ICL-ISRAEL CHEMICALS LTD. כימיקלים לישראל בע"מ

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

Directors' Report on the State of the Company's Affairs for the period ended March 31, 2011

Below is the Directors' Report of Israel Chemicals Ltd. ("ICL" or "the Company") for the period ended March 31, 2011.

1. Description of the Company and its Business Environment

1.1 Description of ICL

ICL is a multinational company that operates mainly in the areas of fertilizers and specialty chemicals, in three segments: Fertilizers, Industrial Products and Performance Products.

ICL's operations are based primarily on natural resources – potash, bromine, magnesium and sodium chloride from the Dead Sea, and phosphate rock from the Negev Desert, based on concessions and licenses from the State of Israel. Operations are also based on potash and salt mines in England and Spain under lease agreements and licenses from the 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. The production costs of the potash and bromine that ICL extracts from the Dead Sea are relatively lower than the costs of other producers in the world that do not have access to the Dead Sea.

ICL's main production facilities are based in Israel, Germany, the USA, Holland, Spain, the UK, China, Brazil and France. ICL has other production facilities in Austria, Belgium, Turkey, Argentina, Canada, Ireland and Australia.

ICL's operations outside of Israel are primarily in the manufacture of products that are complementary to or are based on its operations in Israel or in related fields. Approximately 96% 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 4% of ICL's production is sold in Israel. For specific products, ICL and some ICL companies have been declared a monopoly in Israel.

Approximately 50% of ICL's annual sales turnover comes from production outside of Israel.

ICL has no material dependency on any single customer, supplier or source of raw materials that are not included in the concessions granted to ICL.

ICL applies an overall policy of sustainable development that integrates social, economic and environmental considerations in all of its business activities. The main points of the policy include social responsibility, which covers contributing to the community, taking responsibility for the safety, hygiene and the well-being of employees, reducing environmental effects, 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, and specialty fertilizers. ICL Fertilizers also manufactures fertilizers in Holland, Germany and Belgium. In addition ICL Fertilizers manufactures phosphate-based animal feed additives in Turkey and Israel. ICL Fertilizers markets its products worldwide, and its top sales destinations are Europe, Brazil, India, China and Israel. On 28 February 2011, a transaction was completed for acquisition of the companies, assets, and activities of a specialty fertilizer business unit. The business unit manufactures and sells specialty fertilizers, growing media, plant protection products, grass seeds for commercial nurseries, public parks, sports fields and intensive agriculture. ICL intends to integrate the operations of the acquired unit in ICL Fertilizers, taking advantage of the marketing, operating and other synergies with ICL's specialty fertilizer activities. Integration of the business unit will expand the range of products offered by ICL Fertilizers in the specialty fertilizer sector.

B. **ICL Industrial Products** – ICL Industrial Products manufactures elementary bromine from an end-brine that is created as a by-product of the potash production process in Sdom, as well as bromine-based compounds. ICL Industrial Products is the world's leading manufacturer of elementary bromine, producing about 35% of total global production in the reporting period. ICL Industrial Products uses about 76% of the elementary bromine it produces for manufacturing bromine compounds at its production sites in Israel, Holland and China. In addition, ICL Industrial Products produces and markets flame retardants and other phosphorus-based products in plants in the USA and Germany, produces various salt, magnesia and chlorine products at its production sites in Israel, and also manufactures chlorine-based products in Israel and the USA, and markets its products worldwide.

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

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

1.2 Business environment and profitability

ICL is a multinational company. The Company's financial results are affected by global economic trends, changes in terms of trade and financing, and fluctuations in exchange rates. The demand for ICL products is affected by the demand for basic agricultural products and the global economic situation, among other factors.

Together with and as part of its business strategy, ICL is taking steps towards adapting its marketing and production policies to global market conditions. ICL is focusing on improving cash flow and diversifying financing sources, and is committed to taking action to improve efficiency and savings.

Most of ICL’s sales are in foreign currency, mainly US dollars and euro. A significant part of its operating expenses in Israel is denominated in shekels; therefore depreciation of the shekel against the dollar has a positive impact on ICL's profitability, while appreciation has the opposite effect. The depreciation of the average exchange rate of the euro against the dollar has a negative impact on ICL’s profitability, while appreciation has the opposite impact. 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 weakening of the dollar against the shekel in the period compared with the corresponding period last year, impacted negatively on ICL’s operating income and financing expenses, by an estimated $5.4 million and $2.5 million, respectively. The forecast for ICL’s surplus of revenues over expenses in euro for the next 12 months amounts to approximately $350 million.[1] 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 for the population, and the use of fertilizers. The increase in global consumption of grains (such as cereals, rice, soybean and corn) is affected by 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. Global consumption of grains (cereals, rice, soy, corn, etc.) is also affected by environmental-quality considerations and the efforts of western countries to reduce dependence on oil imports, which strengthens the trend to shift to bio-fuels. These trends have already led to significantly lower grain stocks a few years ago, and consequently, higher prices of agricultural produce, increased planting of grain crops worldwide, and higher yield per unit of agricultural land, mainly by increased application of fertilizers.

After a decrease in grain prices in 2009, following the economic crisis, grain prices rose again in 2010. The price increases are mainly due to global consumption of grains and concerns about lower than expected yields, due to a decline in corn production in the United States, floods in Australia, drought and fires in Russia, drought in some regions in China and floods in other regions of China and low corn production in Brazil due to late planting.

According to the report of the US Department of Agriculture (the USDA) in April 2011, the ratio between grain stores to annual grain consumption is expected to drop slightly to 19.5% at the end of the 2010/2011 agricultural year compared with the previous estimate. Most of the decrease is due to a decrease in corn stores following a sharp rise in global food and animal feed consumption and

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[1] The assessments of the surplus of revenues over expenses in euro in this paragraph are forward-looking information and there is no certainty that they will be realized. They could change due to 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 the levels of supply and demand and in the prices of the products and changes in the magnitude of the operating expenses of the companies whose functional currency is the euro.

ethanol production in the United States[2] . Recent estimates were 19%-19.6% compared with 21-22% in the first half of 2010.

In the short term, demand for fertilizers is volatile and is affected by factors such as weather in the world's central agricultural growing regions, fluctuations in planting of the main crops, agricultural input costs, agricultural product prices and developments in biotechnology. Some of these factors are influenced by subsidies and credit lines granted to farmers or to producers of agricultural inputs in various countries, and by environmental regulations. Changes in exchange rates, legislation and international trade policy also affect the supply, demand and level of consumption of fertilizers worldwide. Notwithstanding the volatility that can be caused in the short term as a result of these factors, the Company estimates that the policy of most countries in the world is to ensure orderly and high-quality supply of food to the population, thereby encouraging agricultural production, which should preserve the long-term growth trend.[3]

Since the middle of 2006, fertilizer and potash prices have soared, reaching an all-time high in the middle of 2008. Most potash sales in the period were at a price of $800 and $850 (CFR), mainly in Southeast Asia and Brazil. A few sales were made at approximately $ 1,000 per ton (CFR). Following the decline in global demand for fertilizers and potash, as a result of the economic crisis, prices began to fall. The immediate sharp decline was in nitrogen and phosphorus prices. Potash prices also dropped, although the decrease was not as sharp as the decrease in prices of nitrogen and phosphorus fertilizers. Towards the end of 2009, the global economy started to recover, together with demands in the fertilizer market.

In January 2011, the trading company BPC announced that it had signed a six-month contract in China for the supply of 600,000 tons (including an optional 120,000 tons) at a CFR price of $400 per ton. A week later, the Canadian company Canpotex signed a six-month contract for 600,000 tons at the same price. In February 2011, ICL Fertilizers signed contracts with several customers in China to supply 500,000 tons of potash, in the first half of 2011, at a similar price.

Demand in India also continued to rise steadily. In March 2010, several potash manufacturers, including ICL Fertilizers, signed a contract to supply potash to customers in India over one year at a price of USD 370 per ton CFR. According to the contract, ICL Fertilizer would supply about 1.4 million tons of potash. In 2010, India imported a record 5.6 million tons of potash. Negotiations are now underway with potash importers in India for the supply of potash in the 2011-2012 agricultural year.

There was also a high demand for potash in the USA, Brazil and Southeast Asia. In 2010, Brazil and the USA imported 6.14 million and 10.1 million tons of potash, respectively. In the first quarter of 2011, Brazil imported 1.57 million tons of potash.

The high demand for potash launched a process still on-going of price rises in the major markets. In September 2010, Canpotex and BPC announced price rises of $50 per ton in Brazil and Southeast Asia to a price level of $405-420 per ton. At the same time, PCS announced a price increase in the US of a similar dimension. At the beginning of November 2010, BPC announced an additional $25 per ton increase in Brazil and Southeast Asia. During the same month, PCS announced a price increase of more than $80 per ton in its US prices. At the beginning of 2011, the price of granular

2 The estimates of future trends in this paragraph are forward-looking information and there is no certainty as to whether, if and at what pace they may be realized. They could change due to fluctuations in global agricultural markets, particularly in the target markets for ICL products, including changes in the level of supply and demand, extreme changes in the weather, prices of products, commodities and grains, input prices, transportation and energy costs, and they could also be affected by actions taken by governments, manufactures and consumers. The financial markets could also have a possible effect, including changes in exchange rates, the credit situation and interest costs.

3 The assessments of future trends in this paragraph are forward-looking information and there is no certainty that they will be realized, when and at what pace. They could change due to fluctuations in 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 the levels of supply and demand and in the prices of the products, the commodities and the cereals. There could also be impact from actions taken by governments, producers and consumers. In addition there could be possible impact of the situation in the financial markets, including changes in exchange rates, credit conditions and interest rates.

potash in Europe increased by €18 per ton and at the same time the prices of potash for industry were updated. During January 2011, Canpotex announced a price increase of $30 per ton in the markets of Southeast Asia. In Europe, prices of potash have been increased since the beginning of the second quarter of 2011 by an additional €18-20 per ton. In Brazil and Asia, BPC and Canpotex announced an additional price increase of $50 per ton, so that the price in the spot markets reached a level of $510 to $525 per ton.

