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

Israel Chemicals Ltd.

Condensed Consolidated Interim Financial Statements

As at September 30, 2010

(Unaudited)

In Thousands of U.S. Dollars

Condensed Consolidated Interim Financial Statements as at September 30, 2010 (Unaudited)

Contents

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

Introduction

We have reviewed the accompanying financial information of Israel Chemicals Ltd., including the condensed consolidated interim statement of financial position as at September 30, 2010 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine-month and three-month periods then ended. The Board of Directors and Management are responsible for preparation and presentation of this interim financial information in accordance with IAS 34 "*Interim Financial Reporting*", and are also responsible for preparation of the financial information for these interim periods in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on these 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". 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 was 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.)

November 22, 2010

Condensed Consolidated Interim Statement of Financial Position as at

	September 30 2010	September 30 2009	December 31 2009
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Current assets			
Cash and cash equivalents	**307,880**	540,653	257,970
Short-term investments, deposits and loans	**214,022**	152,283	167,549
Trade receivables	**969,365**	915,444	969,620
Other receivables and debit balances, including derivative instruments	**151,827**	137,631	118,538
Income taxes refundable	**30,758**	104,790	24,568
Inventory	**1,053,662**	1,231,215	1,233,250
Total current assets	**2,727,514**	3,082,016	2,771,495
Non-current assets			
Investments in associated companies	**28,105**	33,106	28,762
Long-term deposits and receivables	**204,876**	187,069	209,008
Surplus of plan assets over liabilities for defined benefit plan	**70,176**	70,648	66,057
Long-term derivative instruments	**26,715**	16,134	16,739
Non-current inventory	**64,699**	51,173	55,441
Deferred taxes, net	**100,398**	84,710	100,271
Fixed assets	**2,162,824**	2,034,187	2,093,133
Intangible assets	**549,411**	556,678	566,683
Total non-current assets	**3,207,204**	3,033,705	3,136,094
Total assets	**5,934,718**	6,115,721	5,907,589

Condensed Consolidated Interim Statement of Financial Position as at

	September 30 2010	September 30 2009	December 31 2009
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Current liabilities			
Credit from banks and others	**26,220**	160,034	103,951
Trade payables	**502,011**	430,247	469,798
Provisions	**33,916**	18,953	22,115
Other payables, including derivative instruments	**532,246**	562,756	504,030
Income taxes payable	**27,863**	29,228	69,723
Total current liabilities	**1,122,256**	1,201,218	1,169,617
Non-current liabilities			
Loans from banks and others	**940,223**	905,639	686,077
Debentures	**516,005**	505,784	503,794
Long-term derivative instruments	**30,277**	15,606	14,228
Provisions	**96,032**	67,256	106,919
Deferred taxes, net	**98,096**	96,019	101,785
Employee benefits	**598,033**	541,306	530,320
Total non-current liabilities	**2,278,666**	2,131,610	1,943,123
Total liabilities	**3,400,922**	3,332,828	3,112,740
Equity			
Share capital	**541,309**	540,877	541,028
Share premium	**86,853**	82,581	84,059
Capital reserves	**42,526**	59,257	33,903
Retained earnings	**2,101,602**	2,338,939	2,374,883
Treasury shares	**(260,113)**	(260,113)	(260,113)
Total equity attributable to the owners of the Company	**2,512,177**	2,761,541	2,773,760
Non-controlling interests	**21,619**	21,352	21,089
Total equity	**2,533,796**	2,782,893	2,794,849
Total liabilities and equity	**5,934,718**	6,115,721	5,907,589

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

Date the financial statements were approved: November 22, 2010.

