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

ICL-ISRAEL CHEMICALS LTD. כימיקלים לישראל בע"מ

Directors Report on the State of the Company's Affairs for the period ended September 30, 2009

Below is the Directors' Report of Israel Chemicals Ltd. ("ICL" or "the Company") for the nine-month period ended September 30, 2009 ("the Reporting Period").

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 competent 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, special 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 in 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, aluminium 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 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 94% 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. Another example is bromine production, which utilizes chlorine, a by-product stream in the production of magnesium, etc.)

Approximately 6% of ICL's production is sold in Israel. For specific products, ICL and some ICL companies have been declared a monopoly in Israel.

Approximately 51% of ICL's annual sales turnover comes from production outside of Israel.
ICL 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 managerial-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 complex 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.

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 2008. ICL Industrial Products uses about 77% 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 production sites of ICL Performance Products are in Europe (mainly Germany), the USA, Brazil, Israel and China. In 2008, about 80% 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 metallurgy.

1.2 ICL's 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 currency 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 denominated in foreign currency, mainly US dollars and euro. A not insignificant 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 strengthening of the dollar against the shekel in the period expenses compared with the corresponding period in 2008, impacted positively on ICL's operating profit and financing expenses, by an estimated $62.9 million and $19.5 million, respectively. ICL has more revenues than expenses in euro, and therefore appreciation of the average exchange rate of the euro against the dollar has a positive impact on ICL's profitability and depreciation has the opposite effect. Conversely, when the euro appreciates against the dollar, those of ICL's subsidiaries whose functional currency is the euro experience difficulty in competing with competitors whose functional currency is the dollar. ICL hedges against some of these 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 financial derivatives. For details of hedging amounts for reducing the aforementioned exposures, see Section 8 below.

Conditions in the global agricultural market affect the demand for fertilizers. Natural population growth, changes in the composition of food consumption (transition to richer nutrition, largely based on animal protein, which increases cereal consumption) as a result of the rising standard of living, primarily in developing countries, as well as environmental considerations and the objective of Western countries to reduce dependency on fuel importation, which have supported the tendency for the production of bio-fuels, have affected the increased global demand for cereals (such as grain, rice, soybeans and corn). These trends have led in recent years to lower global stocks of cereals, and consequently higher prices of agricultural products, increased cereal planting worldwide, and a trend of increasing yield per unit of agricultural land, mainly by increasing the application of fertilizers. This was followed, in the period from 2007 to mid-2008, by a sharp rise in demand an accordingly, also in the prices of fertilizers.

Commencing at the end of 2008, stock levels of wheat, corn and soybeans started to rise as a result of good weather conditions in the world's principal growing regions and due to a fall in the demand for cereals due to the global credit crisis. However, the stock levels, which according to the American Department of Agriculture[1] comprise about 20% of annual consumption, are still considered low from the historical viewpoint.

The global credit crisis and the economic crisis that followed on its heels caused a worldwide slowdown expressed in falling prices of commodities and a credit squeeze. The general atmosphere in the financial markets led to a sharp drop from the peak prices of cereals, due both to the concern about a price crash and to the credit crunch, which in turn affected the demand for and the prices of fertilizers.

After the rise in cereal prices in the first quarter of 2009 and the stabilization and moderate downward movement of prices during the second quarter, the third quarter was characterized by a continued moderate decline in the prices of agricultural commodities. Among the causes of the falling commodities prices were publications of the American Department of Agriculture, which foresees good yields in most of the principal growing regions, mainly because of good weather conditions. In recent weeks, cereal prices have risen, which could affect demand for fertilizers. Despite the ongoing rise in cereal consumption, the USDA forecasts that this increase in yields could serve to maintain stocks at their present levels.[2]

[1] USDA, World Agricultural Supply and Demand Estimates (October 2009)
[2] USDA, World Agricultural Supply and Demand Estimates (October 2009)

The worldwide economic slowdown, financial crisis and credit squeeze, in addition to the falling prices of cereals, exerted pressure on the demand for fertilizers, reflected in a sharp drop in demand. The trend of decreased demand for fertilizers continued into the first half of 2009, due, inter alia, to the fact that in the period when fertilizers prices were rising, distributors accumulated relatively large stocks, which reduced their demand as markets slowed. According to seasonal tends in the fertilizers market, the second and third quarters of the year are usually the strongest from the aspect of demand. In the third quarter of 2009, the demand for phosphate fertilizers regained some ground, with most of the sales of ICL Fertilizers being of phosphate rock and phosphoric acid to India, phosphate fertilizers to Brazil and some sales in western Europe. Despite the stronger demand, its level is still relatively low compared with the third quarter of 2008. Demand for potash remains low, mainly due to a decrease in the amounts of potash fertilizer being applied in China, Europe and the U.S., although there has been improvement compared with the second quarter. This improvement is reflected in an increase in the sales of ICL fertilizers from about $465 million in the second quarter to $677 million in the third quarter of the year.