At the beginning of 2010, the Indian government released its new policy on fertilizer subsidies, which came into force on April, 1, 2010. The main part of the plan is a gradual transition from subsidizing products on a list of fertilizer types, to subsidy according to nutrients. As far as the subsidy for imported potash and phosphoric fertilizers is concerned, in 2010-11 the policy based on the maximum final retail price will be cancelled, but limitations were set on changes in the final price to consumers.

The upward trend in demand for phosphate fertilizers that started in the second half of 2009 continued in 2010. On the supply side, environmental regulations restricted production of competitors in the USA and export taxes imposed by the Chinese government diminished the export capacity of Chinese manufacturers.

Following the riots and change of regime in Tunisia, phosphate rock mines and plants were shut down, contributing to lower global fertilizer supply. According to recent reports, activities have resumed at the plants, however supply of phosphate rock is still restricted, which restricts the rate of fertilizer production.

At the end of March 2011, the Moroccan phosphate manufacturer OCP signed a contract in India to supply 500,000 tons of DAP at USD 612 per ton, for six-months, from April to December 2011, representing a price increase of USD 112 compared to the prior year. At the same time, the American PhosChem also signed a contract for six months to supply one million tons at a similar price. Subsequently, other companies signed contracts at a similar price for only six months, contrary to prior years, when contracts were signed for a full year. Up to the preparation date of this report, contracts were signed for the supply of 3.2 million tons (for six months) and other agreements are in various stages of negotiations. In 2010/11, DAP imports to India reached 7.4 million tons.

The operations of ICL Industrial Products are largely affected by activities in the electronics, construction, automotive, oil drilling, furniture, textile and water treatment markets. The increased demand for most segment products continues to be positive, together with continued price increases in most products. Higher demand and lower supply of bromine in China resulted in an increase in sale prices of elementary bromine compared to the corresponding period last year and compared to the last quarter of 2010. The continuing increase in demand for flame retardants is mainly due to the growing demand for electronics in the Far East and reduced production by some Chinese manufacturers.

In April 2010, a drilling rig exploded in the Gulf of Mexico, which is a major sales territory for the Company's products. As a result, the US government announced the suspension of deep sea drilling in this region. Although the suspension of drilling has been canceled, the US government is restricting drilling permits, resulting in low segment sales in this region. Nevertheless, sales and prices of clear solutions for drilling increased compared to the corresponding period last year, due to increased sales in other territories, due to higher demand and lower supply of Chinese manufacturers of clear solutions, following a price increase of elementary bromine in China.

Demand for chlorine-based biocides increased compared to the corresponding period last year, mainly due to the postponement of pre-season sales from the fourth quarter of 2010 to the reporting period.

The operations of ICL Performance Products are affected by competition in the target markets, by price volatility in the fertilizer market, which affects the segment's principal raw materials, and by volatility in energy prices.

The current quarter was marked by higher demand in Europe compared to the corresponding quarter last year and compared to the fourth quarter in 2010, and a decrease in North America, mainly due to harsh weather conditions in February. The price rise in the fertilizer market in the first quarter resulted in higher prices of the main raw materials used in the production of phosphorus-based products. In addition, the increase in energy prices resulted in higher production and transportation costs. Concurrently, selling prices of ICL Performance Products increased. Political instability in North Africa and the Middle East led to a decrease in demand in some countries in these regions.

Shipping expenses amounted to about 6% of the total operating costs of ICL in the reporting period. Since 2010, bulk shipping prices have been highly volatile alongside a trend to a decrease in the BDI. Average BDI in the first quarter of 2011 was 1,365 points, a decrease of 55% compared to the corresponding quarter last year.

Energy costs account for approximately 8% of ICL's total operating costs in the reporting period. Commencing in the third quarter of 2009, energy prices started to rise. In this quarter there was another sharp increase in prices of oil compared to the corresponding quarter last year. The gradual increase in the use of natural gas offsets the effect of the increase in prices of oil and oil products on Group results.

1.3 This Directors' Report is attached to the interim financial statements for the period ended March 31, 2011, and assumes that the financial statements are available to the reader. The Directors' Report is in condensed form for the period and assumes that the Periodic Report for 2010 is also available to the reader.

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

2. Results of Operations

2.1 Principal financial results

Hereunder the condensed results of operations in the reviewed period, compared with the results for the corresponding period last year, in millions of dollars.

	1-3/2011		1-3/2010		2010	
	$ million	**% of sales**	**$ million**	**% of sales**	**$ millions**	**% of sales**
Sales	1,528.3		1,382.5		5,691.5	
Gross profit	638.1	41.8	559.1	40.4	2,432.1	42.7
Operating income	360.5	23.6	303.5	22.0	1,346.1	23.7
Pre-tax profit	341.8	22.4	302.1	21.9	1,295.4	22.8
Net profit to Company shareholders	279.7	18.3	240.5	17.4	1,024.7	18.0
EBITDA*	418.8	27.4	353.1	25.5	1,572.1	27.4
Cash flow from current operations	142.0		219.7		1,537.0	
Investments in property, plant and equipment, less grants	82.9		84.7		333.4	

* Calculated as follows, in millions of dollars:

	1-3/2011	1-3/2010	2010
Net profit to Company shareholders	279.7	240.5	1,024.7
Depreciation and amortization	54.9	52.1	217.4
Net finance expenses (income)	23.0	(0.1)	53.2
Income tax	61.2	60.6	266.8
Non-recurring expenses	-	-	10.0
Total	418.8	353.1	1,572.1

2.2 Results of operations for January – March 2011

Sales

Sales of ICL in the reporting period amounted to approximately $1,528.3 million, compared with $1,382.5 million in the corresponding period last year, an increase of about 10.5%. This increase is due to an increase in selling prices, which led to an increase of about $156 million in sales. and to consolidation for the first time of companies acquired during the quarter, which increased total sales by USD 36 million. Conversely, quantities of potash sold decreased in the reporting period, mainly due to the effect of the strike in Sdom (see further details in section 9.3), which was offset by an increase in quantities sold of the other products of the Company. The net effect of the decrease in quantities sold reduced sales by $46 million.

Below is a geographical breakdown of sales:

		1-3/2011		1-3/2010
CIF sales	**$ million**	**%**	**$ million**	**%**
Israel	64.6	4.3	89.2	6.5
North America	304.2	20.4	253.7	18.4
South America	92.6	6.2	90.4	6.5
Europe	642.0	40.6	520.0	37.6
Asia	391.6	26.2	392.4	28.4
Rest of the world	33.3	2.3	36.8	2.6
Total	**1,528.3**	**100.0**	**1,382.5**	**100.0**

The breakdown of sales indicates an increase in sales in Europe and North America, mainly due to the growing demand for fertilizers, bromine and bromine products in these areas. The strike in Sodom resulted in the suspension of potash shipments and adversely affected sales, mainly in Asia and South America.

Gross profit

Gross profit amounted to $638.1 million, compared with a profit of $559.1 million in the corresponding period last year, an increase of approximately $79 million. The gross profit margin out of sales amounted to 41.8%, compared with about 40.4% in the corresponding period last year.

The increase in the gross profit margin compared to the corresponding period last year is mainly due to an increase in selling prices, which resulted in an increase of USD 150 million, and to consolidation for the first time of companies acquired in the quarter, which increased gross profit by USD 12 million. This increase was partially offset by the decrease in quantities sold, which resulted in a decrease of about USD 36 million and by an increase in raw material prices, which resulted in a decrease of about USD 51 million.

Sales and marketing expenses

Expenses for this item amounted to $193 million, compared with $185.8 in the corresponding period last year.

General and administrative expenses

These expenses amounted to $61.3 million, compared with $60.3 in the corresponding period last year.

Research and development expenses

R&D expenses (net of grants from the Chief Scientist) amounted to $16.6 million, an increase of about $1.9 million compared with the corresponding period last year.

Operating income

Operating income amounted to $360.5 million, an increase of $57 million compared with the corresponding period last year. The increase in operating income is mainly due to the increase in gross profit noted above. Operating income as a percentage of sales turnover is 23.6%, compared with 22% last year. The increase in the operating income margin stems mainly from the increase in selling prices.

Finance income/expenses

Net finance expenses amounted to about $23 million, compared with income of approximately $0.1 million in the corresponding period last year. Finance expenses this year compared with finance income last year, is mainly due to the following factors:

A. Expenses in the period as result of revaluation of transactions in financial derivatives and from revaluation of net short-term financial liabilities amounting to $ 6.5 million, compared with revenues of 19.4 million last year.

B. A decrease of about $1.4 million in finance expenses due to the effect of exchange rate differences on the provisions for employee benefits.

Tax expenses

Expenses amounted to $ 61.2 million, compared to $60.6 million last year. The pre-tax profit rate is 17.9% compared to 20% last year. The decrease in the tax rate in the reporting period compared to the corresponding period last year is due to the following factors:

A. The effect of the change in the dollar-shekel exchange rate compared to the corresponding quarter last year, which led to an increase in the tax rate of companies operating in Israel, due to differences in the measuring base.

B. The tax rate on ordinary income in Israel decreased from 25% to 24%.

C. In the current quarter, there was a decrease in non-taxable expenses compared to the corresponding quarter last year, due to a decrease in the cost of employee options.

Net profit

Net profit for the shareholders of the Company amounted to $279.7 million, compared with $240.5 million in the corresponding period last year, an increase of $39.2 million, representing an increase of 16.3% in net profit.

3. Segments of Operation

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

CIF sales by segment of operations	1-3/2011		1-3/2010		2010	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
ICL Fertilizers	836.7	51.8	766.0	52.7	3,107.3	51.7
ICL Industrial Products	372.9	23.1	292.2	20.1	1,313.2	21.9
ICL Performance Products	350.1	21.7	319.3	22.0	1,340.0	22.3
Others and offsets	(31.4)		5.0		(69.0)	
Total	1,528.3		1,382.5		5,691.5	

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

Operating income by segment of operations	1-3/2011		1-3/2010		2010	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
ICL Fertilizers	243.5	29.1	232.4	30.3	965.1	31.1
ICL Industrial Products	71.3	19.1	33.7	11.5	206.6	15.7
ICL Performance Products	47.4	13.5	44.2	13.8	185.1	13.8
Others and offsets	(1.8)		(6.8)		(10.7)	
Operating income (consolidated)	360.5		303.5		1,346.1	

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

3.1 ICL Fertilizers

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

	1-3/2011	1-3/2010	2010
Sales			
Potash	55%	69%	67%
Phosphate	45%	31%	33%
Operating income			
Potash	76%	95%	89%
Phosphate	24%	5%	11%

Sales

Sales in the reporting period amounted to $836.7 million, an increase of approximately $70.7 million compared with the corresponding period last year, representing an increase of about 9.2%.