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

Condensed Consolidated Interim Statement of Income

	For the nine month period ended		For the three month period ended		For the year ended
	September 30 2010	September 30 2009	September 30 2010	September 30 2009	December 31 2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Sales	**4,270,894**	3,327,619	**1,393,715**	1,346,544	4,554,316
Cost of sales	**2,465,813**	2,001,713	**809,582**	771,792	2,717,786
Gross profit	**1,805,081**	1,325,906	**584,133**	574,752	1,836,530
Selling, transportation and marketing expenses	**577,576**	385,017	**189,041**	154,084	558,125
General and administrative expenses, net	**180,483**	139,215	**60,047**	48,502	195,889
Research and development expenses, net	**45,768**	39,627	**16,145**	13,386	53,823
Other expenses	**4,779**	80,736	**153**	72,776	94,144
Other income	**(10,560)**	(2,710)	**(382)**	(1,712)	(3,624)
Operating income	**1,007,035**	684,021	**319,129**	287,716	938,173
Financing expenses	**59,881**	64,053	**30,771**	37,846	83,424
Financing income	**(14,049)**	(64,721)	**(472)**	(13,767)	(89,539)
Financing expenses (income), net	**45,832**	(668)	**30,299**	24,079	(6,115)
Share in income (losses) of associated companies, net of tax	**2,024**	1,602	**1,851**	625	(1,482)
Income before taxes on income	**963,227**	686,291	**290,681**	264,262	942,806
Taxes on income	**180,815**	116,208	**46,878**	6,230	168,492
Income for the period	**782,412**	570,083	**243,803**	258,032	774,314
Attributable to:					
Owners of the company	**779,311**	567,676	**242,865**	256,607	770,420
Non-controlling interests	**3,101**	2,407	**938**	1,425	3,894
Income for the period	**782,412**	570,083	**243,803**	258,032	774,314
Earnings per share attributable to the owners of the Company:	**$**	**$**	**$**	**$**	**$**
Basic earnings per share	**0.616**	0.449	**0.192**	0.203	0.610
Diluted earnings per share	**0.614**	0.449	**0.191**	0.203	0.608

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

Condensed Consolidated Interim Statement of Comprehensive Income

	For the nine month period ended		For the three month period ended		For the year ended
	September 30 2010	September 30 2009	September 30 2010	September 30 2009	December 31 2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Income for the period	**782,412**	570,083	**243,803**	258,032	774,314
Components of other comprehensive income					
Foreign currency translation differences in respect of foreign operations	**(5,716)**	52,241	**68,695**	27,875	26,510
Net change in fair value of financial assets available for sale	**(5,181)**	5,552	**1,532**	(2,126)	6,816
Actuarial gains (losses) from defined benefit plan	**(66,621)**	(8,347)	**(18,683)**	(12,949)	368
Change in fair value of derivatives used to hedge cash flows	**(2,426)**	(2,328)	**(1,293)**	(2,328)	(1,230)
Taxes on income on components of other comprehensive income	**13,388**	1,518	**1,207**	4,358	81
Other comprehensive income (loss) for the period	**(66,556)**	48,636	**51,458**	14,830	32,545
Total comprehensive income for the period	**715,856**	618,719	**295,261**	272,862	806,859
Attributable to:					
Owners of the company	**712,555**	618,782	**294,499**	272,760	804,954
Non-controlling interests	**3,301**	(63)	**762**	102	1,905
Total comprehensive income for the period	**715,856**	618,719	**295,261**	272,862	806,859

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

Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to the owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve from foreign operations	Reserve for available for sale financial assets	Capital reserves	Treasury shares	Retained earnings	Total		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
For the nine-month period ended September 30, 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	**281**	**2,794**	**-**	**-**	**(2,741)**	**-**	**-**	**334**	**-**	**334**
Share-based payments	**-**	**-**	**-**	**-**	**24,243**	**-**	**-**	**24,243**	**-**	**24,243**
Dividends to shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**(998,250)**	**(998,250)**	**(3,370)**	**(1,001,620)**
Tax benefit in respect of shares allotted to employees	**-**	**-**	**-**	**-**	**(465)**	**-**	**-**	**(465)**	**-**	**(465)**
Options of proportionately consolidated company issued to its employees	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**599**	**599**
Comprehensive income for the period	**-**	**-**	**(5,916)**	**(4,678)**	**(1,820)**	**-**	**724,969**	**712,555**	**3,301**	**715,856**
Balance as at September 30, 2010 (Unaudited)	**541,309**	**86,853**	**2,907**	**742**	**38,877**	**(260,113)**	**2,101,602**	**2,512,177**	**21,619**	**2,533,796**