On July 20, 2009, ICL Fertilizers signed an agreement with a large customer in India for the sale of 575,000 tons of potash over a period of nine months, plus an option for the customer to purchase an additional 175,000 tons (meaning a total of 750,000 tons including the option), at $460 per ton. This agreement replaces a prior agreement which ended in April 2009, under which 800,000 tons of potash were sold plus an option for another 50,000 tons (850,000 tons in all) over a period of one year, at $625 per ton. ICL Fertilizers also has signed agreements with other customers in India for nine-month periods at $460 per ton. In all, agreements signed with Indian customers account for 805,000 tons of potash with options for an additional 280,000 tons (a total of 1,085,000 tons). In 2008, agreements with all customers in India for a period of about one year accounted for 1,000,000 tons of potash, plus options for additional purchases of 100,000 tons (total 1,100,000 tons). Exercise of those options depends on the market situation at the time, and the extent of their exercise in the past cannot teach of their exercise in the future. Following the signing of these contracts, shipments to India have resumed at an increased rate. In addition, sales of potash to Brazil in the quarter, which is usually the peak quarter of the year, have also increased.

The agreement for the supply of potash to China ended at the end of 2008. At the date of this report, the consortium of customers in China negotiating its renewal has not yet agreed on a new contract, and it is still not known if and when a new one will be signed. Since the previous contract ended, there have been no sales of potash by ICL Fertilizers to China.

In the wake of the falling demand in the fertilizers market, many producers of potash and phosphate fertilizers have slowed the pace of production and some have even halted production for various periods. Most potash producers announced reduced production for 2008-2009, a total reduction of about 20 million tons (accounting for about 35% of global potash production in 2008). The world's largest producer of DAP fertilizer, Mosaic, reduced the production of these fertilizers by a million tons at the end of 2008, and intends to reduce production by a further one million tons in 2009. The Moroccan fertilizer producer OCP halted production in its plants in Jorf Lasfar in mid-November 2008, and only resumed production in mid-February 2009. Other potash and phosphate fertilizer production stoppages were reported in Tunisia, Jordan, Russia, Belarus, North America and Europe. Towards the end of the second quarter of the year, stocks of phosphate fertilizers in North America were depleted as demand picked up and production slowed. The low levels of stocks are likely to encourage producers to reconsider the production stoppages they had announced.[3]

The IFA[4] estimates potash production in the first half of 2009 at 15.3 million tons, compared with 29.3 million tons in the corresponding period in 2008, a decrease of about 48%. Production of phosphoric acid, which is used for the manufacture of phosphorus fertilizers, also declined, to 13.1 million tons from 15.6 million tons last year, a decrease of about 16%.

[3] The assessments in this paragraph concerning future trends are forward-looking information and it is not certain that they will be realized, if they will be realized and to what extent. They could change due to fluctuation in global markets, changes in the levels of supply and demand or in product prices, and might be affected by the actions of producers and consumers.

[4] IFA Potash Statistics January – June 2009.

ICL Industrial Products is considerably affected by the level of activity in the electronics, construction, automotive, and oil drilling markets and by the demand for water treatment products. The reporting period was typified by lower sales than last year as the financial crisis hit global markets at the end of 2008 and impacted the end markets of flame retardants, which are mainly the electronics, construction and automotive industries. Commencing in the third quarter of the year, demand has recovered to some extent and for most of the segment's products is higher than in the fourth quarter of 2008 and the first half of 2009. In addition, ICL Industrial Products has benefited from lower prices of some raw materials, lower energy costs and the depreciation of the shekel against the dollar (which moderated in the second and third quarters of 2009).

The operations of ICL Performance Products are affected by competition in some of the target markets. Because most of the principal raw materials of ICL Performance Products are influenced by price fluctuations in fertilizers and by energy prices around the world, the segment is affected by events in those markets.
The financial crisis in global markets and the fall in the prices of the raw materials in general and phosphoric acid in particular, as well as the tendency of customers to reduce their stocks, have slowed the demand for some of the products made by ICL Performance Products and have lowered selling prices.
The global credit crisis affects the volume of sales of ICL Performance Products, although at this stage it is difficult to assess the duration of those effects. In order to lighten the pressure to lower prices, ICL Performance Products has reduced the quantity of its sales, particularly of products for which its margin in relatively small.

