrease in potash sales to this area.

Gross profit

Gross profit amounted to USD 2,250 million, compared with a profit of USD 2,380 million in the corresponding period last year, a decrease of about USD 130 million. The gross profit margin as a percentage of sales amounted to about 42.2%, compared with about 44.4% in the corresponding period last year.

The decrease in the gross profit compared to the corresponding period last year is mainly due to a drop in sale quantities which resulted in a decrease of about USD 44 million, a rise in the costs of raw materials and energy which led to a decline of about USD 89 million, a rise in other operating expenses which led to a decrease of USD 100 million and the effect of the changes in the exchange rates, which resulted in a decrease of USD 18 million. This decrease was partially offset by a rise in sale prices which led to an increase of about USD 94 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 about USD 31 million.

Sales and marketing expenses

Expenses for this item amounted to approximately USD 622 million, compared with USD 644 million in the corresponding period last year. The decrease stems mainly from a decline in transportation quantities which caused a decline of USD 21 million and a decline in transportation prices, which resulted in a decrease of USD 25 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 16 million.

General and administrative expenses

These expenses amounted to approximately USD 192 million, compared with USD 203 million in the corresponding period last year. The decrease in administrative and general expenses is mainly due to the decrease in expenses recognized for employee options and the effect of changes in the shekel-dollar exchange rate.

Research and development expenses

R&D expenses (net of grants from the Chief Scientist) amounted to approximately USD 56 million, an increase of USD 2 million compared with the corresponding period last year.

Operating income

Operating income amounted to approximately USD 1,382 million, a decrease of USD 77 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 and general and administrative expenses.
Operating income as a percentage of sales turnover is about 25.9%, compared with 27.3% last year.

Finance income/expenses

Finance expenses amounted to approximately USD 59.4 million, compared with expenses of approximately USD 60.5 million in the corresponding period last year. The decrease in finance expenses in the reporting period compared with the corresponding period is mainly due to a decrease in expenses in the period from transactions in financial derivatives and from a revaluation of short-term financial liabilities net in the amount of USD 18 million. In contrast, there was an increase in expenses in the period due to the revaluation of and interest on long-term liabilities (mainly pension) of USD 8 million and an increase of USD 10 million in net interest expenses

Tax expenses

Expenses amounted to USD 235 million, compared to USD 261 million in the corresponding period last year. The tax rate on income before tax is 17.7% compared to 18.5% last year. The decrease in the tax rate is mainly due a decrease in the effective tax rate for the foreign companies.

Net profit

Net profit for the shareholders of the Company amounted to approximately USD 1,091 million, compared with USD 1,142 million in the corresponding period last year.

2.2 Results of operations for July – September 2012

Sales

Sales of ICL in the quarter amounted to USD 1,817million compared with USD 1,898 million in the corresponding quarter last year, a decrease of 4.3%.

The decrease is mainly due to a decrease in selling prices, which resulted in a decrease of USD 20 million, and due to the negative effect of exchange rate fluctuations (mainly the euro against the USD), which resulted in a decrease of USD 72 million in sales. Conversely, the decrease was partially offset by the increase in sales quantities, which resulted in an increase of USD 7 million in sales, and by consolidation for the first time of the reports of companies and operations acquired during 2011, which increased total sales by USD 4 million.

Below is a geographical breakdown of sales:

CIF sales	7-9/2012		7-9/2011	
	USD million	%	USD million	%
Israel	109.9	6.0	105.8	5.6
North America	363.2	20.0	341.3	18.0
South America	250.9	13.8	213.0	11.2
Europe	571.5	31.5	618.7	32.5
Asia	496.7	27.3	578.7	30.5
Other countries	25.3	1.4	40.8	2.2
Total	1,817.5	100.0	1,898.3	100.0

The breakdown of sales indicates an increase in sales in South America, mainly due to an increase in fertilizer sales. Sales in North America also increased, mainly due to an increase in revenue from performance products The decrease in sales in Europe was mainly due to a decrease in sales of fertilizers and a decrease in sales of ICL Performance Products which were impacted mainly by the exchange rate of the Euro against the dollar. The decrease in sales in Asia was mainly due to a decrease in sales of fertilizers and industrial products.

Gross profit

Gross profit in the quarter amounted to USD 786 million, compared with a profit of USD 871 million in the corresponding quarter last year, a decrease of USD 86 million. The gross profit margin as a percentage of sales amounted to 43.2%, compared with 45.9% in the corresponding period last year.

The decrease in the gross profit margin compared with the corresponding period last year is mainly due to a decrease in selling prices which resulted in a decrease of USD 19 million, a decrease in sales quantities which resulted in a decrease of USD 13 million, an increase in prices of raw materials and energy, which resulted in a decrease of USD 23 million and an increase in other operating expenses, which resulted in a decrease of USD 30 million.

Sales and marketing expenses

Sales and marketing expenses in the quarter amounted to USD 214 million, a decrease of USD 2 million compared with the corresponding quarter last year.

General and administrative expenses

General and administrative expenses in the quarter amounted to USD 63 million, a decrease of USD 9 million compared with the corresponding quarter 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 in the quarter amounted to USD 18 million, a decrease of USD 1 million compared with the corresponding quarter last year.

Operating income

Operating income decreased by USD 68 million in the quarter compared with the corresponding quarter last year, reaching USD 488 million. The decrease in operating income is mainly due to the effect of the decrease in gross profit as described above.
The operating income as a percentage of sales turnover is 26.8% compared with 29.3% in the corresponding period last year.

Finance income/expenses

Net finance expenses in the quarter amounted to USD 13.4 million in the reporting period compared with USD 16.2 million in the corresponding quarter last year. The decrease in finance expenses in the reporting period compared to last year is mainly due to revenue in the period from transactions in financial derivatives of USD 4 million compared with expenses of USD 28 million last year. In contrast, expenses were recognized in the period from revaluation of and interest on long-term liabilities (mainly pension) of USD 8 million compared with revenue of USD 22 million in the corresponding period last year.

Tax expenses

Expenses amounted to USD 81 million in the quarter compared with USD 104 million in the corresponding quarter last year. The rate of pre-tax income is 16.9% compared with 19.2% last year.
The decrease in the tax rate in the quarter compared with the corresponding quarter 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 a decrease in the rate of corporate tax in Israel, due to differences in the measurement basis and a decrease in the effective tax rate of the foreign companies.

Net profit

Net profit for Company shareholders in the quarter amounted to USD 395 million compared with USD 436 million in the corresponding quarter last year, a decrease of USD 41 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	1-9/2012		1-9/2011		7-9/2012		7-9/2011	
	USD millions	% of sales	USD millions	% of sales	USD millions	% of sales	USD millions	% of sales
ICL Fertilizers	3,102.4	55.1	3,063.5	54.3	1,066.3	55.7	1,126.0	56.1
ICL Industrial Products	1,110.2	19.7	1,178.0	20.9	346.6	18.1	380.7	19.0
ICL Performance Products	1,137.3	20.2	1,161.5	20.6	415.7	21.7	403.1	20.1
Others and setoffs	(15.7)		(47.5)		(11.1)		(11.5)	
Total	**5,334.2**		**5,355.5**		**1,817.5**		**1,898.3**	

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

Operating income	1-9/2012		1-9/2011		7-9/2012		7-9/2011	
	USD millions	% of segment sales	USD millions	% of segment sales	USD millions	% of segment sales	USD millions	% of segment sales
ICL Fertilizers	1,018.9	32.8	1,038.8	33.9	366.9	34.4	416.3	37.0
ICL Industrial Products	203.6	18.3	234.2	19.9	58.6	16.9	75.9	19.9
ICL Performance Products	147.9	13	166.0	14.3	59.9	14.4	52.9	13.1
Others and setoffs	12.1		20.5		2.5		11.1	
Operating income (consolidated)	1,382.5		1,459.5		487.9		556.2	

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):

	1-9/2012	1-9/2011	7-9/2012	7-9/2011	שנת 2011
Sales					
Potash	57%	57%	60%	61%	59%
Phosphate	43%	43%	40%	39%	41%
Operating income					
Potash	85%	81%	86%	86%	84%
Phosphate	15%	19%	14%	14%	16%

Sales

Sales in the reporting period amounted to approximately USD 3,102.4 million, an increase of USD 39 million compared with the corresponding period last year, representing an increase of 1.3%.

The increase in sales stems mainly from an increase in the average selling prices of ICL Fertilizers' products in the period compared the corresponding period last year, which led to an increase of approximately USD 54 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 sales quantities, which led to a decrease of approximately USD 27 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 93 million.