The increase in sales stems mainly from an increase in selling prices of potash, phosphate fertilizers and phosphate rock, which led to an increase of approximately $88 million in sales, and from consolidation for the first time of companies acquired in the quarter, which contributed to an increase of $36 million in sales. The decrease in sales of potash net of the offset by the increase in sales of phosphate fertilizers and phosphate rock, led to a decrease of approximately $58 million in sales.

Profitability

Operating income in the segment amounted to $243.5 million, an increase of $11.2 million compared with the corresponding period last year. The margin of operating income out of sales was 29.1%, compared with 30.3% last year.

The increase in operating income is mainly due to an increase in selling prices of potash and phosphate fertilizers, which increased operating income by approximately $72 million. The fall in sales quantities of potash, offset by a rise in sales quantities of phosphate fertilizers and phosphate rock, reduced operating income by approximately $58 million.

Potash

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

Potash – Revenue and profit

$ millions	1-3/2011	1-3/2010	2010
Revenue *	475.5	538.8	2,140.7
Operating income	182.1	217.8	857.9

* Including revenue from inter-segment sales

The decrease in revenue in the reporting period compared with the corresponding period last year is due to a decrease in the quantities of potash sold, which reduced sales by approximately $90 million. This decrease was partially offset by an increase in potash prices, which increased sales by about $31 million.

The decrease in operating income is mainly due to the effects of the decrease in quantities sold, which decreased operating income by about $64 million. The decrease was partially offset by an increase in selling prices amounting to about $19 million.

In the reporting period, the Dead Sea Works workers union announced a strike, including disruption of potash production and maintenance activities. The strike caused immediate production losses of approximately 450 thousand tons, however the production process and the building up stocks of carnallite in the evaporation ponds continued normally. The Company believes that it will succeed in recovering this inventory in its production over the coming years.

During the strike period, potash shipments from Israel were suspended to customers. The quantity of potash sold from Israel decreased by about 220 thousand tons compared with the same period last year. The Company believes that part of the sales that were not performed will be made up by the end of the year.

Potash – Production, sales and closing inventories

Thousands of tons	1-3/2011	1-3/2010	2010
Production	748	996	4,251
Sales to external customers	987	1,273	5,266
Sales to internal customers	59	56	292
Total sales (including internal sales)	1,046	1,329	5,558
Closing inventory	1,312	2,584	1,610

The quantity of potash sold to external customers in the reporting period is about 286 thousand tons less than in the corresponding period last year. The quantity of potash produced in the reporting period is about 25% less than the quantity produced in the corresponding period last year.

In January 2011, the trading company BPC announced that it had signed a six-month contract in China for the supply of 600,000 tons (including an optional 120,000 tons) at a CFR price of $400 per ton. A week later, the Canadian company Canpotex signed a six-month contract for 600,000 tons at the same price. In February 2011, ICL Fertilizers signed contracts with several customers in China to supply 500,000 tons of potash, in the first half of 2011, at the same price as in the transaction with the other producers in the market

On April 21, 2011 the British government approved a £15 million grant to Cleveland Potash Ltd. (CPL), a UK-based company of ICL Fertilizers, to encourage CPL's mining and processing of polyhalite, a mineral used as fertilizer for agriculture and which is found beneath the potash layer in CPL's mine. Geological studies performed by CPL indicate that there more than one billion tons of polyhalite ore beneath the potash layer in the Company's mine. Polyhalite is a mineral that can be used in its natural form as fertilizer for organic agriculture or as raw material in the production of specialty fertilizers. ICL is considering constructing a plant to produce specialty fertilizers and industrial products based on polyhalite in the Tees Valley area, near its potash mine in the UK. The British government announced that it views with importance the establishment of a production plant and increased mining activities in that it will result in increased employment in the area, therefore it intends to assist and support the establishment of the production facility through the above-mentioned grant.

On April 13, 2011, ICL's board of directors, as part of its streamlining plan for Iberpotash SA, the Spanish subsidiary of ICL Fertilizers, approved the merger of two plants into one site. The Suria production site, including the mine and plant, will be expanded and mining and production at the other site will be terminated. The first stage of the plan, which has been approved, includes expansion of potash production and granulation capacity as well as establishment of a production plant for vacuum salt (salt with high chemical purity) at Suria. The second stage, which has not yet been approved, includes further expansion of potash production capacity, to 1.1 million tons, of which 630,000 tons will be granulated potash and 50,000 tons will be technical potash, as well as a production capacity of 1.5 million tons of vacuum salt. The Company believes that implementation of the first stage of the plan, which will require investment of an estimated €160 million, will be completed at the beginning of 2014. The Company believes that implementation of the first stage of the plan will reduce expenses and contribute to streamlining, which will reduce potash production costs and contribute to conformity with sustainability principles related to environmental protection. Implementation of the second stage will result in higher potash production at one site compared to production at two separate sites. The Company believes that closing the second site will not have a material effect on the Company's results in the second quarter of 2011.

Fertilizers and phosphates

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

Fertilizers and phosphates – Revenue and profit

$ millions	**1-3/2011**	**1-3/2010**	**2010**
Revenue *	383.7	245.8	1,056.3
Operating income	58.8	10.6	108.6

* 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 increase in phosphate fertilizer sales offset by the decrease in sales of phosphate rock, which increased sales by $36 million dollars and to consolidation for the first time of companies acquired in the quarter, which increased the sales by about $36 million dollars. In addition, the increase in selling prices of phosphate fertilizers and phosphate rock, also contributed to an increase of about $57 million in sales.

The increase in operating profit this quarter, compared with last year, is mainly due to the increase in sales quantities and selling prices of $59 million.

.Fertilizers and phosphates – Production and sales

Thousands of tons	1-3/2011	1-3/2010	1-12/2010
Phosphate rock			
Rock production	793	697	3,135
Sales *	232	189	636
Phosphate rock used for internal purposes	636	588	2,584
Fertilizers			
Production	412	403	1,688
Sales*	486	454	1,735

* To external customers

Phosphate rock is produced according to demand, both for internal uses and for sales to external customers, while maintaining appropriate stock levels. In the first quarter there was an increase in the production of phosphate rock compared with last year.

The quantity of phosphate fertilizers produced was similar to that produced last year.

The increase in sales of phosphate fertilizers in the reporting period, compared with the corresponding period last year, is due to the rise in demand in India, Brazil, the United States and in Southeast Asia. On the global supply side, environmental regulations restricted production of competitors in the USA and export taxes imposed by the Chinese government on phosphate fertilizers diminished the export capacity of Chinese manufacturers. Following the riots and change of regime in Tunisia, phosphate rock mines and plants were shut down, contributing to lower global fertilizer supply. According to recent reports, activities have resumed at the plants, however supply of phosphate rock is still restricted, which restricts the rate of fertilizer production.

On February 28, 2011, a transaction was completed with the American company Scotts Miracle-Gro to acquire the companies, assets and activities of its specialty fertilizer business unit (see section 9.4).

Subsequent to the reporting date, the subsidiary in Spain acquired 100% of the interests in A. Fuentes Mendez SA, which manufactures and markets specialty fertilizers in Spain (see Section 9.8).

3.2 ICL Industrial Products

Sales

Sales of ICL Industrial Products in the reporting period reached a record $373 million, an increase of $81 million compared with the corresponding period last year. The increase is due to an increase in selling prices, which contributed to an increase of $52 million in sales, mainly due to an increase in selling prices of flame retardants amounting to $36 million. Quantities sold increased by $29 million.

Profitability

Operating income in the reporting period reached a record $71.3 million, compared with $33.7 million in the corresponding period last year.

The percentage of operating income from sales amounted to 19.1% compared with operating income of 11.5% last year.

The increase in operating income was mainly due to the increase in selling prices, which contributed to an increase of about $52 million in operating income and due to the increase in quantities sold and produced, which contributed to an increase of $9 million in operating income. Conversely, the increase was partially offset by an increase in raw material and energy prices and an increase in other expenses, which contributed to a decrease of $12 million and $8 million, respectively.

3.3 ICL Performance Products

Sales:

Sales in this segment amounted to $350.1 million, an increase of $31 million compared with the corresponding period last year.

The increase was due to an increase in selling prices of some of the segment products, which resulted in an increase of $18 million in sales as well as an increase of $12 million as a result of the increase in quantities sold.

Profitability

Operating income of the segment in the reporting period amounted to $47.4 million, an increase of about $3.2 million compared with the corresponding period last year. The increase is mainly due to the effects of the increase in selling prices, which contributed about $18 million and an increase in quantities sold, which contributed $2.5 million to the increase in operating income. The increase was partially offset by the increase in raw material prices, which reduced operating income by approximately $18 million.

4. The Financial Position and Sources of Financing of ICL

At March 31, 2011, an increase of $391 million was recorded in the net interest-bearing financial liabilities of ICL compared with the balance at the end of 2010, bringing the total to approximately $1,049 million (see analysis in par. 5 below).

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, non-listed short-term commercial paper issued from time to time, 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 $350 million. At March 31, 2011, ICL used $100 million of the securitization framework.

On March 14, 2011, ICL entered into an agreement with 17 banks in Europe, the United States and Israel, for a revolving credit facility of $675 million. The credit facility is for five years, and is repayable in full at the end of the period. The basic interest rate of the credit facility for up to $225 million is Libor + 0.8% and additional 0.15%-0.3% for amounts exceeding $225 million.

5. Cash Flow

Cash flow generated by operating activities in the reporting period amounted to $142 million, compared with $219.6 million in the corresponding period last year. The decrease in cash flow from operating activities is mainly due to a one-time payment of $165 million for income tax as part of the assessment agreement for 2004-2008, which was partially offset by an increase in profit in the reporting period compared to last year. Cash flow from operating activities and the increase in financial commitments was the main source of net financing of investments of $83 million in property, plant and equipment, financing the consideration of about $262 million for acquisition of the companies, assets and activities of a specialty fertilizer business unit called The Global Professional Business (see section 9.4) and distribution of a dividend of $170 million.