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

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

	Attributable to the owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve from foreign operations	Reserve for available for sale financial assets	Capital reserves	Treasury shares	Retained earnings	Total		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
For the nine-month period ended September 30, 2009										
Balance as at January 1, 2009 (Audited)	540,784	81,546	(19,676)	264	20,121	(253,569)	2,073,483	2,442,953	67,974	2,510,927
Exercise of options allotted to employees	93	1,035	-	-	(1,128)	-	-	-	-	-
Company purchase of its own shares	-	-	-	-	-	(6,544)	-	(6,544)	-	(6,544)
Share-based payments	-	-	-	-	1,961	-	-	1,961	-	1,961
Dividends to shareholders	-	-	-	-	-	-	(374,323)	(374,323)	-	(374,323)
Tax benefit in respect of shares allotted to employees	-	-	-	-	485	-	-	485	-	485
Options of proportionately consolidated company issued to its employees	-	-	-	-	-	-	-	-	1,668	1,668
Non-controlling interests investment in consolidated company	-	-	-	-	-	-	-	-	30,000	30,000
Acquisition of non-controlling interests in subsidiary	-	-	-	-	-	-	78,227	78,227	(78,227)	-
Comprehensive income for the period	-	-	54,711	4,243	(1,724)	-	561,552	618,782	(63)	618,719
Balance as at September 30, 2009 (Unaudited)	540,877	82,581	35,035	4,507	19,715	(260,113)	2,338,939	2,761,541	21,352	2,782,893

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

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

	Attributable to the owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve from foreign operations	Reserve for available for sale financial assets	Capital reserves	Treasury shares	Retained earnings	Total		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
For the three-month period ended September 30, 2010										
Balance as at July 1, 2010	**541,195**	**85,956**	**(65,964)**	**(825)**	**32,247**	**(260,113)**	**2,053,261**	**2,385,757**	**21,812**	**2,407,569**
Exercise of options allotted to employees	**114**	**897**	**-**	**-**	**(1,011)**	**-**	**-**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**-**	**-**	**8,274**	**-**	**-**	**8,274**	**-**	**8,274**
Dividends to shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**(176,690)**	**(176,690)**	**(1,140)**	**(177,830)**
Tax benefit in respect of shares allotted to employees	**-**	**-**	**-**		**337**	**-**	**-**	**337**	**-**	**337**
Options of proportionately consolidated company issued to its employees	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**185**	**185**
Comprehensive income for the period	**-**	**-**	**68,871**	**1,567**	**(970)**	**-**	**225,031**	**294,499**	**762**	**295,261**
Balance as at September 30, 2010	**541,309**	**86,853**	**2,907**	**742**	**38,877**	**(260,113)**	**2,101,602**	**2,512,177**	**21,619**	**2,533,796**

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

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

	Attributable to the owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve from foreign operations	Reserve for available for sale financial assets	Capital reserves	Treasury shares	Retained earnings	Total		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
For the three-month period ended September 30, 2009										
Balance as at July 1, 2009	540,859	82,432	5,837	5,783	20,876	(260,113)	2,113,955	2,509,629	68,959	2,578,588
Exercise of options allotted to employees	18	149	-	-	(167)	-	-	-	-	-
Share-based payments	-	-	-	-	500	-	-	500	-	500
Dividends to shareholders	-	-	-	-	-	-	(99,805)	(99,805)	-	(99,805)
Tax benefit in respect of shares allotted to employees	-	-	-	-	230	-	-	230	-	230
Options of proportionately consolidated company issued to its employees	-	-	-	-	-	-	-	-	518	518
Non-controlling interests investment in consolidated company	-	-	-	-	-	-	-	-	30,000	30,000
Acquisition of non-controlling interests in subsidiary	-	-	-	-	-	-	78,227	78,227	(78,227)	-
Comprehensive income for the period	-	-	29,198	(1,276)	(1,724)	-	246,562	272,760	102	272,862
Balance as at September 30, 2009	540,877	82,581	35,035	4,507	19,715	(260,113)	2,338,939	2,761,541	21,352	2,782,893