Sales revenue in the segment in the quarter amounted to USD 1,066.3 million, a decrease of about USD 59.7 million compared to the corresponding quarter last year, representing a decrease of 5.3%. The decrease in sales turnover in the quarter is mainly due to the decrease in the average selling prices ICL Fertilizers' products, which resulted in a decrease of USD 22 million in sales and due to the effect of changes in the exchange rate (mainly the euro-dollar rate), which resulted in a decrease of USD 43 million in sales. The decrease was partially offset by the increase in sales quantities of phosphate fertilizers and phosphate rock, which resulted in an increase of USD 5 million in sales.

Profitability

Operating income in the reporting period amounted to USD 1,018.9 million, a decrease of USD 19.9 million compared with the corresponding period last year. The margin of operating income as a percentage of sales was about 32.8% compared with 33.9% in the corresponding period last year. The decrease in operating income is mainly due to the decrease in sales quantities, which reduced operating income by USD 15 million, and due to the increase in input prices and other operating expenses, which reduced operating income by USD 77 million. In contrast, the increase in selling prices of potash, which was partially offset by the decrease in selling prices of phosphate fertilizers, increased operating income by about USD 52 million, and consolidation of companies acquired in 2011 contributed to an increase in profitability of USD 16 million.

Operating income in the quarter amounted to USD 366.9 million, a decrease of USD 49.4 million compared with the corresponding quarter last year. The percentage of operating income from sales amounted to 34.4% compared with 37% in the corresponding quarter last year. The decrease in operating income in the quarter is mainly due to a decrease in the average selling prices of potash, phosphate fertilizers and phosphate rock, which reduced operating income by USD 20 million, and due to an increase in input prices and other operating expenses, which resulted in a decrease of USD 31 million.

Potash

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

Potash – Revenue and profit

USD millions	1-9/2012	2011/91-	7-92012/	7-92011/	2011
Revenue *	1,821.6	1,810.9	657.1	701.8	2,506.2
Operating income	861.8	845.1	314.0	357.7	1,182.0

* Including revenue from inter-segment sales

The increase in revenue in the reporting period compared with the corresponding period last year is due to an increase in the average selling prices of potash offset by a decrease in selling prices of byproducts in the amount of USD 65 million. In contrast, the decrease in sales quantities of byproducts, offset by an increase in sales quantities of potash, reduced revenue by about USD 18 million, and the effect of changes in the exchange rates, mainly the euro-dollar rate, resulted in a decrease of about USD 36 million in sales.

The decrease in revenue in the third quarter compared to the corresponding quarter last year is mainly due to the decrease of about USD 21 million in selling prices, a decrease of USD 9 million in sales of byproducts and the effect of changes in the exchange rate (mainly the euro-dollar rate), which resulted in a decrease of USD 10 million in sales.

The increase in the operating income in the reporting period is mainly due to the increase of USD 62 million in selling prices and the effect of changes in the exchange rate, mainly the dollar-shekel rate, in the amount of about USD 4 million. This increase was partially offset by the increase in input prices and other operating expenses, which decreased the operating income by approximately USD 36 million and by changes in sales quantities in the amount of USD 13 million.

The decrease in operating income in the quarter is mainly due to a decrease of USD 20 million in selling prices, an increase of USD 18 million in input prices and other operating expenses, and changes of sales quantities in the amount of USD 8 million. The decrease was partially offset by the effect of changes in the exchange rate, mainly the dollar-shekel rate, in the amount of USD 3 million.

Potash – Production, sales and closing inventories

Thousands of tons	1-9/2012	1-9/2011	7-92012/	7-92011/	2011
Production	3,679	3,070	1,164	1,123	4,261
Sales to external customers	3,606	3,577	1,315	1,316	4,904
Sales to internal customers	215	215	75	79	268
Total sales (including internal sales)	3,821	3,793	1,390	1,396	5,172
Closing inventory	557	887	557	887	699

Production in the first nine months of 2011 was low as a result of a strike at eh company's facilities in Sodom which caused immediate production losses of about 450,000 tons.

Production during the period and in the third quarter of 2012 was negatively impacted by malfunctioning and decreased availability of mining equipment, mainly in England.

<u>Fertilizers and phosphates</u>

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 fertilizers, liquid fertilizers, controlled release fertilizers 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	1-9/2012	1-9/2011	7-9/2012	7-9/2011	2011
Revenue*	1,368.2	1,344.2	438.0	458.2	1,705.9
Operating income	156.0	192.4	51.6	55.9	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 in 2011, which increased income by about USD 105 million. In contrast, the decrease in the quantities of fertilizers sold reduced revenue by USD 9 million, the decrease in selling prices of phosphate fertilizers reduced revenue by USD 15 million and the effect of changes in the exchange rates, mainly the euro against the dollar, resulted in a decrease of USD 57 million in revenue.

The decrease in revenue in the third quarter compared to the corresponding quarter last year is due to the changes in selling prices of segment products, which resulted in a decrease of USD 6 million and due to the effect of changes in the exchange rate, mainly the euro-dollar rate, which resulted in a decrease of USD 33 million. In contrast, the increase in sales quantities of phosphate fertilizers resulted in an increase of USD 19 million in sales.

The decrease in operating income in the reporting period compared with last year is mainly due to the decrease of USD 14 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 35 million and a decrease in sales quantities, which affected profit in the amount of USD 2 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 6 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 3 million. The decrease was partially offset by the decrease in quantities of phosphate fertilizers sold, resulting in an increase of USD 5 million in operating income.

Fertilizers and phosphates – Production and sales

Thousands of tons	1-9/2012	1-9/2011	7-9/2012	7-9/2011	2011
Phosphate rock					
Production of rock	2,572	2,329	845	762	3,105
Sales *	488	515	197	117	720
Phosphate rock used for internal purposes	1,811	1,836	644	646	2,454
Fertilizers					
Production	1,190	1,228	441	412	1,570
Sales*	1,298	1,378	458	456	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 Industrial Products in the reporting period reached approximately USD 1,110 million, a decrease of about USD 68 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 82 million, principally due to the reduced sales quantities of flame retardants which impacted sales by about USD 67 million and due to the effect of changes in the exchange rate, which resulted in a decrease of USD 20 million. The decrease in sales was partially offset by a rise in selling prices of about USD 35 million.

In the third quarter of 2012, sales of ICL Industrial Products amounted to USD 347 million, a decrease of USD 34 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 28 million in sales, and due to the adverse effect of changes in the exchange rate, in an amount of USD 10 million. The decrease was partially offset by the increase of USD 3 million in selling prices.

Profitability

Operating income in the reporting period totaled USD 204 million, compared with USD 234 million in the corresponding period last year.

The percentage of operating income from sales amounted to 18.3% compared with operating income of 19.9% last year.

Operating income in the reporting period declined mainly as a result of a decline in quantities sold and produced which contributed to a decline in profitability of USD 30 million, a rise in the prices of raw materials and energy of USD 23 million and a rise in other operating 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 35 million and by the positive effect of changes in the exchange rate in the amount of USD 3 million.

Operating income in the third quarter of 2012 amounted to USD 58 million, compared with operating income of USD 75 million in the corresponding period last year. In the third quarter of 2012, the rate of operating income from sales amounted to 16.9% compared with 19.9% in the corresponding period last year.

The decrease of operating income in the quarter is mainly due to the decrease in quantities sold and produced, mainly flame retardants, which contributed to a decrease of USD 20 million in income. Due to the decrease in demand for flame retardants, production was stopped in one of the production units of the segment. This shutdown is expected to continue into the fourth quarter. Additionally the operating income decreased by USD 5 million due to the increase in prices of raw materials and energy. In contrast, the decrease was partially offset by an increase in selling prices, which resulted in an increase of USD 3 million and by the positive effect of changes in the exchange rate in the amount of USD 3 million.

3.3. ICL Performance Products

Sales:

Sales in this segment amounted to approximately USD 1,137 million in the reporting period, a decrease of USD 24 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 23 million and the impact of changes in the exchange rates (mainly the euro against the dollar) which led to a decrease of USD 41 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 19 million and from consolidation for the first time of companies acquired in 2011 and in the reporting period, which increased sales by USD 20 million.

Sales in the third quarter of 2012 amounted to USD 416 million, an increase of USD 13 million compared to the corresponding period last year.