6. Investments

In the reporting period, investments in property, plant and equipment amounted to approximately $82.9 million, compared with about $84.7 million in the corresponding period last year.

7. **Human Resources**

The total number of employees in ICL as at March 31, 2011 is 11,135 compared with 10,544 at March 31, 2010, an increase of 591 employees. The increase in the number of employees is mainly due to additional human resources for completion of investments in new facilities, and expansion of production and due to additional employees and the return to work of employees following the return to pre-crisis work formats, mainly in companies abroad. In addition, plans for recruiting engineers in various disciplines at ICL Fertilizers were reinstated and IDE activities were expanded.

8. **Market Risk Exposure and Management**

Base rates as at March 31, 2011:

Currency	Exchange rate
NIS/USD	0.28727
EUR/USD	1.42186
GBP/USD	1.60856
JPY/USD	0.01207
BRL/USD	0.61574
CNY/USD	0.15252

Update of sensitivity to changes in the exchange rates of balances in the statement of financial position at March 31, 2011:

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
USD/NIS	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(3.7)	(1.9)	37.3	1.9	3.7
Short-term deposits and loans	(3.1)	(1.6)	31.1	1.6	3.1
Trade receivables	(7.7)	(3.9)	77.5	3.9	7.7
Receivables and debit balances	(4.3)	(2.2)	43.3	2.2	4.3
Long-term deposits and loans	(19.5)	(9.8)	195.1	9.8	19.5
Credit from banks and others	0.7	0.4	(7.4)	(0.4)	(0.7)
Trade payables	26.4	13.2	(264.3)	(13.2)	(26.4)
Other payables	14.4	7.2	(144.4)	(7.2)	(14.4)
Bank loans	7.2	3.6	(72.0)	(3.6)	(7.2)
Debentures	39.8	19.9	(397.7)	(19.9)	(39.8)
Options	(28.2)	(15.0)	13.4	19.9	43.8
Forward	(23.2)	(12.2)	3.7	13.4	28.4
Swap	(28.9)	(15.1)	29.0	16.7	35.3
Embedded derivatives	1.8	0.9	2.0	(0.9)	(1.8)
Total	(29.3)	(16.5)	(453.4)	24.2	55.5

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
CPI	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Long-term deposits and loans	8.1	4.1	81.1	(4.1)	(8.1)
Credit from banks and others	(0.3)	(0.1)	(2.6)	0.1	0.3
Other payables	(0.1)	0.0	(0.8)	0.0	0.1
Long-term bank loans	(7.2)	(3.6)	(72.0)	3.6	7.2
Fixed-interest debentures	(14.9)	(7.4)	(148.5)	7.4	14.9
CPI/USD swap	5.0	2.5	9.9	(2.5)	(5.0)
Forward	5.9	3.0	1.4	(3.0)	(5.9)
Embedded derivative	1.7	0.8	(1.6)	(0.8)	(1.7)
Total	(1.8)	(0.7)	(133.1)	0.7	1.8

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
EUR/USD	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(13.3)	(6.7)	133.2	6.7	13.3
Short-term deposits and loans	(5.0)	(2.5)	50.2	2.5	5.0
Trade receivables	(36.9)	(18.4)	368.9	18.4	36.9
Receivables and debit balances	(1.5)	(0.8)	15.3	0.8	1.5
Long-term deposits and loans	(0.3)	(0.1)	2.5	0.1	0.3
Credit from banks and others	0.8	0.4	(8.2)	(0.4)	(0.8)
Trade payables	17.9	8.9	(178.6)	(8.9)	(17.9)
Other payables	10.4	5.2	(103.7)	(5.2)	(10.4)
Long-term bank loans	24.9	12.5	(249.1)	(12.5)	(24.9)
Options	16.4	8.1	(4.5)	(9.0)	(17.4)
Forward	22.3	10.5	(1.4)	(9.5)	(18.2)
Embedded derivative	1.4	0.7	14.5	(0.7)	(1.4)
Total	37.1	17.8	39.1	(17.7)	(34.0)

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
GBP/USD	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(0.1)	0.0	0.7	0.0	0.1
Short-term deposits and loans	(2.5)	(1.2)	24.8	1.2	2.5
Trade receivables	(8.3)	(4.1)	82.6	4.1	8.3
Receivables and debit balances	0.0	0.0	0.1	0.0	0.0
Credit from banks and others	1.0	0.5	(9.6)	(0.5)	(1.0)
Trade payables	1.2	0.6	(11.8)	(0.6)	(1.2)
Other payables	1.7	0.9	(17.4)	(0.9)	(1.7)
Forward	(1.7)	(0.9)	0.0	1.0	2.1
Total	(8.7)	(4.2)	69.4	4.3	9.1

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
JPY/USD	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(0.6)	(0.3)	6.3	0.3	0.6
Trade receivables	(1.6)	(0.8)	16.1	0.8	1.6
Receivables and debit balances	0.0	0.0	0.1	0.0	0.0
Long-term deposits and loans	0.0	0.0	0.2	0.0	0.0
Credit from banks and others	0.0	0.0	0.0	0.0	0.0
Trade payables	0.4	0.2	(4.2)	(0.2)	(0.4)
Other payables	0.0	0.0	(0.4)	0.0	0.0
Options	1.2	0.5	0.0	(0.4)	(1.1)
Forward	0.4	0.2	0.2	(0.2)	(0.4)
Total	(0.2)	(0.2)	18.3	0.3	0.3

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
BRL/USD	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(0.7)	(0.3)	6.7	0.3	0.7
Trade receivables	(0.8)	(0.4)	7.5	0.4	0.8
Receivables and debit balances	0.0	0.0	0.1	0.0	0.0
Trade payables	0.7	0.4	(7.1)	(0.4)	(0.7)
Other payables	0.1	0.0	(0.5)	0.0	(0.1)
Total	(0.7)	(0.3)	6.7	0.3	0.7

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
CNY/USD	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(2.0)	(1.0)	20.5	1.0	2.0
Short-term deposits and loans	(0.4)	(0.2)	3.7	0.2	0.4
Trade receivables	(1.8)	(0.9)	17.9	0.9	1.8
Receivables and debit balances	(0.1)	0.0	0.9	0.0	0.1
Credit from banks and others	0.1	0.0	(0.8)	0.0	(0.1)
Trade payables	1.1	0.5	(10.8)	(0.5)	(1.1)
Other payables	0.3	0.2	(3.0)	(0.2)	(0.3)
Long-term loans from banks	0.1	0.1	(1.2)	(0.1)	(0.1)
Total	(2.7)	(1.3)	27.2	1.3	2.7

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	($ millions)	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Hedging of marine transportation	4.2	2.1	(10.6)	(2.2)	(4.5)

Update of sensitivity to changes in the LIBOR interest rate at March 31, 2011:

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	($ millions)	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 1%**	**Increase of 0.5%**		**Decrease of 0.5%**	**Decrease of 1%**
Fixed-interest debentures	2.7	1.4	(95.7)	(1.4)	(2.9)
Collar transactions	2.3	1.1	(5.0)	(1.1)	(1.8)
Swap transactions	6.5	3.3	(7.0)	(3.3)	(6.2)
Other options	0.4	0.3	(0.6)	(0.5)	(1.2)
NIS/USD swap	5.9	3.0	19.1	(2.8)	(4.9)
Total	17.8	9.1	(89.2)	(9.1)	(17.0)

Update of sensitivity to changes in the index interest rate at March 31, 2011:

Sensitivity to changes in the index interest rate	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	($ millions)	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 1%**	**Increase of 0.5%**		**Decrease of 0.5%**	**Decrease of 1%**
Fixed-interest debentures	4.2	2.1	(148.5)	(2.2)	(4.4)
Long-term bank loans	4.1	2.1	(72.0)	(2.2)	(4.6)
CPI/USD swap	(1.3)	(0.7)	9.9	0.7	1.4
Total	7.0	3.5	(210.6)	(3.7)	(7.6)

Update of sensitivity to changes in the shekel interest rate at March 31, 2011:

Sensitivity to changes in the shekel interest rate	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	($ millions)	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 1%**	**Increase of 0.5%**		**Decrease of 0.5%**	**Decrease of 1%**
Fixed-interest debentures	4.9	2.5	(219.4)	(2.5)	(5.1)
NIS/USD swap	(8.0)	(4.0)	18.5	4.1	8.2
Total	(3.1)	(1.5)	(200.9)	1.6	3.1

Update of positions in derivatives at March 31, 2011

Hedging transactions against the effect of changes in exchange rates on cash flow $ thousands				
	Nominal value Up to one year		**Fair value Up to one year**	
	Long	**Short**	**Long**	**Short**
Transactions in dollars against other currencies (direction of transaction in derivatives is dollar purchase)				
EUR/USD in $ thousands				
Forward	200,390		(1,447)	
Call options	168,656		(7,858)	
Put options	169,338		3,391	
JPY/USD in $ thousands				
Forward	4,129		205	
Call options	26,000		253	
Put options	21,500		(219)	
NIS/USD in $ thousands				
Forward		251,670		3,707
Call options		412,986		(2,909)
Put options		410,143		16,331
GBP/EUR in $ thousands				
Forward				
Call options	28,880		(913)	
Put options	28,880		220	
Other currencies				
Forward	18,542		(19)	
Call options	1,347		7	
Put options	1,347		(32)	
Hedging transactions for increase of marine transportation and energy prices – up to one year	25,206		(4,544)	
More than one year	31,750		(6,087)	

Swap contracts and futures contracts for the Company's liabilities				
Israeli fixed to variable interest swap contract		74,892		(598)
Fixed interest shekel to dollar liability fixed-interest swap contract from fixed-interest shekel liability		48,177		7,300
Fixed interest dollar liability to variable interest dollar liability swap contract from CPI-linked fixed interest liability – not recognized		38,892		9,928
Cash flow swap contract from fixed-interest shekel liability to fixed-interest dollar liability – recognized for accounting		178,553		11,789
Futures contract for CPI purchase – more than one year	53,291		1,390	

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

	Nominal value in $ thousands	**Carrying amount/fair value**	**Average transaction rate**
Forward transactions			
USD/NIS	251,670	3,707	3.54
EUR/USD	200,390	(1,447)	1.40
USD/JPY	4,129	205	79.06

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

Interest-hedging transactions – for hedging against changes in variable interest rate (LIBOR) on dollar loans (in $ thousands)								
	Nominal value				Fair value			
	Up to one year		Over one year		Up to one year		Over one year	
	Long	Short	Long	Short	Long	Short	Long	Short
Swap		20,000	331,262	48,000		791	(12,799)	5,009
Caps			120,000				571	
Floors			120,000				(5,533)	
Other options			30,000				(624)	

In swap transactions, the Company replaces the variable interest rate paid on loans received for fixed interest at rates between 2.5% and 4.3%. In cap and floor transactions, the Company fixes the float of variable interest loans in the range of 2.25% to 5.25%.