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

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

	Attributable to the owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve from foreign operations	Reserve for available for sale financial assets	Capital reserve	Treasury shares	Retained earnings	Total		
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
For the year ended December 31, 2009										
Balance as at January 1, 2009	540,784	81,546	(19,676)	264	20,121	(253,569)	2,073,483	2,442,953	67,974	2,510,927
Exercise of options granted to employees	244	2,513	-	-	(2,757)	-	-	-	-	-
Company purchase of its own shares	-	-	-	-	-	(6,544)	-	(6,544)	-	(6,544)
Share-based payments	-	-	-	-	2,462	-	-	2,462	-	2,462
Dividends to shareholders	-	-	-	-	-	-	(549,037)	(549,037)	(2,488)	(551,525)
Tax benefit in respect of allotment of shares to employees	-	-	-	-	744	-	-	744	-	744
Options of proportionately consolidated subsidiary issued to its employees	-	-	-	-	-	-	-	-	1,926	1,926
Investment of non-controlling interests in subsidiary	-	-	-	-	-	-	-	-	30,000	30,000
Acquisition of non-controlling interests in subsidiary	-	-	-	-	-	-	78,228	78,228	(78,228)	-
Comprehensive income for the year	-	-	28,499	5,156	(910)	-	772,209	804,954	1,905	806,859
Balance as at December 31, 2009	541,028	84,059	8,823	5,420	19,660	(260,113)	2,374,883	2,773,760	21,089	2,794,849

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

Condensed Consolidated Interim Statements of Cash Flows

	For the nine month period ended		For the three month period ended		For the year ended
	September 30 2010	September 30 2009	September 30 2010	September 30 2009	December 31 2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Cash flows from operating activities					
Income for the period	**782,412**	570,083	**243,803**	258,032	774,314
Adjustments:					
Depreciation and amortization	**158,321**	150,144	**53,899**	51,507	204,618
Impairment in value of fixed assets	**-**	27,808	**-**	27,808	27,043
Interest expenses, net	**29,375**	17,236	**11,561**	7,485	20,368
Share in (income) losses of associated companies	**(2,024)**	(1,602)	**(1,851)**	(625)	1,482
Capital gain on sale of fixed assets	**(2,910)**	(2,369)	**(344)**	(2,151)	(2,550)
Gain on securities classified as held for trading and available-for-sale	**-**	(150)	**-**	-	(150)
Gain on sale of activities	**(5,587)**	-	**-**	-	-
Share-based payment transactions	**24,842**	3,629	**8,459**	1,018	4,388
Revaluation of assets and liabilities denominated in foreign currency	**(7,823)**	19,734	**14,083**	9,017	17,455
Income tax expenses	**180,815**	116,208	**46,878**	6,230	168,492
	1,157,421	900,721	**376,488**	358,321	1,215,460
Change in inventory	**152,898**	71,350	**23,058**	60,961	62,796
Change in trade and other receivables	**(44,880)**	124,243	**52,067**	(168,738)	98,303
Change in trade and other payables	**71,825**	(162,404)	**(32,080)**	28,502	(100,893)
Change in provisions and employee benefits	**5,991**	53,991	**22,895**	49,883	63,479
	1,343,255	987,901	**442,428**	328,929	1,339,145
Income taxes paid	**(204,043)**	(90,642)	**(54,685)**	(76,832)	(111,893)
Interest received	**8,729**	19,802	**4,832**	11,213	29,266
Interest paid	**(37,743)**	(36,107)	**(23,005)**	(21,139)	(56,828)
Net cash provided by operating activities	**1,110,198**	880,954	**369,570**	242,171	1,199,690