The increase was due to an increase in sales quantities, which resulted in an increase of USD 28 million and due to consolidation for the first time of companies acquired in 2011 and in the reporting period, which increased sales by USD 4 million. The increase was partially offset by the adverse effect of changes in the exchange rate, in the amount of USD 18 million in sales.

Profitability

Operating income of the segment in the reporting period amounted to approximately USD 148 million, a decrease of about USD 18 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 19 million and to a decrease in quantities sold which led to a decrease of USD 6 million, from the adverse effect of changes in the dollar-euro exchange rate in an amount of USD 5 million and from an increase in other operating expenses that resulted in a decrease of USD 8 million. This decrease was partially offset by a rise in selling prices which led to an increase of USD 19 million.

Segment operating income in the third quarter of 2012 amounted to USD 60 million, an increase of USD 7 million compared with the corresponding period last year.

The increase is due to an increase in quantities sold, which resulted in an increase of USD 14 million. The increase was partially offset by changes in the dollar-euro exchange rate in the amount of USD 2 million and by an increase in other operating expenses, which resulted in a decrease of USD 5 million.

4. The Financial Position and Sources of Financing of ICL

At September 30, 2012, a decrease of USD 46 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 1,394 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 September 30, 2012, ICL had used USD 292 million of the securitization facility.

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

5. Cash Flow

Cash flow generated by operating activities in the reporting period amounted to USD 1,318 million, compared with USD 925 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. In addition, during the reporting period there was an increase in working capital of about USD 36 million compared with an increase of about USD 321 million in the corresponding period last year, which caused an improvement of about USD 285 million in current cash flow. Cash flow from operating activities was the main source of net financing of investments of USD 522 million in property, plant and equipment, and payment of a dividend amounting to USD 743 million.

6. Investments

In the reporting period, investments in property, plant and equipment amounted to USD 522 million, compared with USD 361 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, investments in a plan for a gradual increase of production capability in the Sodom plants, beginning of construction of the new power plant in Sodom and an upgrade of the logistics setup.

7. Human Resources

The total number of employees in ICL at September 30, 2012 was 12,276 compared with 11,966 at September 30, 2011, an increase of 310 employees. The increase in the number of employees is mainly due to the addition of human resources following the acquisition of companies worldwide as well as the completion of investments in new plants and increased production.

8. Market Risk – Exposure and Management

Base rates as at September 30, 2012:

Currency	Exchange rate
NIS/USD	0.25562
EUR/USD	1.29471
GBP/USD	1.62203
JPY/USD	0.01288
BRL/USD	0.49215
CNY/USD	0.15913

Update of sensitivity to changes in the exchange rates of balances in the statement of financial position at September 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	(9.3)	(4.7)	93.1	4.7	9.3
Short-term deposits and loans	0.5	0.3	(5.1)	(0.3)	(0.5)
Trade receivables	(7.4)	(3.7)	74.1	3.7	7.4
Receivables and debit balances	(2.6)	(1.3)	26.2	1.3	2.6
Long-term deposits and loans	(31.6)	(15.8)	316.2	15.8	31.6
Credit from banks and others	0.3	0.1	(2.5)	(0.1)	(0.3)
Trade payables	24.2	12.1	(242.5)	(12.1)	(24.2)
Other payables	19.4	9.7	(194.2)	(9.7)	(19.4)
Bank loans	6.5	3.2	(64.7)	(3.2)	(6.5)
Debentures	36.1	18.0	(360.8)	(18.0)	(36.1)
Options	(58.2)	(23.0)	(0.2)	23.3	57.6
Forward	(22.1)	(12.1)	2.7	12.9	27.3
Swap	(28.8)	(15.1)	(4.1)	16.7	35.2
Embedded derivative	(2.9)	0.0	0.3	0.0	2.9
Total	**(82.5)**	**(35.6)**	**(295.3)**	**38.3**	**93.5**

	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%**
Short-term deposits and loans	0.3	0.1	2.8	(0.1)	(0.3)
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	(0.3)	(0.1)	(2.9)	0.1	0.3
Long-term bank loans	(6.5)	(3.2)	(64.7)	3.2	6.5
Fixed-interest debentures	(13.7)	(6.9)	(137.3)	6.9	13.7
CPI/USD swap	4.2	2.1	6.0	(2.1)	(4.2)
Forward	5.8	2.9	0.5	(2.9)	(5.8)
Embedded derivative	10.1	5.0	10.3	(5.0)	(10.1)
Total	**6.7**	**3.3**	**(117.3)**	**(3.3)**	**(6.7)**

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
EUR/USD	**(USD millions)**	**(USD millions)**	**(USD millions)**	**(USD millions)**	**(USD millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(6.2)	(3.1)	61.7	3.1	6.2
Short-term deposits and loans	(2.0)	(1.0)	19.8	1.0	2.0
Trade receivables	(34.3)	(17.2)	343.3	17.2	34.3
Receivables and debit balances	(2.5)	(1.2)	24.6	1.2	2.5
Long-term deposits and loans	(0.4)	(0.2)	3.7	0.2	0.4
Credit from banks and others	3.0	1.5	(30.4)	(1.5)	(3.0)
Trade payables	16.6	8.3	(165.8)	(8.3)	(16.6)
Other payables	13.5	6.7	(134.6)	(6.7)	(13.5)
Long-term bank loans	27.0	13.5	(270.0)	(13.5)	(27.0)
Options	0.6	0.3	0.1	(0.2)	(0.5)
Forward	(5.7)	(2.7)	10.9	2.4	4.7
Embedded derivative	0.0	0.0	0.9	0.0	0.0
Total	**9.6**	**4.9**	**(135.8)**	**(5.1)**	**(10.5)**

	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	(0.2)	(0.1)	2.1	0.1	0.2
Short-term deposits and loans	(4.3)	(2.1)	42.9	2.1	4.3
Trade receivables	(4.8)	(2.4)	48.5	2.4	4.8
Receivables and debit balances	(0.4)	(0.2)	4.0	0.2	0.4
Credit from banks and others	3.0	1.5	(29.8)	(1.5)	(3.0)
Trade payables	1.4	0.7	(14.0)	(0.7)	(1.4)
Other payables	1.2	0.6	(12.1)	(0.6)	(1.2)
Forward	(6.4)	(3.0)	0.1	2.8	5.3
Total	**(10.5)**	**(5.0)**	**41.7**	**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	(0.6)	(0.3)	5.7	0.3	0.6
Trade receivables	(2.1)	(1.0)	20.8	1.0	2.1
Receivables and debit balances	0.0	0.0	0.2	0.0	0.0
Long-term deposits and loans	0.0	0.0	0.3	0.0	0.0
Trade payables	0.4	0.2	(3.8)	(0.2)	(0.4)
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	0.8	0.3	(0.2)	(0.5)	(1.2)
Forward	1.7	0.9	(0.3)	(1.0)	(2.1)
Total	**0.3**	**0.1**	**22.1**	**(0.4)**	**(1.1)**

	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	(0.3)	(0.1)	2.9	0.1	0.3
Trade receivables	(1.2)	(0.6)	11.8	0.6	1.2
Receivables and debit balances	(0.1)	0.0	0.6	0.0	0.1
Trade payables	0.6	0.3	(6.4)	(0.3)	(0.6)
Other payables	0.1	0.1	(1.0)	(0.1)	(0.1)
Total	**(0.9)**	**(0.3)**	**7.9**	**0.3**	**0.9**

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
CNY/USD	**(USD millions)**	**(USD millions)**	**(USD millions)**	**(USD millions)**	**(USD millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(1.4)	(0.7)	14.2	0.7	1.4
Short-term deposits and loans	0.0	0.0	0.0	0.0	0.0
Trade receivables	(2.1)	(1.1)	21.1	1.1	2.1
Receivables and debit balances	(0.4)	(0.2)	3.7	0.2	0.4
Credit from banks and others	0.3	0.1	(2.8)	(0.1)	(0.3)
Trade payables	0.9	0.4	(9.0)	(0.4)	(0.9)
Other payables	0.9	0.4	(8.6)	(0.4)	(0.9)
Long-term loans from banks	0.3	0.2	(3.2)	(0.2)	(0.3)
Total	**(1.5)**	**(0.9)**	**15.4**	**0.9**	**1.5**

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 September 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	3.2	1.6	(20.3)	(1.6)	(3.2)
Hedging of energy	2.7	1.3	1.2	(1.2)	(2.4)