In 2009, the Company issued listed debentures amounting to NIS 1.6 million. Some of these series are denominated in shekels, some are linked to the CPI and some are linked to the USD (see section 5.3.5 in Chapter A of the Periodic Report – Description of the Corporation's Business).

For the CPI-linked shekel liabilities, the Company has swap and hedging transactions from shekel to dollar. In addition, the Company has derivatives to hedge most of the exposure to changes in the CPI.

In addition, during the third quarter of 2009 the Company invested in derivatives for hedging the exposure to changes to changes in the cash flows of the expanded series 2 debentures, in respect of changes in the exchange rates of the shekel against the dollar. This hedging transaction was accounted for in the financial statements as accounting hedging. As a result of the accounting hedging, the Company recognized some of the changes in the fair value of the derivatives (loss of $5.2 million) in capital reserve. None of the other hedging transactions made by the Company are accounted for as an accounting hedge in the financial statements.

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

9.1 On March 27, 2011, the board of directors of ICL resolved to distribute a cash dividend of $ 170 million (net dividend less the subsidiary's share is $169.7 million), which will be distributed on May 12, 2011.

9.2 Subsequent to the reporting date, on May 15, 2011, the board of directors of ICL resolved to distribute a cash dividend of $ 195 million (net dividend less the subsidiary's share is $194.7 million), which will be distributed on June 28^{th}, 2011.

9.3 On September 30, 2010 the Collective work agreement for Dead Sea Works ("DSW"), a company in the Fertilizer Segment expired. On November 18, 2010, the General Union declared a labor dispute at Dead Sea Works relating to disagreements during the negotiation process for signing the new Collective agreement. On January 4, 2011, the Workers' Council of DSW declared a strike, reflected in work sanctions that restricted production and maintenance activities, which affected the operations of DSW and other plants on the DSW site. These sanctions disrupted production processes to the extent of suspension of plant production and potash shipments to the Company's customers. On February 16, 2011, the management of DSW and the Workers' Council reached a memorandum of understanding regarding the labor agreement for the coming years and the sanctions ended. On the same date a principle agreement was signed for a new collective agreement for five years, ending in September 2015. Subsequent to the reporting date, on 14 April, 2011, the collective agreement was signed.

9.4 On February 28, 2011, a transaction was completed for acquisition of the companies, assets and activities of a specialty fertilizer business unit called The Global Professional Business For further information, see Note 5(4) to the financial statements.

9.5 On December 12, 2010, a subsidiary in the fertilizers segment (DSW) entered into a conditional agreement with East Mediterranean Gas S.A.E for the supply of 0.2 BCM of natural gas to a power station that DSW is considering establishing at Sdom. Pursuant to the agreement, DSW has an option to purchase a further quantity of natural gas of up to 0.53 BCM. The option is exercisable until March 31, 2011. The total monetary value of the agreement for the entire contractual period until 2030, consistent with the component for the current cost of generating electricity, is $370-460 million assuming that the option is not exercised. In March 2011, the option period was extended to December 31, 2011.

9.6 On March 14, 2011 the State of Israel filed a statement of claim against a subsidiary (DSW), in the arbitration according to the Dead Sea Concession Law, 5721-1961. In the statement of claim, the state is claiming $265 million for a shortfall in royalties from 2000 to 2009, bearing interest and linkage differences; $26 million for the increased rate of royalties, as from 2010, proportionately to the annual quantity of potash sales exceeding 3 million tons; and a change in the formula for calculating royalties for metallic magnesium sales. For further information, see Note 5(6) to the financial statements.

9.7 On March 14, 2011, the Company entered into an agreement with a group of 17 banks, most of them international, for a credit facility of $675 million for five years from the date the credit facility was granted. A credit facility for $225 million will be provided at a base interest rate of Libor + 0.8%, and for use of credit in amounts exceeding $225 million, additional interest of 0.15%-0.3% will be charged.

9.8 Subsequent to the reporting date, in April 2011, a subsidiary in Spain acquired 100% of the interests in A. Fuentes Mendez, SA ("the acquired company"), which manufactures and markets specialty fertilizers Spain. The financial statements of the acquired company will be included in the Company's consolidated financial statements as from the second quarter of 2011.

9.9 Subsequent to the reporting date, on April 14, 2011, the Supreme Court handed down an order nisi to the state, ordering it to adopt one of the permanent solutions for protection of the

Dead Sea within three months from the order. For further information see Section 4.1.17(a), Description of the Corporation's Affairs for 2010.

9.10 Subsequent to the reporting date, on April 4, 2011, the Attorney General submitted his position regarding the settlement of the class action suit filed against a company in the ICL Industrial Products segment, which stated that he opposes the settlement agreement. On April 12, 2011, the court decided to permit the parties to respond to the position of Attorney General within 30 days. For further details see Note 24(C)(d) to the Company's financial statements of 2010.

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

Date: May 15, 2011

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

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

Israel Chemicals Ltd.

Condensed Consolidated Interim Financial Statements

As at March 31, 2011
(Unaudited)
In thousands of U.S. Dollars

Condensed Consolidated Interim Financial Statements as at March 31, 2011 (Unaudited)

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

Introduction

We have reviewed the accompanying financial information of Israel Chemicals Ltd. and its subsidiaries, including the condensed consolidated interim statement of financial position as at March 31, 2011 and the related condensed consolidated interim statements of income, other comprehensive income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and Management are responsible for preparation and presentation of this interim financial information in accordance with IAS 34 "*Interim Financial Reporting*", and are also responsible for preparation of the financial information for this interim period in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

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

Somekh Chaikin
Certified Public Accountants (Isr.)

May 15, 2011

Condensed Consolidated Interim Statements of Financial Position as at

	March 31 2011	March 31 2010	December 31 2010
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Current assets			
Cash and cash equivalents	**437,274**	406,157	400,914
Short-term investments, deposits and loans	**202,076**	208,475	493,201
Trade receivables	**1,163,881**	1,105,932	949,692
Other receivables and debit balances, including derivative instruments	**203,162**	124,433	145,007
Income taxes refundable	**26,438**	19,255	27,171
Inventories	**1,171,543**	1,133,618	1,114,134
Total current assets	**3,204,374**	2,997,870	3,130,119
Non-current assets			
Investments in associated companies	**28,055**	26,709	28,124
Long-term deposits and receivables	**223,370**	204,306	205,580
Excess of assets over liabilities in respect of defined benefit plan	**89,267**	70,598	83,325
Long-term derivative instruments	**36,212**	20,183	36,308
Non-current inventories	**51,204**	61,043	50,010
Deferred taxes, net	**109,971**	111,349	120,305
Property, plant and equipment	**2,281,194**	2,090,020	2,190,594
Intangible assets	**698,829**	545,603	543,779
Total non-current assets	**3,518,102**	3,129,811	3,258,025
Total assets	**6,722,476**	6,127,681	6,388,144

	March 31 2011	March 31 2010	December 31 2010
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Current liabilities			
Credit from banks and others	**183,077**	38,045	53,017
Trade payables	**571,159**	453,352	521,258
Provisions	**57,809**	* 56,461	55,037
Dividend payable	**169,703**	154,729	169,703
Other payables, including derivative instruments	**568,141**	528,138	625,369
Income taxes payable	**46,375**	22,960	41,427
Total current liabilities	**1,596,264**	1,253,685	1,465,811
Non-current liabilities			
Loans from banks and others	**1,009,484**	800,065	981,194
Debentures	**517,228**	508,161	528,728
Long-term derivative instruments	**23,433**	13,812	24,070
Deferred taxes, net	**106,079**	101,705	99,105
Employee benefits	**590,477**	547,235	580,503
Provisions	**70,245**	* 65,567	67,503
Total non-current liabilities	**2,316,946**	2,036,545	2,281,103
Total liabilities	**3,913,210**	3,290,230	3,746,914
Equity			
Share capital	**542,055**	541,175	541,858
Share premium	**92,001**	85,402	90,675
Capital reserves	**79,909**	1,509	37,544
Retained earnings	**2,334,331**	2,446,677	2,210,143
Treasury shares	**(260,113)**	(260,113)	(260,113)
Total equity attributable to the equity holders of the Company	**2,788,183**	2,814,650	2,620,107
Non-controlling interest	**21,083**	22,801	21,123
Total equity	**2,809,266**	2,837,451	2,641,230
Total liabilities and equity	**6,722,476**	6,127,681	6,388,144

* Reclassified

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Nir Gilad Chairman of the Board of Directors	Akiva Mozes Chief Executive Officer	Avi Doitchman CFO

Date the financial statements were approved: May 15, 2011.