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

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

	For the nine month period ended		For the three month period ended		For the year ended
	September 30 2010	**September 30 2009**	**September 30 2010**	**September 30 2009**	**December 31 2009**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	US$ thousands	**US$ thousands**	**US$ thousands**	**US$ thousands**	**US$ thousands**
Cash flows from investing activities					
Investment in long-term deposits	**(1,089)**	(1,670)	**-**	-	(4,605)
Proceeds from sale of fixed assets	**5,173**	3,462	**376**	2,031	3,540
Short-term deposits and loans, net	**(53,555)**	(19,820)	**(48,805)**	(31,534)	(34,338)
Business combinations less cash acquired	**-**	(21,893)	**-**	(21,893)	(49,086)
Dividends received from associated companies	**3,118**	200	**889**	-	1,075
Acquisition of fixed assets	**(237,055)**	(249,440)	**(76,636)**	(79,806)	(346,443)
Investment grants received	**-**	717	**-**	-	771
Acquisition of intangible assets	**(8,163)**	(20,392)	**(3,241)**	(9,520)	(19,556)
Proceeds from sale of activities	**9,426**	-	**-**	-	-
Proceeds from realization of long-term deposits	**3,032**	5,113	**-**	1,448	4,647
Net cash used in investment activities	**(279,113)**	(303,723)	**(127,417)**	(139,274)	(443,995)
Cash flows from financing activities					
Issue of debentures	**-**	402,629	**-**	235,645	402,629
Dividend paid to the Company's owners	**(985,002)**	(374,323)	**(213,871)**	(99,805)	(549,037)
Dividend paid to non-controlling interest	**(3,370)**	-	**(1,140)**	-	(2,488)
Proceeds from exercise of options allotted to employees	**334**	-	**-**	-	-
Receipt of long-term loans	**563,788**	8,116	**8,337**	2,870	24,166
Repayment of long-term loans	**(349,918)**	(8,943)	**(35,575)**	(2,672)	(276,499)
Acquisition by the Company of its own shares	**-**	(6,544)	**-**	-	(6,544)
Issuance to non-controlling interest in subsidiary	**-**	30,000	**-**	30,000	30,000
Short-term credit from banks and others, net	**(8,047)**	(306,616)	**18,010**	(106,726)	(335,931)
Net cash provided by (used in) financing activities	**(782,215)**	(255,681)	**(224,239)**	59,312	(713,704)
Net increase in cash and cash equivalents	**48,870**	321,550	**17,914**	162,209	41,991
Cash and cash equivalents at beginning of the period	**257,970**	215,154	**281,324**	363,256	215,154
Effect of changes in the exchange rate on cash and cash equivalents	**1,040**	3,949	**8,642**	15,188	825
Cash and cash equivalents at end of the period	**307,880**	540,653	**307,880**	540,653	257,970

The accompanying 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. The Company 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 phosphates), 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 other 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 closely related areas. About 94% 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, 2009 (hereinafter: “the annual financial statements”). In addition, these financial statements were prepared in accordance with the provisions of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The condensed consolidated interim financial statements were approved for publication by the Group’s Board of Directors on November 22, 2010.

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. Initial implementation of new standards

Amendment to IAS 1, Presentation of Financial Statements, Presentation of the Statement of Changes in Equity

Commencing from January 1, 2010, the Group is making early adoption of the amendment to IAS 1, "Presentation of Financial Statements", which was published as part of the Improvements Project for 2010, whereby the Group presents as part of the statement of changes in equity, for every capital component, a reconciliation between the book value at the beginning of the period and the book value at the end of the period. Changes as a result of income and loss, and other comprehensive income will be reported in the statement of changes in equity on a net basis. In the notes to the annual financial statements, the Group will include separate disclosure for each change of the components of other comprehensive income.

B. Indices and Exchange Rates

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

	Consumer Price Index	Dollar–NIS exchange rate	Dollar–Euro exchange rate
Rates of change for the nine months ended:			
September 30, 2010	**1.9%**	**(2.9%)**	**5.9%**
September 30, 2009	3.4%	(1.2%)	(4.9%)
Rates of change for the three months ended:			
September 30, 2010	**1.2%**	**(5.4%)**	**(9.8%)**
September 30, 2009	1.3%	(4.1%)	(3.7%)
For the year ended December 31, 2009	3.9%	(0.7%)	(3.3%)

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 activity of Mifalei Tovala Ltd., which engages in the transportation of cargo, mainly of ICL companies in Israel, is 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 in 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 producing 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	Operations	Eliminations	Consolidated
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Nine-month period ended September 30, 2010									
Sales to external parties	1,451,757	724,165	-	2,175,922	957,651	971,202	166,119	-	4,270,894
Inter-segment sales	134,882	96,870	(66,819)	164,933	8,950	41,759	17,603	(233,245)	-
Total sales	1,586,639	821,035	(66,819)	2,340,855	966,601	1,012,961	183,722	(233,245)	4,270,894
Operating income	625,500	93,472	1,779	720,751	139,785	152,334	13,859		1,026,729
Unallocated expenses and intercompany eliminations									(19,694)
Operating income									1,007,035
Financing expenses									(59,881)
Financing income									14,049
Share in income of associated companies, net of tax									2,024
Income before taxes on income									963,227
Capital expenditures	106,907	42,517	-	149,424	52,280	27,945	12,373	-	242,022
Unallocated capital expenditures									328
Total capital expenditures									242,350
Depreciation and amortization	58,022	28,779	-	86,801	36,761	30,182	4,188	-	157,932
Unallocated depreciation and amortization									389
Total depreciation and amortization									158,321