Update of sensitivity to changes in the LIBOR interest rate at September 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	1.6	0.8	(73.0)	(0.8)	(1.7)
Collar transactions	2.9	1.6	(4.6)	(1.5)	(1.0)
Swap transactions	9.0	4.5	(12.5)	(4.6)	(9.4)
NIS/USD swap	2.7	1.3	(10.1)	(1.4)	(2.7)
Total	**16.2**	**8.2**	**(100.2)**	**(8.3)**	**(14.8)**

Update of sensitivity to changes in the index interest rate at September 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	2.1	1.0	(137.3)	(1.1)	(2.1)
Long-term bank loans	3.5	1.8	(64.7)	(1.9)	(3.8)
CPI/USD swap	(0.6)	(0.3)	6.0	0.3	0.6
Total	**5.0**	**2.5**	**(196.0)**	**(2.7)**	**(5.3)**

Update of sensitivity to changes in the shekel interest rate at September 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	2.0	1.0	(197.6)	(1.0)	(2.0)
NIS/USD swap	(4.0)	(2.0)	(8.2)	2.0	4.1
Total	**(2.0)**	**(1.0)**	**(205.8)**	**1.0**	**2.1**

Update of positions in derivatives at September 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	196,880		(2,531)	
Call options		238,849		13,433
Put options	6,387		(50)	
	6,546		121	
JPY/USD in USD thousands				
Forward	18,530		(300)	
Call options	13,000		67	
Put options	13,000		(223)	
NIS/USD in USD thousands				
Forward		243,000		2,530
Call options		656,500		(9,169)
Put options		656,500		8,991
GBP/USD in USD thousands				
Forward		58,020		70
GBP/EUR in USD thousands				
Forward		7,624		(145)
Call options	11,652		89	
Put options	11,652		(71)	
Other currencies				
Forward	8,692		(85)	
Hedging transactions against rise in ocean freight and energy prices – up to one year	58,640		(13,365)	
More than one year	22,667		(5,735)	
Swap contracts and futures contracts for the Company's liabilities				
Israeli shekel fixed to variable interest swap contract		66,641		1,947
Fixed interest shekel to dollar liability fixed-interest swap contract from fixed-interest shekel liability		91,782		(2,734)
Fixed interest dollar liability swap contract from shekel-linked fixed interest liability – recognized		178,553		(7,370)
Cash flow swap contract from CPI-linked fixed interest liability variable-interest dollar liability – not recognized for accounting		34,009		6,014
Futures contract for CPI purchase – more than one year	51,125		504	

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	125,000		336,262	48,000	(1,766)		(15,639)	4,909
Collars	75,000		145,000		(771)		(3,862)	

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 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.

In addition, in the third quarter of 2012, the Company invested in derivatives to hedge the exposure to changes of the cash flows of the new cogeneration project in Sodom, to changes in the euro-dollar exchange rates. This hedging transaction complies with the terms of accounting hedging. Changes in the fair value of the derivative designated as a cash flow hedge for the effective hedged part are recognized in other comprehensive income. In the reporting period, other comprehensive income of USD 14 million was recognized. Changes in the fair value of the derivative attributable to the non-effective part are recognized in profit or loss.

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 was be distributed on June 26, 2012.

9.3 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 was be distributed on September 12, 2012.

9.4 Subsequent to the reporting date, on November 20, 2012, the Company's Board of Directors resolved to distribute a dividend of USD 276 million (net dividend less the subsidiary's share is USD275.5 million), which will be distributed on December 19, 2012.

9.5 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.

9.6 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(8) to the financial statements as at September 30, 2012.

9.7 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 September 20, 2012, Mr. Akiva Mozes resigned from his position as CEO of ICL.

9.8 On August 16, 2012, after discussing the recommendation of the committee of the Board of Directors set up to find a new CEO, the Company's Board of Directors resolved to appoint Stefan Borgas as CEO of ICL, commencing on September 20, 2012.

On August 14 and September 23, 2012, the human resources committee discussed the employment agreement of Stefan Borgas. The audit committee discussed and approved the employment agreement on August 14 and September 23, 2012 and the Company's Board of Directors convened on August 16 and and September 24, 2012 and approved the Company's employment agreement with Stefan Borgas. For further information see the immediate report of September 24, 2012 (ref no.: 2012-01-244113).

9.9 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

9.10 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.

9.11 ICL Fertilizers operates a power plant to produce electricity at Sodom and it also purchases electricity from IEC. On June 28, 2012DSW 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 be completed in the second half of 2015. The cost of the project is estimated at USD 320 million.

9.12 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. On October 16, 2012, the court approved the amended settlement. In the amended settlement, the funding of educational activities was increased to NIS 1 million. For further details see Note 24C(3)(d) to the financial statements of 2011.

9.13 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.

9.14 On August 29, 2012, the Company's annual general meeting approved the following resolutions, after the approval of the audit committee and the Board of Directors:

A. To re-appoint all the serving directors of the Company (who are not external directors), for an additional term as directors of the Company, until the end of the next general meeting

B. To pay these directors maximum compensation, similar to that paid to external directors or expert external directors, as the case may be. Notwithstanding the aforesaid, in accordance with the resolution of the special general meeting of the Company's shareholders held on July 20, 2009, the Company will not pay directors' compensation to officers employed by Israel Corp. for their service on the Company's Board of Directors. The directors will continue to be covered by the Company's insurance arrangement, exemption from liability and indemnification undertaking.

C. To pay maximum compensation to directors employed by the Company, for their service on the Board of Directors of the subsidiaries. For information about director's compensation for officers in Israel Corp. see section B above.

D. To approve the appointment of Prof. Yair Orgler as an external director of the Company, for a further term of three years, to commence on September 5, 2012

E. To approve insurance cover, exemption from liability and indemnification undertaking for Prof. Yair Orgler, in accordance with the Company's arrangements

F. To approve the appointment of Dr. Miriam Haran as an external director of the Company, for a further term of three years, to commence on August 29, 2012

G. To approve insurance cover, exemption from liability and indemnification undertaking for Dr. Miriam Haran, in accordance with the Company's arrangements

H. To approve the Company's engagement in an insurance policy for officers in the Company (including officers who the controlling shareholder in the Company may consider as having a personal interest in their inclusion in the insurance policy), who are serving in the Company today and as will serve in the Company from time to time, and to approve the framework transaction in which the audit committee and Board of Directors may approve the renewal of the insurance cover for three years, commencing from the upcoming insurance year, as described in in the report for convening the meeting

I. To reappoint the Company's auditors, KPMG Somekh Chaikin, as auditors of the Company until the end of the next annual general meeting, and to authorize the Board of Directors to set their fees.

For further information see the Company's immediate report of August 30, 2012 (ref. 2012-01-224235).

9.15 After the reporting date, on October 31, 2012 and November 4, 2012, the Israel Corp issued immediate reports, further to reports in the media, about a possible merger transaction of ICL with Potash Corporation of Saskatchewan. For further details see the immediate reports of the Company from October 31, 2012 and from November 4, 2012 (ref. 2012-01-268383 and ref. 2012-01-270408, respectively).

9.16 After the reporting date, on November 18th, 2012**,** the board of directors of a consolidated subsidiary approved a plan under which a number of employees of the consolidated subsidiary may retire before the pension age specified by law. The profit and loss statement for the fourth quarter of 2012 will include an expense of about USD 20 million in respect of this early retirement scheme. At the same time, the Board of Directors of the consolidated subsidiary approved the labor agreement of the workers of Bromine Compounds and Dead Sea Periclase for a period of 5 years.

9.17 On November 14, 2012, the Finance Committee (the committee that discusses the financial statements and recommends their approval) discussed the financial statements at September 30, 2012 and formulated its recommendations for ICL's Board of Directors which were distributed to all the board members on November 15, 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 (Beiga) Shochat. The first part of the meeting was also attended by board members Nir Gilad, Yossi Rozen, Avisar _Paz, Eran Sarig, Moshe Vidman and Haim Erez. Both parts of the meeting were attended by CPA Zion Amsalem, the auditor, Shlomo Ben-Shimol, the internal auditor and the following officers:Stefan Borgas, Asher Grinbaum, Avi Doitchman, Asher Rapaport, Herzel Bar-Niv, Lisa Haimovitz, Osi Sessler, Amir Benita and Michael Hazan (For details of the officers' duties, see the chapter, *Additional Details regarding the Corporation* in the 2011 periodic report).

On November 20, 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).