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

Condensed Consolidated Interim Statements of Income

	For the three month period ended March 31 2011 (Unaudited) US$ thousands	For the three month period ended March 31 2010 (Unaudited) US$ thousands	For the year ended December 31 2010 (Audited) US$ thousands
Sales	**1,528,296**	1,382,481	5,691,537
Cost of sales	**890,195**	823,339	3,259,461
Gross profit	**638,101**	559,142	2,432,076
Selling, transportation and marketing expenses	**192,994**	185,754	779,809
General and administrative expenses	**61,298**	60,282	245,614
Research and development expenses, net	**16,569**	14,657	64,064
Other expenses	**7,593**	2,420	7,741
Other income	**(850)**	(7,438)	(11,279)
Operating income	**360,497**	303,467	1,346,127
Financing expenses	**28,161**	21,417	85,604
Financing income	**(5,149)**	(21,523)	(32,422)
Financing expenses (income), net	**23,012**	(106)	53,182
Share in income (losses) of associated companies, net of tax	**4,307**	(1,425)	2,478
Income before taxes on income	**341,792**	302,148	1,295,423
Taxes on income	**61,156**	60,556	266,806
Income for the period	**280,636**	241,592	1,028,617
Attributable to:			
Equity holders of the Company	**279,735**	240,532	1,024,740
Non-controlling interests	**901**	1,060	3,877
Income for the period	**280,636**	241,592	1,028,617
Earnings per share attributable to the holders of the Company:	**$**	**$**	**$**
Basic earnings per share	**0.221**	0.190	0.810
Diluted earnings per share	**0.219**	0.190	0.806

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

Condensed Consolidated Interim Statements of Other Comprehensive Income

	For the three month period ended		For the year ended
	March 31 2011	March 31 2010	December 31 2010
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Income for the period	**280,636**	241,592	1,028,617
Components of other comprehensive income			
Foreign currency translation differences with respect to foreign operations	**41,123**	(35,156)	(17,709)
Net change in fair value of financial assets available for sale	**435**	(1,385)	(3,324)
Actuarial gains (losses) from defined benefit plan	**18,009**	(18,893)	(23,463)
Change in fair value of derivatives used to hedge cash flows	**(2,876)**	(1,241)	(1,097)
Income tax on components of other comprehensive income	**(3,175)**	4,939	2,676
Other comprehensive income (loss) for the period, net of tax	**53,516**	(51,736)	(42,917)
Total comprehensive income for the period	**334,152**	189,856	985,700
Attributable to:			
Equity holders of the Company	**333,771**	188,350	981,660
Non-controlling interest	**381**	1,506	4,040
Total comprehensive income for the period	**334,152**	189,856	985,700

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

Condensed Consolidated Interim Statements of Changes in Equity

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

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

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

	Attributable to equity holders of the Company								Non-controlling interest	Total equity
	Share capital	Share premium	Translation reserve from foreign operations	Reserve from available for sale assets	Capital reserves	Treasury shares	Retained earnings	Total		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
For the three-month period ended March 31, 2010										
Balance as at January 1, 2010 (Audited)	541,028	84,059	8,823	5,420	19,660	(260,113)	2,374,883	2,773,760	21,089	2,794,849
Exercise of options allotted to employees	147	1,343	-	-	(1,490)	-	-	-	-	-
Share-based payments	-	-	-	-	7,784	-	-	7,784	-	7,784
Dividends to shareholders	-	-	-	-	-	-	(154,729)	(154,729)	-	(154,729)
Tax benefit in respect of allotment of shares to employees	-	-	-	-	(515)	-	-	(515)	-	(515)
Options of proportionately consolidated company issued to its employees	-	-	-	-	-	-	-	-	206	206
Comprehensive income for the period	-	-	(35,602)	(1,640)	(931)	-	226,523	188,350	1,506	189,856
Balance as at March 31, 2010 (Unaudited)	541,175	85,402	(26,779)	3,780	24,508	(260,113)	2,446,677	2,814,650	22,801	2,837,451

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

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

	Attributable to equity holders of the Company								Non-controlling interest	Total equity
	Share capital	Share premium	Translation reserve from foreign operations	Reserve from available for sale assets	Capital reserves	Treasury shares	Retained earnings	Total		
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Balance as at January 1, 2010	541,028	84,059	8,823	5,420	19,660	(260,113)	2,374,883	2,773,760	21,089	2,794,849
Exercise of options allotted to employees	830	6,616	-	-	(7,112)	-	-	334	-	334
Share-based payments	-	-	-	-	32,518	-	-	32,518	-	32,518
Dividends to equity holders	-	-	-	-	-	-	(1,167,954)	(1,167,954)	(3,788)	(1,171,742)
Tax benefit in respect of allotment of shares to employees	-	-	-	-	(211)	-	-	(211)	-	(211)
Change in respect of options of proportionately consolidated company	-	-	-	-	-	-	-	-	(218)	(218)
Comprehensive income for the year	-	-	(17,872)	(2,993)	(689)	-	1,003,214	981,660	4,040	985,700
Balance as at December 31, 2010	541,858	90,675	(9,049)	2,427	44,166	(260,113)	2,210,143	2,620,107	21,123	2,641,230

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

Condensed Consolidated Interim Statements of Cash Flows

	For the three month period ended		For the year ended
	March 31 2011	March 31 2010	December 31 2010
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Cash flows from operating activities			
Income for the period	**280,636**	241,592	1,028,617
Adjustments:			
Depreciation and amortization	**54,893**	52,112	217,395
Interest expenses, net	**5,653**	8,732	36,313
Share in (income) losses of associated companies, net of tax	**(4,307)**	1,425	(2,478)
Gain on sale of property, plant and equipment	**(340)**	(1,820)	(2,712)
Gain on securities classified as held for trading and available-for-sale	**-**	-	(3,244)
Share-based payment transactions	**4,072**	7,990	33,159
Revaluation of assets and liabilities denominated in foreign currency	**9,578**	(5,347)	13,394
Gain on sale of an activity	**-**	(5,587)	(5,587)
Income tax expenses	**61,156**	60,556	266,806
	411,341	359,653	1,581,663
Change in inventories	**14,013**	71,982	109,192
Change in trade and other receivables	**(172,212)**	(166,483)	(30,468)
Change in trade and other payables	**80,535**	54,129	139,647
Change in provisions and employee benefits	**7,076**	462	15,705
	340,753	319,743	1,815,739
Income taxes paid	**(197,482)**	(93,761)	(240,449)
Interest received	**6,206**	3,609	9,527
Interest paid	**(7,496)**	(10,036)	(47,832)
Net cash provided by operating activities	**141,981**	219,555	1,536,985
Cash flows from investing activities			
Investment in long-term deposits	**(10,339)**	(171)	(11,009)
Proceeds from sale of property, plant and equipment	**1,296**	2,926	5,618
Short-term deposits and loans, net	**295,571**	(43,034)	(329,089)
Business combinations less cash acquired	**(262,588)**	-	-
Dividend received from associated companies	**2,894**	18	3,661
Acquisition of fixed assets	**(82,881)**	(84,657)	(333,752)
Investment grants received	**-**	-	303
Acquisition of intangible assets	**(3,978)**	(3,184)	(14,944)
Sale of securities classified as available-for-sale	**-**	-	9,356
Proceeds from sale of an activity	**-**	9,426	9,426
Proceeds from realization of long-term deposits	**141**	1,009	1,952
Net cash used in investment activities	**(59,884)**	(117,667)	(658,478)

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

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

	For the three month period ended		For the year ended
	March 31 2011	March 31 2010	December 31 2010
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Cash flows from financing activities			
Proceeds from exercise of options allotted to employees	**-**	-	334
Dividend paid to the Company's equity holders	**(169,703)**	-	(998,251)
Dividend paid to non-controlling interest	**(421)**	-	(3,788)
Receipt of long-term loans	**137,712**	120,791	676,043
Repayment of long-term loans	**(122,003)**	(56,867)	(376,451)
Short-term credit from banks and others, net	**108,836**	(7,819)	(28,446)
Net cash provided by (used in) financing activities	**(45,579)**	56,105	(730,559)
Net increase in cash and cash equivalents	**36,518**	157,993	147,948
Cash and cash equivalents at beginning of the period	**400,914**	257,970	257,970
Effect of changes in the exchange rate on cash and cash equivalents	**(158)**	(9,806)	(5,004)
Cash and cash equivalents **at end of the period**	**437,274**	406,157	400,914

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 and Australia.

The Group's activities outside of Israel are mainly in the manufacture of products using or based on the Group's activities in Israel or in related areas. About 95% of the Group's output is sold to customers outside of Israel.

Note 2 - Basis of Preparation of the Financial Statements

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

The condensed consolidated interim financial statements were prepared in accordance with IAS 34, "Interim Financial Reporting" and do not include all of the information required in complete, annual financial statements. These statements should be read together with the financial statements as at and for the year ended December 31, 2010 (hereinafter: "the annual financial statements"). In addition, these financial statements were prepared in accordance with the provisions of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The condensed consolidated interim financial statements were approved for publication by the Group's Board of Directors on May 15, 2011.

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

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.

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.

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, 2010.

B. Indices and Exchange Rates

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

	Consumer Price Index	**Dollar–NIS exchange rate**	**Dollar–Euro exchange rate**
Rates of change for the three months ended:			
March 31, 2011	**0.7%**	**(1.9%)**	**(6.1%)**
March 31, 2010	(0.9%)	(1.6%)	7.2%
For the year ended December 31, 2010	2.6%	(6.0%)	8.0%

Note 4 - Business Segments

A. General

The Group operates in the segments that are described below:

ICL Fertilizers - ICL Fertilizers mines and processes potash, mines and processes phosphate rock, and produces agricultural phosphoric acid, phosphate fertilizers, compound fertilizers, based mainly on potash and phosphate, and specialty fertilizers. ICL Fertilizers markets these products worldwide, mainly to Europe, Brazil, India, China and Israel. This segment is comprised of two sub-segments: potash and phosphate. ICL Fertilizers extracts potash from the Dead Sea and mines potash from subterranean mines in the UK and in Spain. ICL Fertilizers mines phosphate rock from open-air mines in the Negev, and also produces sulphuric and phosphoric acid in Israel and fertilizers in Israel, the Netherlands and Germany. In addition, the activities of Mifalei Tovala Ltd., which is engaged in the transportation of cargo, mainly of ICL companies in Israel, are included in 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 on production sites in Israel, the Netherlands and China. In addition, ICL Industrial Products extracts salt, magnesia and chlorine from the Dead Sea brine, and produces chlorine-based products in Israel and the United States. Furthermore, ICL Industrial Products produces and markets flame retardants and other products made from phosphorus.

ICL Performance Products - ICL Performance Products processes some of the agricultural phosphoric acid produced by ICL Fertilizers, using it to produce downstream products with high added value. These products include phosphoric acid (food grade and technical grade), phosphate salts, food additives, and hygiene products for the food industry. ICL Performance Products also produces specialty products, based on aluminum compounds, and other raw materials. Production is mostly carried out on production sites in Europe, (particularly in Germany) and the United States, as well as in Israel, China, and other countries.