Note 4 - Business Segments (cont'd)

B. Information on business segments (cont'd)

	Fertilizers				Industrial	Performance	Other		
	Potash	Phosphate	Eliminations	Total	Products	Products	Operations	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
For the nine-month period ended September 30, 2009									
Sales to external parties	844,765	525,921	-	1,370,686	730,275	990,633	236,025	-	3,327,619
Inter-segment sales	117,728	75,602	(50,654)	142,676	8,198	22,969	37,530	(211,373)	-
Total sales	962,493	601,523	(50,654)	1,513,362	738,473	1,013,602	273,555	(211,373)	3,327,619
Operating income (loss)	494,516	9,330	(29)	503,817	4,909	138,058	36,093		682,877
Unallocated income and inter-company eliminations									1,144
Operating income									684,021
Financing expenses									(64,053)
Financing income									64,721
Share in income of associated companies, net of tax									1,602
Income before taxes on income									686,291
Capital expenditures	122,146	49,102	-	171,248	60,510	28,276	10,246	-	270,280
Unallocated capital expenditures									917
Total capital expenditures									271,197
Depreciation and amortization*	51,936	27,964	-	79,900	34,211	57,817	5,567	-	177,495
Unallocated depreciation and amortization									457
Total depreciation and amortization									177,952

* Depreciation and amortization including impairment of fixed assets (See Note 16B to the Company's annual financial statements as at December 31, 2009).

Note 4 - Business Segments (cont'd)

B. Information on business segments

	Fertilizers				Industrial	Performance	Other		
	Potash	Phosphate	Eliminations	Total	Products	Products	Operations	Eliminations	Consolidated
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Three-month period ended September 30, 2010									
Sales to external parties	436,443	255,431	-	691,874	312,697	339,989	49,155	-	1,393,715
Inter-segment sales	47,709	40,244	(26,506)	61,447	2,801	11,907	3,269	(79,424)	-
Total sales	484,152	295,675	(26,506)	753,321	315,498	351,896	52,424	(79,424)	1,393,715
Operating income (loss)	172,733	40,095	(311)	212,517	52,613	53,346	7,268		325,744
Unallocated expenses and inter-company eliminations									(6,615)
Operating income									319,129
Financing expenses									(30,771)
Financing income									472
Share in income of associated companies, net of tax									1,851
Income before taxes on income									290,681
Capital expenditures	29,317	13,489	-	42,806	19,987	14,509	2,764	-	80,066
Unallocated capital expenditures									2
Total capital expenditures									80,068
Depreciation and amortization	20,350	9,667	-	30,017	13,147	9,172	1,411	-	53,747
Unallocated depreciation and amortization									152
Total depreciation and amortization									53,899

Note 4 - Business Segments (cont'd)

B. Information on business segments (cont'd)

	Fertilizers				Industrial	Performance	Other		
	Potash	Phosphate	Eliminations	Total	Products	Products	Operations	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
For the three-month period ended September 30, 2009									
Sales to external parties	433,412	194,732	-	628,144	277,511	372,940	67,949	-	1,346,544
Inter-segment sales	44,191	23,517	(18,724)	48,984	3,085	7,941	12,229	(72,239)	-
Total sales	477,603	218,249	(18,724)	677,128	280,596	380,881	80,178	(72,239)	1,346,544
Operating income (loss)	245,446	4,677	3,400	253,523	(7,982)	35,226	3,753		284,520
Unallocated income and inter-company eliminations									3,196
Operating income									287,716
Financing expenses									(37,846)
Financing income									13,767
Share in income of associated companies, net of tax									625
Income before taxes on income									264,262
Capital expenditures	49,800	12,094	-	61,894	18,606	13,068	2,519	-	96,087
Unallocated capital expenditures									92
Total capital expenditures									96,179
Depreciation and amortization*	18,736	9,829	-	28,565	11,371	37,718	1,507	-	79,161
Unallocated depreciation and amortization									154
Total depreciation and amortization									79,315

* Depreciation and amortization including impairment of fixed assets (See Note 16B to the Company's annual financial statements as at December 31, 2009).