9.18 For details of the Company's liabilities, see immediate report regarding liabilities by repayment dates which was published by the Company on November 20, 2012 (ref. no. 2012-01-284220), 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: November 20, 2012

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Stefan Borgas, 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 September 30, 2012
(Unaudited)
In Thousands of U.S. Dollars

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

Contents

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

Introduction

We have reviewed the accompanying financial information of Israel Chemicals Ltd. and its subsidiaries, including the condensed consolidated interim statement of financial position as at September 30, 2012 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine-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 these interim periods in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the financial information for these interim periods 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 above-mentioned 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 above-mentioned 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.)

November 20, 2012

Condensed Consolidated Interim Statements of Financial Position as at

	September 30 2012 (Unaudited) US$ thousands	September 30 2011 (Unaudited) US$ thousands	December 31 2011 (Audited) US$ thousands
Current assets			
Cash and cash equivalents	**428,036**	384,334	*284,477
Short-term investments, deposits and loans	**159,822**	255,901	*189,770
Trade receivables	**1,259,103**	1,350,471	1,327,513
Other receivables and debit balances, including derivative instruments	**196,708**	*188,968	181,531
Income taxes refundable	**34,197**	11,900	48,703
Inventories	**1,320,723**	1,268,973	1,410,930
Total current assets	**3,398,589**	3,460,547	3,442,924
Non-current assets			
Investments in associated companies	**38,292**	30,187	29,404
Long-term deposits and receivables	**339,839**	244,177	270,732
Excess of assets over liabilities in respect of defined benefit plan	**68,965**	68,053	65,365
Long-term derivative instruments	**26,665**	23,130	18,229
Non-current inventories	**60,288**	57,042	48,795
Deferred taxes, net	**65,793**	101,315	85,356
Property, plant and equipment	**2,916,158**	2,486,528	2,575,988
Intangible assets	**737,606**	778,414	746,305
Total non-current assets	**4,253,606**	3,788,846	3,840,174
Total assets	**7,652,195**	7,249,393	7,283,098

	September 30 2012 (Unaudited) US$ thousands	September 30 2011 (Unaudited) US$ thousands	December 31 2011 (Audited) US$ thousands
Current liabilities			
Credit from banks and others	**429,276**	1,138,333	367,148
Trade payables	**588,838**	671,567	665,028
Provisions	**42,277**	*56,319	47,178
Other payables, including derivative instruments	**598,605**	532,563	629,385
Income taxes payable	**33,788**	71,443	44,784
Total current liabilities	**1,692,784**	2,470,225	1,753,523
Non-current liabilities			
Loans from banks and others	**1,082,166**	345,170	1,072,207
Debentures	**480,077**	495,927	485,470
Long-term derivative instruments	**35,627**	29,640	27,037
Deferred taxes, net	**223,320**	141,327	180,826
Employee benefits	**592,134**	589,244	579,560
Provisions	**78,895**	78,005	79,581
Total non-current liabilities	**2,492,219**	1,679,313	2,424,681
Total liabilities	**4,185,003**	4,149,538	4,178,204
Equity			
Share capital	**542,769**	542,273	542,377
Share premium	**101,485**	93,768	94,798
Capital reserves	**21,082**	33,648	884
Retained earnings	**3,033,242**	2,663,232	2,698,856
Treasury shares	**(260,113)**	(260,113)	(260,113)
Total equity attributable to the equity holders of the Company	**3,438,465**	3,072,808	3,076,802
Non-controlling interests	**28,727**	27,047	28,092
Total equity	**3,467,192**	3,099,855	3,104,894
Total liabilities and equity	**7,652,195**	7,249,393	7,283,098

* Reclassified.

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

Date the financial statements were approved: November 20, 2012.

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

Condensed Consolidated Interim Statements of Income

	For the nine months ended		For the three months ended		For the year ended
	September 30 2012	September 30 2011	September 30 2012	September 30 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Sales	**5,334,190**	5,355,473	**1,817,471**	1,898,335	7,067,834
Cost of sales	**3,084,115**	2,975,228	**1,031,519**	1,026,966	3,912,171
Gross profit	**2,250,075**	2,380,245	**785,952**	871,369	3,155,663
Selling, transportation and marketing expenses	**621,859**	643,666	**214,391**	216,179	870,616
General and administrative expenses	**192,118**	202,668	**62,588**	71,972	276,535
Research and development expenses, net	**56,486**	54,622	**18,428**	19,862	72,195
Other expenses	**3,410**	21,625	**2,711**	8,175	15,391
Other income	**(6,269)**	(1,843)	**(82)**	(993)	(5,039)
Operating income	**1,382,471**	1,459,507	**487,916**	556,174	1,925,965
Financing expenses	**92,949**	89,439	**23,816**	33,309	104,191
Financing income	**(33,551)**	(28,893)	**(10,402)**	(17,048)	(41,933)
Financing expenses, net	**59,398**	60,546	**13,414**	16,261	62,258
Share in income of associated companies, net of tax	**7,147**	11,261	**2,631**	2,696	8,001
Income before taxes on income	**1,330,220**	1,410,222	**477,133**	542,609	1,871,708
Taxes on income	**234,816**	261,182	**81,022**	104,106	348,692
Income for the period	**1,095,404**	1,149,040	**396,111**	438,503	1,523,016
Attributable to:					
Equity holders of the Company	**1,091,013**	1,142,206	**394,815**	436,302	1,511,821
Non-controlling interests	**4,391**	6,834	**1,296**	2,201	11,195
Income for the period	**1,095,404**	1,149,040	**396,111**	438,503	1,523,016
Earnings per share attributable to the equity holders of the Company:	**$**	**$**	**$**	**$**	**$**
Basic earnings per share	**0.859**	0.901	**0.311**	0.344	1.193
Diluted earnings per share	**0.859**	0.896	**0.311**	0.342	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 nine months ended		For the three months ended		For the year ended
	September 30 2012	September 30 2011	September 30 2012	September 30 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Income for the period	**1,095,404**	1,149,040	**396,111**	438,503	1,523,016
Components of other comprehensive income					
Foreign currency translation differences with respect to foreign operations	**9,198**	(6,036)	**34,200**	(69,527)	(44,309)
Net change in fair value of financial assets available for sale	**–**	(3,756)	**–**	–	(3,756)
Actuarial gains (losses) from defined benefit plan	**(14,398)**	(39,966)	**1,579**	(42,974)	(41,460)
Change in fair value of derivatives used to hedge cash flows	**11,357**	(3,172)	**12,925**	3,610	(15)
Income tax on components of other comprehensive income	**192**	14,785	**(2,966)**	12,772	10,086
Other comprehensive income (loss) for the period, net of tax	**6,349**	(38,145)	**45,738**	(96,119)	(79,454)
Total comprehensive income for the period	**1,101,753**	1,110,895	**441,849**	342,384	1,443,562
Attributable to:					
Equity holders of the Company	**1,096,483**	1,103,802	**439,903**	339,667	1,432,743
Non-controlling interests	**5,270**	7,093	**1,946**	2,717	10,819
Total comprehensive income for the period	**1,101,753**	1,110,895	**441,849**	342,384	1,443,562

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

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to the equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve from foreign operations	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 nine-month period ended September 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	–	–	–	4,891	–	–	4,891	–	4,891
Dividends to equity holders	–	–	–	–	–	(743,703)	(743,703)	(4,635)	(748,338)
Tax benefit in respect of allotment of shares to employees	–	–	–	192	–	–	192	–	192
Comprehensive income for the period	–	–	8,319	10,075	–	1,078,089	1,096,483	5,270	1,101,753
Balance as at September 30, 2012 (Unaudited)	542,769	101,485	(44,663)	65,745	(260,113)	3,033,242	3,438,465	28,727	3,467,192

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

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

	Attributable to the equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve from foreign operations	Reserve for 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 nine-month period ended September 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	415	3,093	–	–	(3,508)	–	–	–	–	–
Share-based payments	–	–	–	–	11,661	–	–	11,661	–	11,661
Dividends to equity holders	–	–	–	–	–	–	(661,846)	(661,846)	(1,169)	(663,015)
Tax benefit in respect of allotment of shares to employees	–	–	–	–	(916)	–	–	(916)	–	(916)
Comprehensive income for the period	–	–	(6,295)	(2,427)	(2,411)	–	1,114,935	1,103,802	7,093	1,110,895
Balance as at September 30, 2011 (Unaudited)	542,273	93,768	(15,344)	–	48,992	(260,113)	2,663,232	3,072,808	27,047	3,099,855