Marine transportation costs in the reporting period account for about 7% of ICL's total operating costs. Bulk transportation prices have been characterized in recent years by great volatility, reaching a peak in the second half of 2008 as a result of the great increase in the movement of commodities around the world. In the third quarter of 2008, bulk transportation prices fell sharply as the financial crisis erupted, and that downward trend continued into the first quarter of 2009. Towards the end of the first quarter marine transportation prices rose, but the average price for the reporting period remains dozens of percentage points lower than the average price in the same period last year.
As a result of the economic crisis, energy prices started falling at the beginning of the fourth quarter of 2008, Average fuel oil and naphtha prices for the period are about 50% lower than in the same period last year.

The financial crisis described above and its impact on the Group's business environment have led ICL to take steps to improve savings and efficiency, which have already had a positive effect on the Company's results in the reporting period.

1.3 This Directors' Report is attached to the interim financial statements for the period ended September 30, 2009, and assumes that those financial statements are before the reader. The Directors' Report is in condensed form for the period, and assumes that the reader also has access to the Periodic Report for 2008.
The financial data, including comparison figures, are taken from ICL's financial statements, which were prepared according to 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.

	1-9/2009		1-9/2008		7-9/2009		7-9/2008		2008	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
Sales	3,327.6		5,785.9		1,346.5		2,177.9		6,904.0	
Gross profit	1,325.9	39.8	3,078.1	53.2	574.8	42.7	1,200.4	55.1	3,455.3	50.0
Adjusted gross profit**	1.325.9	39.8	3,118.1	53.9	574.8	42.7	1,240.4	57.0	3,619.1	52.4
Operating income	684.0	20.6	2,209.6	38.2	287.7	21.4	881.7	40.5	2,335.5	33.8
Adjusted operating income**	758.3	22.8	2,291.4	39.6	357.4	26.5	963.6	44.2	2,588.7	37.5
Pre-tax profit	686.3	20.6	2,126,1	36.7	264.3	19.6	876.2	40.2	2,227,2	32.3
Net profit to Company share-holders	567.7	17.1	1,828.4	31.6	256.6	19.1	778.6	35.8	2,004.2	29.0
Adjusted net profit to Company share-holders**	593.5	17.8	1,895.9	32.8	278.9	20.7	846.1	38.8	2,202.3	31.9
EBITDA*	880.3	26.5	2,437.2	42.1	380.3	28.3	1,025.0	47.1	2,747.5	39.8
Cash flow from current operations	881.0		1,378.9		242.2		717.4		1,854.1	
Investment in property, plant and equipment less grants	248.7		238.3		79.8		84.0		318.0	

* Calculated as follows, in millions of dollars:

	1-9/2009	1-9/2008	7-9/2009	7-9/2008	2008
Net profit to Company shareholders	567.7	1,828.4	256.6	778.6	2,004.2
Depreciation and amortization	150.1	143.5	51.5	53.6	182.2
Financing expenses, net	(0.7)	97.7	24.1	12.8	122.1
Taxes on income	116.2	385.8	6.2	98.2	233.2
One-time expenses	47.0	81.8	42.4	81.8	205.8
Total	880.3	2,437.2	380.8	1,025.0	2,747.5

** In the reporting period, gross profit, operating income and profit were influenced by one-time expenses not in the ordinary course of business, which include mainly these:

1. Provision in respect of employee benefits as part of an early retirement plan in the ICL Fertilizers and ICL Industrial Products segments.
2. Provision for impairment of property, plant and equipment in the ICL Performance Products segment.
3. Tax revenue deriving from the effects of the lower tax rate under the Economic Efficiency Law, on the deferred tax balance (see Note 5D to the financial statements).

For the convenience of readers, the annual financial results of the Company are shown also after elimination of the one-time expenses ("Adjusted Gross Profit, Adjusted Operating Income and Adjusted Profit")

Below is the financial impact of the one-time influences described above for the nine-month period ended September 30, 2009 and for the third quarter of 2009 (in millions of dollars):

	1-9/2009	7-9/2009
Provision for early retirement plan	47.0	42.4
Provision for impairment of property, plant and equipment at ICL Performance Products	27.3	27.3
Effects of one-time expenses on operating profit	74.3	69.7
Tax effect on one-time expenses	(22.2)	(21.1)
Tax revenue in respect of lower tax rate under the Economic Efficiency Law	(26.3)	(26.3)
Net impact on profit	25.8	22.3