Note 4 - Business Segments (cont'd)

B. Information on business segments (cont'd)

	Fertilizers				Industrial	Performance	Other		
	Potash	Phosphate	Eliminations	Total	Products	Products	Operations	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
2009:									
Sales to external customers	1,264,567	689,174	-	1,953,741	1,003,982	1,293,539	303,054	-	4,554,316
Inter-segment sales	164,465	98,537	(70,136)	192,866	11,099	34,505	35,895	(274,365)	-
Total sales	1,429,032	787,711	(70,136)	2,146,607	1,015,081	1,328,044	338,949	(274,365)	4,554,316
Operating income	708,071	11,473	3,579	723,123	20,851	162,746	29,294		936,014
Unallocated income and inter-company eliminations									2,159
Operating income									938,173
Financing expenses									(83,424)
Financing income									89,539
Share in losses of associated companies, net of tax									(1,482)
Income before taxes on income									942,806
Capital expenditures	179,317	65,459	-	244,776	106,298	59,848	13,514	-	424,436
Unallocated capital expenditures									4,402
Total capital expenditures									428,838
Depreciation and amortization	70,831	38,112	-	108,943	49,080	67,278	5,832	-	231,133
Unallocated depreciation and amortization									528
Total depreciation and amortization									231,661

* Depreciation and amortization including impairment in value of fixed assets (see Note 16B to the Company's annual financial statements as at December 31, 2009).

Note 5 - Additional Information

(1) On March 23, 2010, the Company's Board of Directors decided to distribute a dividend in the amount of $155 million (the net dividend, less the share of a subsidiary amounts to $154.7 million), about $0.12 per share. The dividend was paid on April 27, 2010.

(2) On May 24, 2010, the Company's Board of Directors decided to distribute a dividend in the amount of $668 million (the net dividend, less the share of a subsidiary amounts to $666.8 million), about $0.53 per share. The amount of the dividend included one-time dividend in the amount of $500 million and a quarterly dividend in the amount of $168 million. The dividend was paid on June 28, 2010.

(3) On August 23, 2010, the Company's Board of Directors decided to distribute a dividend in the amount of $177 million (the net dividend, less the share of a subsidiary amounts to $176.7 million, about $0.14 per share. The dividend was paid on September 20, 2010.

(4) On November 22, 2010, 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 will be distributed on January 12, 2011.

(5) During the period of the report 1,803,405 options were exercised for 1,030,666 of the Company's ordinary shares.
Subsequent to the date of the report 320,756 options were exercised for 204,733 of the Company's ordinary shares. After exercise of the options, the Company's issued and paid-up share capital is 1,289,462,687 ordinary shares of NIS 1 par value.

(6) On January 7, 2010, ICL's Board of Directors approved an issue of 10,930,500 non-marketable options for no consideration to 318 ICL executives and senior employees in Israel and overseas. The issue includes a material private placement of 1,100,000 options to ICL's CEO and 800,000 options to the Company's Chairman of the Board. On February 15, 2010, ICL's special general shareholders meeting approved the issue to the Chairman of the Board. The options may be exercised and converted into shares for an exercise price of NIS 53.1 (the base price of the shares at the beginning of the trading day on which the resolution was made), linked to the CPI and subject to adjustments. The options may be exercised in three equal portions on January 7, 2011, 2012, and 2013. The expiry date of the options for the first and second portions is at the end of 36 months from the approval of the Board and the expiry date of the options for the third portion is at the end of 48 months from the approval of the Board. The options to employees in Israel were issued to a trustee under Section 102 of the Income Tax Ordinance, under the "capital gain" tax track.
The fair value of the options issued in the said 2010 plan was valued on the basis of the Black & Scholes model for the pricing of the options. The following parameters were used in applying the formula:

	2010 Plan
Share price (in NIS)	53.1
Exercise price (in NIS)	53.1
Expected volatility:	
First and second portions	54.98%
Third portion	48.45%
Life of options (in years)	
First and second portions	2.5
Third portion	3.5
Risk free interest rate	
First and second portions	0.59%
Third portion	1.29%

Note 5 - Additional Information (cont'd)

(6) (cont'd)

The expected volatility was determined on the basis of the historic fluctuations of the Company's share price.
The lifetime of the options was determined according to management's estimation of the employees' period of holding the options, taking into consideration their positions with the Company and the Company's experience with respect to employee attrition.