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

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

	Attributable to the equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve from foreign operations	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 September 30, 2012									
Balance as at July 1, 2012	**542,769**	**101,485**	**(78,213)**	**52,830**	**(260,113)**	**2,922,643**	**3,281,401**	**27,741**	**3,309,142**
Share-based payments	–	–	–	1,585	–	–	1,585	–	1,585
Dividends to equity holders	–	–	–	–	–	(284,503)	(284,503)	(960)	(285,463)
Tax benefit in respect of allotment of shares to employees	–	–	–	79	–	–	79	–	79
Comprehensive income for the period	–	–	33,550	11,251	–	395,102	439,903	1,946	441,849
Balance as at September 30, 2012	**542,769**	**101,485**	**(44,663)**	**65,745**	**(260,113)**	**3,033,242**	**3,438,465**	**28,727**	**3,467,192**

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

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

	Attributable to the equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve from foreign operations	Reserve from available for sale assets	Capital reserves	Treasury shares	Retained earnings	Total		
	(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 September 30, 2011										
Balance as at July 1, 2011	542,162	92,683	54,699	–	44,375	(260,113)	2,553,748	3,027,554	24,330	3,051,884
Exercise of options allotted to employees	111	1,085	–	–	(1,196)	–	–	–	–	–
Share-based payments	–	–	–	–	3,816	–	–	3,816	–	3,816
Dividends to equity holders	–	–	–	–	–	–	(297,483)	(297,483)	–	(297,483)
Tax benefit in respect of allotment of shares to employees	–	–	–	–	(746)	–	–	(746)	–	(746)
Comprehensive income for the period	–	–	(70,043)	–	2,743	–	406,967	339,667	2,717	342,384
Balance as at September 30, 2011	542,273	93,768	(15,344)	–	48,992	(260,113)	2,663,232	3,072,808	27,047	3,099,855

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

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

	Attributable to the equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve from foreign operations	Reserve from available for sale assets	Capital reserves	Treasury shares	Retained earnings	Total		
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Balance as at January 1, 2011	541,858	90,675	(9,049)	2,427	44,166	(260,113)	2,210,143	2,620,107	21,123	2,641,230
Exercise of options allotted to employees	519	4,123	–	–	(4,548)	–	–	94	–	94
Share-based payments	–	–	–	–	15,476	–	–	15,476	–	15,476
Dividends to equity holders	–	–	–	–	–	–	(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 nine months ended		For the three months ended		For the year ended
	September 30 2012	September 30 2011	September 30 2012	September 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	**1,095,404**	1,149,040	**396,111**	438,503	1,523,016
Adjustments:					
Depreciation and amortization	**210,295**	197,663	**72,469**	75,097	267,440
Interest expenses, net	**31,087**	19,512	**10,045**	9,050	27,992
Share in income of associated companies, net of tax	**(7,147)**	(11,261)	**(2,631)**	(2,696)	(8,001)
Capital loss (gain) on sale of property, plant and equipment	**687**	(1,049)	**910**	(1,016)	(2,396)
Gain on available-for-sale securities	**–**	(4,535)	**–**	–	(4,535)
Share-based payment transactions	**4,891**	11,661	**1,585**	3,816	12,795
Revaluation of assets and liabilities denominated in foreign currency	**(1,436)**	(19,516)	**14,572**	(18,974)	(32,443)
Income tax expenses	**234,816**	261,182	**81,022**	104,106	348,692
	1,568,597	1,602,697	**574,083**	607,886	2,132,560
Change in inventories	**80,084**	(80,058)	**27,598**	(56,530)	(221,818)
Change in trade and other receivables	**(25,661)**	*(345,176)	**143,670**	*37,762	(343,553)
Change in trade and other payables	**(90,098)**	117,956	**7,203**	35,153	182,491
Change in provisions and employee benefits	**(10,825)**	*(15,657)	**(4,005)**	*(28,533)	(32,320)
	1,522,097	1,279,762	**748,549**	595,738	1,717,360
Income taxes paid	**(176,960)**	(338,163)	**(63,884)**	(90,449)	(422,083)
Interest received	**18,304**	18,343	**7,326**	7,050	23,699
Interest paid	**(45,692)**	(34,928)	**(11,873)**	(13,558)	(49,609)
Net cash provided by operating activities	**1,317,749**	925,014	**680,118**	498,781	1,269,367
Cash flows from investing activities					
Investment in long-term deposits	**(1,548)**	(1,974)	**(520)**	(863)	(2,147)
Proceeds from sale of property, plant and equipment	**1,033**	3,389	**462**	1,335	5,526
Short-term deposits and investments, net	**33,514**	237,664	**68,279**	(57,858)	*285,345
Business combinations less cash acquired	**(20,643)**	(424,100)	**(1,895)**	–	(437,475)
Dividends received from associated companies	**3,421**	5,215	**591**	1,161	8,644
Acquisition of property, plant and equipment	**(522,205)**	(361,805)	**(192,167)**	(157,397)	(496,102)
Investment grants received	**–**	1,014	**–**	1,014	1,194
Acquisition of intangible assets	**(8,272)**	(11,810)	**(3,224)**	(3,309)	(17,983)
Sale of available-for-sale securities	–	14,421	–	–	14,421
Investments in and loans to associated companies	**(5,570)**	–	–	–	(1,617)
Proceeds from realization of long-term deposits	**2,676**	2,926	**793**	953	3,453
Net cash used in investing activities	**(517,594)**	(535,060)	**(127,681)**	(214,964)	(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 nine months ended		For the three months ended		For the year ended
	September 30 2012	September 30 2011	September 30 2012	September 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	**(743,703)**	(831,549)	**(284,503)**	(297,483)	(1,131,033)
Dividend paid to non-controlling interests	**(4,635)**	(1,169)	**(960)**	–	(1,169)
Receipt of long-term loans	**216,545**	219,976	**18,212**	46,454	969,174
Repayment of long-term loans	**(220,435)**	(128,761)	**(154,319)**	(3,980)	(888,068)
Short-term credit from banks and others, net	**91,791**	334,506	**47,211**	85,507	308,673
Net cash used in financing activities	**(656,637)**	(406,997)	**(374,359)**	(169,502)	(742,329)
Net increase (decrease) in cash and cash equivalents	**143,518**	(17,043)	**178,078**	114,315	(109,703)
Cash and cash equivalents at beginning of the period	**284,477**	400,914	**249,890**	271,275	400,914
Effect of changes in the exchange rate on balances of cash and cash equivalents	**41**	463	**68**	(1,256)	(6,734)
Cash and cash equivalents at end of the period	**428,036**	384,334	**428,036**	384,334	*284,477

* Reclassified.

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

Note 1 - The Reporting Entity

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

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

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

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

Note 2 - Basis of Preparation of the Financial Statements

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

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

The condensed consolidated interim financial statements were approved for publication by the Group's Board of Directors on November 20, 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 that in a subsidiary the depreciation period of certain property, plant and equipment items is shorter than the remaining useful lives anticipated for them. On the basis of this evaluation, a change in the economic useful lives of those property, plant and equipment items in that subsidiary was made. As a result, the expected useful lives of these assets were lengthened to a period of 25-40 years from the beginning of the year.

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

The impact of the change in estimate on the annual anticipated depreciation expenses to be recorded to the cost of sales is about $9 million. As a result of lengthening the useful lives of property, plant and equipment, the Group recognized deferred tax expenses of about $5 million in the period of the report.