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

Note 4 - Business Segments (cont'd)

B. Information on business segments

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

Note 4 - Business Segments (cont'd)

B. Information on business segments

	Fertilizers				Industrial	Performance	Other		
	Potash	Phosphate	Eliminations	Total	Products	Products	activities	Eliminations	Consolidated
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Three-month period ended March 31, 2010									
Sales to external parties	496,834	219,568	-	716,402	289,349	308,556	68,174	-	1,382,481
Inter-segment sales	42,002	26,194	(18,634)	49,562	2,852	10,710	7,915	(71,039)	-
Total sales	538,836	245,762	(18,634)	765,964	292,201	319,266	76,089	(71,039)	1,382,481
Income from ordinary activities	217,816	10,626	3,910	232,352	33,705	44,216	2,889		313,162
Unallocated expenses and intercompany eliminations									(9,695)
Operating income									303,467
Financing expenses									(21,417)
Financing income									21,523
Share in income of associated companies, net of tax									(1,425)
Income before taxes on income									302,148
Capital expenditures	37,471	14,593	-	52,064	17,828	5,467	4,681	-	80,040
Unallocated capital expenditures									113
Total capital expenditures									80,153
Depreciation and amortization	18,747	9,897	-	28,644	11,630	10,460	1,244	-	51,978
Unallocated depreciation and amortization									134
Total depreciation and amortization									52,112

Note 4 - Business Segments (cont'd)

B. Information on business segments

	Fertilizers				Industrial	Performance	Other		
	Potash	Phosphate	Eliminations	Total	Products	Products	activities	Eliminations	Consolidated
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
2010:									
Sales to external customers	1,956,879	931,829	-	2,888,708	1,298,513	1,284,127	220,189	-	5,691,537
Inter-segment sales	183,810	124,511	(89,774)	218,547	14,679	55,901	25,813	(314,940)	-
Total sales	2,140,689	1,056,340	(89,774)	3,107,255	1,313,192	1,340,028	246,002	(314,940)	5,691,537
Income from ordinary activities	857,914	108,583	(1,366)	965,131	206,599	185,067	15,192		1,371,989
Unallocated expenses and intercompany eliminations									(25,862)
Operating income									1,346,127
Financing expenses									(85,604)
Financing income									32,422
Share in income of associated companies, net of tax									2,478
Income for the year before tax									1,295,423
Capital expenditures	148,342	59,489	-	207,831	80,173	41,386	15,697	-	345,087
Unallocated capital expenditures									7,475
Total capital expenditures									352,562
Depreciation and amortization*	80,285	39,850	-	120,135	51,001	40,148	5,603	-	216,887
Unallocated depreciation and amortization									508
Total depreciation and amortization									217,395

* Depreciation and amortization include impairment of property, plant and equipment. (See Note 16(B) to the Company's annual financial statements as of December 31, 2010).

Note 5 - Additional Information

(1) On March 27, 2011, the Company's Board of Directors decided to distribute a dividend in the amount of $170 million (the net dividend, less the share of a subsidiary, amounts to $169.7 million), about $0.13 per share. The dividend was paid after the date of the report on May 12, 2011.

(2) Subsequent to the date of the report, on May 15, 2011, the Company's Board of Directors decided to distribute a dividend in the amount of $195 million (the net dividend, less the share of a subsidiary amount to $194.7 million), about $0.15 per share. The dividend will be distributed on June 28, 2011.

(3) During the period of the report 1,001,778 options were exercised for 686,037 of the Company's ordinary shares.
Subsequent to the date of the report 475,002 options were exercised for 318,569 of the Company's ordinary shares. After exercise of the options, the Company's issued and paid-up share capital is 1,292,177,379 ordinary shares for NIS 1 par value.

(4) On February 28, 2011, ICL completed the transaction for acquisition of the companies, assets and activities of the business unit in the specialty fertilizers area (hereinafter – "the Business Unit") owned by the U.S. company, Scotts Miracle-Gro Company (hereinafter – "the Seller").

The consideration for the acquisition reflects a value of about $271 million for the Business Unit. The consideration is subject to adjustments, mainly in respect of changes in working capital and liabilities. As at the approval date of the financial statements, the amount of the adjustments to the acquisition consideration had not yet been finalized with the Seller. The acquisition consideration was allocated as follows: about $120 million to working capital, about $22 million to property, plant and equipment, about $100 million to identifiable intangible assets and about $10 million to long-term liabilities. The balance, in the amount of about $39 million, was allocated to goodwill.

The acquisition cost, in the amount of about $7.5 million, was recorded to other expenses in the first quarter of the year.

The total sales of the Business Unit, for the report year ended September 30, 2010, are about $242 million (the total sales are not taken from the Seller's audited financial statements and were prepared in order to reflect the total sales of the Business Unit as an independent unit).

The Business Unit is engaged in manufacture and sale of specialty fertilizers, growing beds, plant protection products, grass seeds for commercial nurseries, sod for public use, sport surfaces and advanced agriculture. The Business Unit has about 340 employees and it operates three manufacturing facilities located in the Netherlands, the United Kingdom and the United States, and peat mines for growing beds in the United Kingdom. The main markets in which the Business Unit operates are Europe, North America, Asia/Pacific and Africa.

ICL intends to integrate the activities of the unit acquired into the ICL Fertilizers segment, while taking advantage of the marketing, operational and other synergies with ICL's specialty fertilizer activities. Integration of the Business Unit will expand the products' basket of ICL Fertilizers in the area of specialty fertilizers.

Commencing from the acquisition date, the financial statements of the Business Unit are consolidated in the Company's consolidated financial statements.

Note 5 - Additional Information (cont'd)

(5) Subsequent to the date of the report, on April 13, 2011, as part of the efficiency plan of Iberpotash S.A., a Spanish subsidiary in the ICL Fertilizers segment, the Board of Directors of ICL approved combination of the company's activities from two sites into one site. As part of this step, the production activities on the Suria site will be expanded, which include a mine and a factory, and the activities (mine and factory) on the second site will be discontinued. In the first stage of the plan, approval was granted for expansion of the potash production capacity, the potash granulation capacity, and construction of a plant for production of vacuum salt (salt with a high purity level) in Suria. In the second stage, which has not yet been approved, an additional expansion is planned of the potash production capacity, which will bring the potash production capacity to about 1.1 million tons, of which about 630 thousand tons of granulated potash and about 50 thousand tons of technical potash, as well as a production capacity of about 1.5 million tons of vacuum salt.

In the Company's estimation, execution of the first stage of the plan is expected to be completed in the beginning of 2014.

In the Company's estimation, execution of the first stage will lead to savings and greater efficiency that will contribute to reduction of the potash production costs, as well as improvement of the extent of the production's compliance with the sustainability values relating to the environmental protection.

Execution of the second stage is expected to result in production of a larger quantity of potash in one mine and factory as opposed to production in mines and factories located on two different sites.

In the Company's estimation, the impact of the shutdown and discontinuance of the activities of the second site on the Company's results in the second quarter of 2011 is not significant.

(6) Further to Note 24 B (1) to the financial statements as at December 31, 2010, the State and DSW decided on January 9, 2011 to turn to arbitration for purposes of deliberating and deciding the issue of the manner of calculation of the royalties by the concessionaire, payment of the royalties with respect to the excess above 3 million tons of potash per year commencing from 2010 and thereafter, and royalties to be paid for magnesium metals and payments or refunds (if any) deriving from these matters.
Each of the parties appointed an arbitrator on its behalf and these arbitrators are to appoint a third arbitrator.

On March 14, 2011 a claim was received that was filed by the State of Israel against DSW in the framework of the arbitration. In the claim, the State demands the amount of $ 265 million in respect of insufficient royalty payments for the years 2000 through 2009, with the addition of interest, and an additional amount of $ 26 million due to the increase in the rate of royalties, as from 2010, with respect to an annual amount of sales higher than 3 million tons of potash and the change in the method of calculating royalty payments from the sale of metal magnesium.

Note 5 - Additional Information (cont'd)

(6) (cont'd)

An initial examination of the State's allegations in respect of prior years indicates that they do not include any new material arguments that were not known to DSW and which in respect thereto DSW believes, on the basis of a legal opinion it received, that the royalties it had paid and their manner of calculation are consistent with the provisions of the concession. The same method of calculation was applied consistently since the time DSW was a government company, and was known to the State and accepted by it. Accordingly, and on the basis of the legal opinion DSW received, no provision has been recorded in the financial statements with respect to royalties that the Accountant General contends were not paid.

As regards the increase in the rate of royalties as from 2010 in respect of sales of more than 3 million tons of potash a year, due to the fact that this is a new matter for which the parties have not yet been provided instructions as to which parameters should be considered in order to decide on a royalty rate higher than the present rate (5%), and due to the fact that the arbitration proceeding has not yet commenced, the Company is unable to determine a certain outcome in the possible range of outcomes between the present rate of royalty and the maximum rate of royalty that is likelier than other outcomes. Therefore the Company recorded a provision in the amount of half of the difference.

See Note 24 to the annual financial Statements as at December 31, 2010 regarding the rest of the contingent liabilities of the Company and its subsidiaries.

(7) On March 14, 2011, ICL signed an agreement with a group of 17 banks from Europe, the United States and Israel whereby these banks made available to ICL credit in the amount of $675 million. The credit line is for a period of 5 years and will be repaid in one lump-sum at the end of the period. In case of using up to $225 million of the available credit, the basic interest is Libor + 0.8%. In case of higher use of the credit, an additional interest of 0.15%-0.3% will be charged.

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

Israel Chemicals Ltd.

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

Condensed Financial Data Related to the Company from the Condensed Consolidated Interim Financial Statements as at March 31, 2011 (Unaudited)

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 Financial Statements as at March 31, 2011

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To: The shareholders of Israel Chemicals Ltd.

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

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970 of Israel Chemicals Ltd. (hereinafter - the Company), as at March 31, 2011 and for the three month period then ended. The separate interim financial information is the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

Scope of Review

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

Conclusion

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

Somekh Chaikin
Certified Public Accountants (Isr.)