The risk free interest rate was determined on the basis of the yield to maturity linked to the CPI of government bonds, whose remaining lives is equal from the expected lifetime of the options.

The cost of the benefit inherent in the options allotted as aforementioned, on the basis of the fair value on the date they were granted, amounted to $54.3 million. This amount will be recorded to the statement of income over the vesting period of each portion. Accordingly, the Company included during the period of the report an expense in respect of the said plan in the amount of about $23.9 million.

(7) See Note 24 to the annual financial Statements as at December 31, 2009 regarding contingent liabilities of the Company and its subsidiaries.

(8) Sale of receivables under securitization transaction

On July 2, 2010 the Company and certain subsidiaries (hereinafter – "the Companies") entered into a number of securitization agreements with Rabobank International and Credit Agricol (hereinafter – "the Lending Banks") for the sale of their customer debts to a foreign company which was established specifically for this purpose and which is neither owned nor controlled by the ICL Group (hereinafter – "the Acquiring Company").

The agreements replace the prior securitization agreement that ended in July 2010.

The Acquiring Company finances acquisition of the debts by means of a loan received from a financial institution, which is not related to ICL, which finances the loan out of the proceeds from the issuance of commercial paper on the U.S. commercial paper market. The repayment of both the commercial paper and the loan are backed by credit lines from a banking consortium organized by the Lending Banks. The amount of cash that will be received in respect of the initial sale of the customer debts in the securitization transaction will be up to $350 million.

The acquisition is on an ongoing basis, such that the proceeds received from customers whose debts were sold are used to acquire new trade receivables.

The period in which the Companies are entitled to sell their trade receivables to the Acquiring Company is five years from the closing date of the transaction, where both parties have the possibility at the end of each year to give notice of cancellation of the transaction. The new securitization agreement will expire in July 2015.

Note 5 - Additional Information (cont'd)

(8) (Cont'd)

The selling price of the trade receivables is the amount of the debt sold, less the calculated interest cost based on the anticipated period between the sale date of the customer debt and its repayment date.

Upon acquisition of the debt, the Acquiring Company pays the majority of the debt price in cash and the remainder in a subordinated note, which is paid after collection of the debt sold. The rate of the cash consideration varies according to the composition and behavior of the customer portfolio.

The balance of the consideration for the debt not paid in cash is paid to the Companies on the date of sale by a subsidiary that does not participate in the securitization transaction, such that on the sale date the Companies receive the full amount of the sale proceeds. The subsidiary bears the full amount of the losses incurred, if any, by the Acquiring Company as a result of trade receivables sold under the securitization transaction and not repaid, all up to the aggregate balance of the debt not yet paid, which is included in the subordinated liability.

The Companies handle collection of the trade receivables included in the securitization transaction, on behalf of the Acquiring Company.

In the agreement, ICL undertook to comply with certain covenants, according to which the ratio of the net debt to shareholders' equity will not exceed 2.1 and the ratio of the net debt to EBITDA will not exceed 4.5. If ICL does not comply with the aforementioned covenants, the Acquiring Company is allowed to stop acquiring new receivables (without those affecting existing acquisitions). As at the reporting date, ICL is in compliance with the aforementioned covenants.

In addition, as part of the agreements a number of conditions were provided in connection with the quality of the customer portfolios, which give the Lending Banks the possibility of ending the undertaking or determining that some of the Companies, the customer portfolios of which do not meet the conditions provided, will no longer be included in the securitization agreement.

The securitization of trade receivables signed by the Company does not meet the conditions for disposal of financial assets prescribed in International standard IAS 39, regarding Financial Instruments – Recognition and Measurement, since the Group did not transfer all of the risks and rewards deriving from the trade receivables. Therefore, the receipts received from the Acquiring Company are presented as a financial liability in short-term credit category.