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 nine months ended:			
September 30, 2012	**2.1%**	**2.4%**	**(0.2%)**
September 30, 2011	2.2%	4.6%	(1.7%)
Rates of change for the three months ended:			
September 30, 2012	**0.9%**	**(0.3%)**	**(2.9%)**
September 30, 2011	0.4%	8.7%	6.6%
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 sulfuric 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 Sdom, 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 of 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
Nine-month period ended September 30, 2012									
Sales to external parties	**1,650,034**	**1,256,094**	**–**	**2,906,128**	**1,099,488**	**1,087,540**	**241,034**	**–**	**5,334,190**
Inter-segment sales	**171,521**	**112,138**	**(87,357)**	**196,302**	**10,753**	**49,781**	**37,609**	**(294,445)**	**–**
Total sales	**1,821,555**	**1,368,232**	**(87,357)**	**3,102,430**	**1,110,241**	**1,137,321**	**278,643**	**(294,445)**	**5,334,190**
Income from ordinary activities	**861,813**	**156,032**	**1,046**	**1,018,891**	**203,552**	**147,895**	**8,750**		**1,379,088**
Unallocated expenses and intercompany eliminations									**3,383**
Operating income									**1,382,471**
Financing expenses									**(92,949)**
Financing income									**33,551**
Share in income of associated companies, net of tax									**7,147**
Income before taxes on income									**1,330,220**
Capital expenditures	**315,544**	**77,079**	**–**	**392,623**	**98,608**	**33,387**	**6,273**		**530,891**
Unallocated capital expenditures									**1,405**
Total capital expenditures									**532,296**
Depreciation and amortization	**80,884**	**46,740**	**–**	**127,624**	**46,300**	**31,680**	**4,365**		**209,969**
Unallocated depreciation and amortization									**326**
Total depreciation and amortization									**210,295**

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
Nine-month period ended September 30, 2011									
Sales to external parties	1,640,376	1,222,954	–	2,863,330	1,167,974	1,106,587	217,582	–	5,355,473
Inter-segment sales	170,517	121,294	(91,714)	200,097	10,019	54,937	25,817	(290,870)	–
Total sales	1,810,893	1,344,248	(91,714)	3,063,427	1,177,993	1,161,524	243,399	(290,870)	5,355,473
Income from ordinary activities	845,088	192,390	1,272	1,038,750	234,236	166,041	26,802		1,465,829
Unallocated expenses and intercompany eliminations									(6,322)
Operating income									1,459,507
Financing expenses									(89,439)
Financing income									28,893
Share in income of associated companies, net of tax									11,261
Income before taxes on income									1,410,222
Capital expenditures	172,550	357,232	–	529,782	82,495	109,870	8,310		730,457
Unallocated capital expenditures									240
Total capital expenditures									730,697
Depreciation and amortization	77,202	42,460	–	119,662	43,320	29,298	4,838		197,118
Unallocated depreciation and amortization									545
Total depreciation and amortization									197,663

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 September 30, 2012									
Sales to external parties	601,899	397,847	–	999,746	342,960	398,995	75,770	–	1,817,471
Inter-segment sales	55,183	40,183	(28,809)	66,557	3,646	16,672	11,752	(98,627)	–
Total sales	657,082	438,030	(28,809)	1,066,303	346,606	415,667	87,522	(98,627)	1,817,471
Income from ordinary activities	313,980	51,606	1,268	366,854	58,644	59,885	(732)		484,651
Unallocated expenses and intercompany eliminations									3,265
Operating income									487,916
Financing expenses									(23,816)
Financing income									10,402
Share in income of associated companies, net of tax									2,631
Income before taxes on income									477,133
Capital expenditures	117,065	23,579	–	140,644	30,903	9,309	1,458		182,314
Unallocated capital expenditures									1,389
Total capital expenditures									183,703
Depreciation and amortization	27,362	16,694	–	44,056	15,490	11,330	1,389		72,265
Unallocated depreciation and amortization									204
Total depreciation and amortization									72,469

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 September 30, 2011									
Sales to external parties	638,981	412,444	–	1,051,425	377,462	383,863	85,585	–	1,898,335
Inter-segment sales	62,827	45,707	(33,946)	74,588	3,198	19,285	11,304	(108,375)	–
Total sales	701,808	458,151	(33,946)	1,126,013	380,660	403,148	96,889	(108,375)	1,898,335
Income from ordinary activities	357,700	55,943	2,637	416,280	75,889	52,892	11,059		556,120
Unallocated expenses and intercompany eliminations									54
Operating income									556,174
Financing expenses									(33,309)
Financing income									17,048
Share in income of associated companies, net of tax									2,696
Income before taxes on income									542,609
Capital expenditures	80,224	32,855	–	113,079	35,169	20,164	3,436		171,848
Unallocated capital expenditures									30
Total capital expenditures									171,878
Depreciation and amortization	28,769	19,666	–	48,435	14,398	10,401	1,619		74,853
Unallocated depreciation and amortization									244
Total depreciation and amortization									75,097

Note 4 - Business Segments (Cont'd)

B. Information on business segments (Cont'd)

	Fertilizers				Industrial products	Performance products	Other activities	Eliminations	Consolidated
	Potash	Phosphate	Eliminations	Total					
	(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) 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 was distributed on September 12, 2012.

(4) Subsequent to the date of the report, on November 20, 2012, the Company's Board of Directors decided to distribute a dividend in the amount of $276 million (the net dividend, less the share of a subsidiary, amounts to $275.5 million), about $0.22 per share. The dividend will be distributed after the date of the report on December 19, 2012.

(5) 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 of NIS 1 par value.

(6) 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 was set as September 24, 2012.

In the period of the report, the period of the loan was extended for an additional three months, and the interest rate was updated to the three-month Libor rate plus a margin of 0.7% (1.073%). The terms of the loan are the same as market terms.

(7) On September 11, 2012, the Company received a loan in the amount of $50 million from a third party, bearing interest at the three-month Libor rate plus a margin of 0.7%. The repayment date of the loan is three months after the date of its receipt.

(8) 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, according to the data 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 September 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 of 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.

Note 5 - Additional Information (Cont'd)

(8) (Cont'd)

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 10), 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.

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

In 2011 and 2010, DSW paid royalties to the Government of Israel in the amount of $66 million and $23 million, respectively. In the period of the report, ICL paid additional royalties in the amount of $ 32.5 million in respect of the aforesaid years as a result of the understandings reached to raise the rate of the royalties. The aforesaid amounts were fully provided for in the financial statements as at December 31, 2011.

Regarding 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, 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. The rate of DSW in their financing remained unchanged and Dead Sea Preservation Government Company Ltd. continues to be responsible for the planning and execution of the Shore Protections project.

(10) 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 upcoming years. The project is expected to be completed in the middle of 2015. The cost of the project is estimated at about $320 million. The construction agreements are linked to the exchange rate of the euro.

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. Changes in the fair value of the derivative used to hedge cash flows, in respect of the effective hedging component, are recorded and recognized in other comprehensive income. Changes in the fair value of the derivative relating to the ineffective portion are recorded in the statement of income. In the period of the report, the amount of about $14 million was recognized in other comprehensive income.

Note 5 - Additional Information (Cont'd)

(11) Further to that stated in Note 24C3(d) to the financial statements as at December 31, 2011, subsequent to the date of the financial statements, on October 16, 2012, a court decision was rendered approving the revised compromise agreement, whereby the financing amount for the educational activities was updated to NIS 1 million.

(12) Subsequent to the date of the financial statements, on November 18, 2012, the Board of Directors of a subsidiary approved a plan whereby early retirement, prior to the date provided by law, was approved for a number of the subsidiary's employees. In the statement of income for the fourth quarter of 2012, an expense will be included, in the amount of about $20 million, in respect of the early retirement plan.

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

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

Israel Chemicals Ltd.

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

Condensed Financial Data Related to the Company from the Condensed Consolidated Interim Financial Statements as at September 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 September 30, 2012

Contents

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To: The shareholders of Israel Chemicals Ltd.

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

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970 of Israel Chemicals Ltd. (hereinafter – "the Company"), as at September 30, 2012 and for the nine-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 for these interim periods 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.)

November 20, 2012

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

Condensed Details of Interim Financial Position as at

	September 30 2012	September 30 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Current assets			
Cash and cash equivalents	**169,806**	204,931	70,025
Short-term investments, deposits and loans	**11,599**	432	421
Investee companies – current account	**339,458**	273,272	492,469
Other receivables, including derivative instruments	**968**	1,947	2,210
Income taxes refundable	**38,966**	8,314	8,755
Total current assets	**560,797**	488,896	573,880
Non-current assets			
Investments in investee companies	**3,772,639**	3,265,231	3,285,807
Long-term deposits and receivables	**7,304**	7,777	7,624
Loans to subsidiaries	**570,000**	570,000	570,000
Long-term derivative instruments	**14,828**	23,130	18,229
Deferred taxes, net	**8,841**	8,032	9,584
Property, plant and equipment	**1,171**	1,135	1,044
Total non-current assets	**4,374,783**	3,875,305	3,892,288
Total assets	**4,935,580**	4,364,201	4,466,168

	September 30 2012	September 30 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Current liabilities			
Credit from banks and others	**122,002**	51,989	22,106
Credit from investee companies	**242,853**	328,699	293,364
Other payables, including derivative instruments	**47,793**	35,678	53,283
Total current liabilities	**412,648**	416,366	368,753
Non-current liabilities			
Loans from investee companies	**623,568**	404,142	561,482
Debentures	**413,077**	428,927	418,470
Long-term derivative instruments	**31,578**	26,069	25,171
Employee benefits	**16,244**	15,889	15,490
Total non-current liabilities	**1,084,467**	875,027	1,020,613
Total liabilities	**1,497,115**	1,291,393	1,389,366
Equity			
Share capital	**542,769**	542,273	542,377
Share premium	**101,485**	93,768	94,798
Capital reserves	**21,082**	33,648	884
Retained earnings	**3,033,242**	2,663,232	2,698,856
Treasury shares	**(260,113)**	(260,113)	(260,113)
Total equity attributable to the holders of the Company's equity rights	**3,438,465**	3,072,808	3,076,802
Total liabilities and equity	**4,935,580**	4,364,201	4,466,168

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

Approval date of the financial statements: November 20, 2012.