May 15, 2011

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

Condensed Details of Interim Financial Position as at

	March 31 2011	March 31 2010	December 31 2010
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Current assets			
Cash and cash equivalents	**269,885**	146,576	115,682
Short-term investments, deposits and loans	**14,532**	21,353	157,500
Investee companies - current account	**483,862**	494,058	649,365
Other receivables, including derivative instruments	**5,954**	1,385	4,455
Income taxes refundable	**5,951**	-	-
Total current assets	**780,184**	663,372	927,002
Non-current assets			
Investments in investee companies	**2,928,001**	3,124,401	3,056,038
Long-term deposits and receivables	**8,118**	8,213	8,158
Loans to subsidiaries	**440,000**	440,000	440,000
Long-term derivative instruments	**36,212**	20,183	36,308
Deferred taxes, net	**8,750**	4,512	9,192
Property, plant and equipment	**1,291**	965	1,302
Total non-current assets	**3,422,372**	3,598,274	3,550,998
Total assets	**4,202,556**	4,261,646	4,478,000

	March 31 2011	March 31 2010	December 31 2010
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Current liabilities			
Credit from banks and others	**101,784**	532,004	282,027
Credit from investee companies	**278,298**	47,797	265,236
Dividend payable	**169,703**	154,729	169,703
Other payables, including derivative instruments	**31,914**	35,727	67,819
Income taxes payable	**-**	3,939	833
Total current liabilities	**581,699**	774,196	785,618
Non-current liabilities			
Loans from banks and others	**-**	150,000	120,000
Loans from investee companies	**346,522**	73,522	473,522
Debentures	**450,228**	421,161	441,728
Long-term derivative instruments	**18,990**	13,812	21,274
Employee benefits	**16,934**	14,305	15,751
Total non-current liabilities	**832,674**	672,800	1,072,275
Total liabilities	**1,414,373**	1,446,996	1,857,893
Equity			
Share capital	**542,055**	541,175	541,858
Share premium	**92,001**	85,402	90,675
Capital reserves	**79,909**	1,509	37,544
Retained earnings	**2,334,331**	2,446,677	2,210,143
Treasury shares	**(260,113)**	(260,113)	(260,113)
Total equity attributable to the holders of the Company's rights	**2,788,183**	2,814,650	2,620,107
Total liabilities and equity	**4,202,556**	4,261,646	4,478,000

Nir Gilad Chairman of the Board of Directors	Akiva Mozes Chief Executive Officer	Avi Doitchman CFO

Approval date of the financial statements: May 15, 2011.

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

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

Condensed Details of Interim Profit and Loss

	For the three-month period ended		For the year ended
	March 31 2011	March 31 2010	December 31 2010
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Financing income	**918**	164	4,699
Expenses			
General and administrative	**14,269**	16,434	61,373
Financing	**6,374**	6,839	42,153
	20,643	23,273	103,526
Income from investee companies, net	**304,470**	266,278	1,152,809
Income before taxes on income	**284,745**	243,169	1,053,982
Taxes on income	**5,010**	2,637	29,242
Income for the period attributed to the owners of the Company	**279,735**	240,532	1,024,740

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

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

Condensed Details of Interim Comprehensive Income

	For the three-month period ended		For the year ended
	March 31 2011	March 31 2010	December 31 2010
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Income for the period attributed to the owners of the Company	**279,735**	240,532	1,024,740
Components of other comprehensive income			
Net change in fair value of financial assets available for sale	**435**	(1,385)	(3,324)
Actuarial gains (losses) from defined benefit plan	**-**	756	(804)
Change in fair value of derivatives used for hedging cash flows	**(2,876)**	(1,241)	(1,097)
Income taxes in respect of components of other comprehensive income	**678**	(185)	490
Other comprehensive income in respect of investee companies, net	**55,799**	(50,127)	(38,345)
Other comprehensive income (loss) for the period, net of tax	**54,036**	(52,182)	(43,080)
Total comprehensive income for the period attributed to the owners of the Company	**333,771**	188,350	981,660

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

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

Condensed Details of Interim Cash Flows

	For the three-month period ended March 31 2011	For the three-month period ended March 31 2010	For the year ended December 31 2010
	US$ thousands	US$ thousands	US$ thousands
Cash flows from operating activities			
Income for the period	**279,735**	240,532	1,024,740
Adjustments for:			
Depreciation and amortization	**72**	108	399
Interest expenses, net	**5,262**	5,949	19,646
Gain on realization of securities classified as available-for-sale	**-**	-	(3,244)
Income from investee companies, net	**(304,470)**	(266,278)	(1,152,809)
Share based payment transactions	**4,072**	7,784	32,518
Revaluation of assets and liabilities denominated in foreign currency	**3,466**	(682)	11,382
Income tax expense	**5,010**	2,637	29,242
	(6,853)	(9,950)	(38,126)
Change in other receivables	**(1,627)**	1,174	(1,782)
Change in trade and other payables	**1,908**	3,469	(7,364)
Change in employee benefits	**1,183**	512	2,006
	(5,389)	(4,795)	(45,266)
Income tax paid	**(171,256)**	(49,984)	(123,152)
Interest received	**48**	47	1,584
Interest paid	**(901)**	(1,009)	(20,115)
Net cash used in operating activities related to the Company	**(177,498)**	(55,741)	(186,949)
Net cash provided by operating activities related to investee companies	**606,729**	510,110	1,361,372
Net cash provided by operating activities	**429,231**	454,369	1,174,423
Cash flows from investing activities			
Receipt from sale of investment in securities available-for-sale	**-**	-	9,356
Acquisition of property, plant and equipment	**(61)**	(21)	(649)
Short term loans and deposits, net	**143,414**	-	(143,414)
Net cash provided by (used in) investing activities related to the Company	**143,353**	(21)	(134,707)
Net cash provided by (used in) investing activities related to investee companies	**165,503**	(125,216)	(81,023)
Net cash provided by (used in) investing activities	**308,856**	(125,237)	(215,730)
Cash flows from financing activities			
Proceeds from options issued to employees	**-**	-	334
Dividend paid	**(169,703)**	-	(998,251)
Receipt of long-term loans	**-**	120,000	120,000
Repayment of long-term loans	**(120,000)**	-	-
Short-term credit from banks and others	**(180,243)**	(278,063)	(558,040)
Net cash used in financing activities related to the Company	**(469,946)**	(158,063)	(1,435,957)
Net cash used in financing activities related to investee companies	**(113,938)**	(77,221)	540,218
Net cash used in financing activities	**(583,884)**	(235,284)	(895,739)
Net increase in cash and cash equivalents	**154,203**	93,848	62,954
Cash and cash equivalents as at the beginning of the year	**115,682**	52,728	52,728
Cash and cash equivalents as at the end of the period	**269,885**	146,576	115,682

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

Additional Information

Note 1 - General

The separate interim financial information is presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) - 1970, and does not include all the information required by Regulation 9C and the 10^{th} 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, 2010 and in conjunction with the condensed consolidated interim financial statements as at March 31, 2011.

In this interim financial information:

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

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

The accounting principles in this condensed interim financial information are in accordance with the accounting principles detailed in the separate financial information as at December 31, 2010.

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

On January 1, 2011, a dividend in the amount of \$4.5 million was received from the subsidiary Tovala.

On January 12, 2011, dividends in the amount of \$150 million and \$45 million were received from the subsidiaries Dead Sea Works and Rotem Amfert Negev, respectively.

On February 25, 2011, a dividend in the amount of \$2 million was received from the subsidiary Hy Yield Bromine Inc.

On March 10, 2011 the subsidiary Tovala declared a dividend of \$9.5 million. The dividend was received after the date of the report, on May 12, 2011.

On March 14, 2011, a proportionately consolidated company, IDE, declared distribution of a dividend in the amount of \$10 million. The Company's proportionate part of the dividend in the amount of \$5 million was received after the date of the report, on April 3, 2011.

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

On March 31, 2011, dividends in the amount of $400 million, $38 million and $25 million were received from the subsidiaries Dead Sea Works, Dead Sea Bromine and Rotem Amfert Negev, respectively.

After the date of the report, on May 12, 2011, dividends in the amount of $140 million and $40 million were received from the subsidiaries Dead Sea Works and Rotem Amfert Negev, respectively.

After the date of the report, on May 15, 2011, a dividend in the amount of $25 million was received from the subsidiary Dead Sea Bromine.

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

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

Regarding this matter, the members of management are:

1. Akiva Mozes, CEO
2. Asher Grinbaum, Deputy CEO and COO
3. Yossi Shahar, Deputy CEO and Business Development
4. Nissim Adar, CEO of ICL industrial Products
5. Dani Chen, CEO of ICL Fertilizers
6. Lisa Haimovitz, General Counsel and Company Secretary
7. Herzel Bar-Niv, VP of International taxation
8. Avi Doitchman, CFO
9. Nathan Dreyfuss, VP of Finance
10. Amir Benita, ICL Controller
11. Osnat Sessler, VP of Investor Relations and Communications
12. Eli Amit, VP of Economics
13. Asher Rapaport, VP of Human Resources

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

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

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

In the annual report regarding the effectiveness of internal control over financial reporting and disclosure which was attached to the periodic report for the period ending December 31, 2010 (hereinafter: the last annual report regarding internal controls), the Board of Directors and management evaluated the internal controls of the Corporation; based on that evaluation, the Board of Directors and management, concluded that the internal controls as at December 31, 2010 are effective.

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

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

Date: May 15, 2011

Akiva Mozes Chief Executive Officer	Nir Gilad Chairman of the Board of Directors	Avi Doitchman CFO

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 statements of Israel Chemicals Ltd. (hereinafter – "the Corporation") as at March 31, 2011 (hereinafter – "the Statements");

2. As far as I am aware, the financial statements and the other financial information included in 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 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 (preparation of annual financial statements), 1993, to the extent it is relevant to the financial statements and to other financial information included in the Statements is brought to my attention by others in the Corporation and subsidiaries particularly during the period of preparation of the Statements; and –

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

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

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

Date: May 15, 2011

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Avi Doitchman, CFO

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

I, Akiva Mozes, declare that:

1. I have examined the Periodic Report of Israel Chemicals Ltd. (hereinafter – "the Corporation") as at March 31, 2011 (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 (preparation of annual financial statements), 1993, 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 ensure the reliability of the financial report and preparation of the financial statements in accordance with the provisions of law, including in accordance with generally accepted accounting principles (GAAP);

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

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

Date: May 15, 2011

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Akiva Mozes, CEO