The additional information attached to the interim separate financial data is 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 nine-month period ended		For the three-month period ended		For the year ended
	September 30 2012	September 30 2011	September 30 2012	September 30 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Financing income	**–**	4,225	**–**	1,024	19,858
Expenses					
General and administrative	**30,371**	36,400	**9,529**	11,527	47,208
Financing	**19,197**	16,307	**5,961**	6,463	33,680
	49,568	52,707	**15,490**	17,990	80,888
Income from investee companies, net	**1,142,339**	1,197,072	**408,152**	452,164	1,580,674
Income before taxes on income	**1,092,771**	1,148,590	**392,662**	435,198	1,519,644
Taxes on income	**1,758**	6,384	**(2,153)**	(1,104)	7,823
Income for the period attributable to the owners of the Company	**1,091,013**	1,142,206	**394,815**	436,302	1,511,821

The additional information attached to the interim separate financial data is 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 nine-month period ended		For the three-month period ended		For the year ended
	September 30 2012	September 30 2011	September 30 2012	September 30 2011	December 31 2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Income for the period attributable to the owners of the Company	**1,091,013**	1,142,206	**394,815**	436,302	1,511,821
Components of other comprehensive income					
Net change in fair value of financial assets available for sale	**–**	(3,756)	**–**	–	(3,756)
Change in fair value of derivatives used for hedging cash flows	**(2,057)**	(3,172)	**(489)**	3,610	(15)
Income taxes in respect of components of other comprehensive income	**514**	2,090	**122**	(867)	1,234
Other comprehensive income (loss) in respect of investee companies, net	**7,013**	(33,566)	**45,455**	(99,378)	(76,541)
Other comprehensive income (loss) for the period, net of tax	**5,470**	(38,404)	**45,088**	(96,635)	(79,078)
Total comprehensive income for the period attributable to the owners of the Company	**1,096,483**	1,103,802	**439,903**	339,667	1,432,743

The additional information attached to the interim separate financial data is 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 nine-month period ended		For the three-month period ended		For the year ended
	September 30 2012	September 30 2011	September 30 2012	September 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	**1,091,013**	1,142,206	**394,815**	436,302	1,511,821
Adjustments:					
Depreciation and amortization	**305**	275	**126**	136	372
Interest expenses, net	**11,345**	11,444	**4,163**	1,323	17,908
Gain on realization of securities classified as available-for-sale	**–**	(4,535)	**–**	–	(4,535)
Capital gain on sale of property, plant and equipment	**(28)**	–	**–**	–	–
Income from investee companies, net	**(1,142,339)**	(1,197,072)	**(408,152)**	(452,164)	(1,580,674)
Share based payment transactions	**4,891**	11,661	**1,585**	3,816	15,476
Revaluation of assets and liabilities denominated in foreign currency	**3,481**	2,393	**2,892**	(2,319)	(741)
Income tax expense	**1,758**	6,384	**(2,153)**	(1,104)	7,823
	(29,574)	(27,244)	**(6,724)**	(14,010)	(32,550)
Change in other receivables	**1,234**	2,376	**4,006**	1,327	2,114
Change in trade and other payables	**(7,823)**	16,582	**3,411**	6,859	25,533
Change in employee benefits	**754**	138	**757**	(1,008)	(261)
	(35,409)	(8,148)	**1,450**	(6,832)	(5,164)
Income tax paid	**(122,373)**	(267,267)	**(36,924)**	(47,142)	(293,653)
Interest received	**481**	2,864	**268**	2,790	3,485
Interest paid	**(9,011)**	(10,164)	**–**	(79)	(20,079)
Net cash used in operating activities related to the Company	**(166,312)**	(282,715)	**(35,206)**	(51,263)	(315,411)
Net cash provided by operating activities related to investee companies	**753,898**	1,155,648	**267,117**	300,595	1,479,909
Net cash provided by operating activities	**587,586**	872,933	**231,911**	249,332	1,164,498

The additional information attached to the interim separate financial data is 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 nine-month period ended		For the three-month period ended		For the year ended
	September 30 2012	September 30 2011	September 30 2012	September 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
Acquisition of property, plant and equipment	**(468)**	(108)	**(360)**	(30)	(114)
Receipts from sale of property plant and equipment	**64**	–	**–**	–	–
Short-term loans and deposits, net	**(11,980)**	143,414	**(4,410)**	–	143,414
Net cash provided by (used in) investing activities related to the Company	**(12,384)**	157,727	**(4,770)**	(30)	157,721
Net cash provided by investing activities related to investee companies	**153,011**	246,093	**220,601**	39,911	26,896
Net cash provided by investing activities	**140,627**	403,820	**215,831**	39,881	184,617
Cash flows from financing activities					
Proceeds from exercise of options issued to employees	**3,800**	–	**–**	–	94
Dividends paid	**(743,703)**	(831,549)	**(284,503)**	(297,483)	(1,131,033)
Repayment of long-term loans	**–**	(120,000)	**–**	–	(150,000)
Short-term credit from banks and others	**99,896**	(230,038)	**49,871**	454	(229,921)
Net cash used in financing activities related to the Company	**(640,007)**	(1,181,587)	**(234,632)**	(297,029)	(1,510,860)
Net cash provided by (used in) financing activities related to investee companies	**11,575**	(5,917)	**(103,185)**	138,773	116,088
Net cash used in financing activities	**(628,432)**	(1,187,504)	**(337,817)**	(158,256)	(1,394,772)
Net increase (decrease) in cash and cash equivalents	**99,781**	89,249	**109,925**	130,957	(45,657)
Cash and cash equivalents as at the beginning of the period	**70,025**	115,682	**59,881**	73,974	115,682
Cash and cash equivalents as at the end of the period	**169,806**	204,931	**169,806**	204,931	70,025

The additional information attached to the interim separate financial data is 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 consolidated financial statements for the year ended December 31, 2011 and the condensed consolidated interim financial statements as at September 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 interim separate 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 Mifalei Tovala.

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

C. On April 30, 2012, dividends in the amounts 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 amounts 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. On August 14, 2012, a dividend, in the amount of $41 million, was received from the subsidiary Dead Sea Bromine.

G. On September 3, 2012, a dividend, in the amount of $150 million, was received from the subsidiary Dead Sea Works.

H. Subsequent to the date of the financial statements, on November 18, 2012, the subsidiary, Dead Sea Bromine, declared distribution of a dividend, in the amount of $22 million.

I. Subsequent to the date of the financial statements, on November 19, 2012, the subsidiaries Dead Sea Works and Rotem Amfert Negev, declared distributions of dividends, in the amounts of $150 million and $25 million, respectively.

J. 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.) bearing interest at the rate of 1.22%. The loan's repayment date was set as September 24, 2012.

In the period of the report, the period of the loan was extended for an additional three months, and the interest rate was updated to the three-month Libor rate plus a margin of 0.7% (1.073%). The terms of the loan are the same as market terms.

K. On September 11, 2012, the Company received a loan in the amount of $50 million from a third party, bearing interest at the three-month Libor rate plus a margin of 0.7%. The repayment date of the loan is three months after the date of its receipt.

Third 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. Stefan Borgas, 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 June 30, 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 quarterly 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: November 20, 2012

Stefan Borgas 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, Stefan Borgas, declare that:

1. I have examined the quarterly report of Israel Chemicals Ltd. (hereinafter – "the Corporation") for the third 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 quarterly report 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: November 20, 2012

____

Stefan Borgas, 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 third 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, 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 quarterly report and this reporting period has come to my attention, which relates to interim financial statements and all other financial information included in the reports for the interim period, which would require a change in my opinion, 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: November 20, 2012

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Avi Doitchman,
Executive Vice President, CFO and Strategy