2.2 Results of operations for the period January – September 2009

Sales

Sales of the ICL Group in the reporting period amounted to approximately $3,327.6 million, compared with $5,785.9 million last year, a decrease of about 42.5%. The decrease reflects a sharp drop in the quantities sold in all the Company's segments of operation, which contributed to a decrease of $1,937 million in sales, which includes $1,336 million as a result of smaller quantities sold of potash. Selling prices of phosphate fertilizers, phosphate and phosphoric acid also fell, contributing to a decrease of $376 million in sales. The average selling price of potash in the reporting period is similar to the average in the corresponding period in 2008, and therefore potash prices do not affect the decrease in income in the reporting period.
In addition, sales declined as a result of the effects of changes in exchange rates accounted for approximately $149 million.

Below is a breakdown of sales by geographical region:

	1-9/2009		1-9/2008	
	$ millions	%	$ millions	%
Israel	215.7	6.5	315.3	5.5
North America	779.6	23.4	878.1	15.2
South America	415.1	12.5	927.8	16.0
Europe	1,034.7	31.1	2,102.9	36.3
Asia	776.3	23.3	1,325.7	22.9
Rest of the world	106.2	3.2	236.1	4.1
Total	3,327.6	100.0	5,785.9	100.0

The breakdown shows a decrease in sales in all geographical markets, due to the decrease in quantities sold as a result of the effects of the global economic crisis on the demand for the Group's products, in particular on the sales of fertilizers in Asia, Europe and Brazil.

Gross profit

Gross profit amounted to approximately $1,325.9 million compared to $3,078.1 million in the same period last year, a decrease of approximately 56.9%. The gross profit margin out of sales turnover is 39.8%, compared with 53.2% in the same period last year.

The fall in the gross profit rate compared with the same period last year is mainly the result of the decrease in quantities sold of most of the Company's products, which resulted in a decrease in gross profit of approximately $1,123 million, and a reduction in production quantities, mainly of phosphate fertilizers and also of bromine and its compounds, accounting for a decrease of $235 million in gross profit, and the lower selling prices, which accounted for approximately $350 million.

Conversely, the prices of most inputs have fallen, including raw materials – mainly sulfur and energy, and there was a decrease in shekel expenses in dollar terms as a result of the weakening of the shekel against the dollar. The effects of the lower raw materials prices and of the stronger dollar against the shekel, account for approximately $62 million and $39 million, respectively.

Sales and marketing expenses

Expenses for this item amounted to approximately $385.0 million, a decrease of $327.4 million compared with the same period last year. The decrease in these expenses derives mainly from the decrease in quantities sold (mainly by the Fertilizers segment) which accounted for $155 million, the sharp drop in marine and land transportation prices, accounting for approximately $48 million, and the effects of the stronger dollar against the shekel and euro, accounting for approximately $8 million.

General and administrative expenses

These expenses totaled $139.2 million, a decrease of $19.9 million compared with the same period last year. Most of the decrease stems from the stronger dollar against the shekel, which accounts for approximately $14 million.

Research and development expenses

R&D expenses (net of grants from the Chief Scientist) amounted to approximately $39.6 million, a decrease of $4.4 million compared to the same period last year.

Operating income

Operating income amounted to $684.0 million. Adjusted operating income decreased by $1,533.1 million compared with the corresponding period in 2008, reaching $758.3 million, a decrease of 66.9% compared with last year. The decrease in operating income stems from the decrease in gross profit noted above, which was partially offset by the decrease in overhead expenses, due, inter alia, to the weakening of the shekel against the dollar, a decrease in transportation expenses, and the savings and efficiency measures adopted by the Company.

The percentage of adjusted operating income out of sales turnover is 22.8%, compared with 39.6% last year. This decline in the operating income margin stems mainly from the decrease in sales and in production, which was partially offset by the lower input prices.

Financing income / expenses

Net financing income amounted to about $0.7 million, compared with expenses of $97.7 million in the same period last year. Financing income for the reporting period compared with the financing expenses in the same period last year, is due mainly to the effects of the following factors:

a. Income of $24.1 million from revaluation of derivative financial instruments in the period, compared with income of $17.2 million from revaluation in the same period last year.
b. Financing expenses in the reporting period stemming from the effects of the change in the dollar-shekel exchange rate on employee benefit liabilities, amounting to $3.7 million, compared with an expense of $38.1 million in the same period last year.

c. Income of $15.3 million in the period from transactions in financial derivatives and revaluation of short-term net financial liabilities, compared with an expense of $24.4 million in the same period last year.
d. A decrease of $21.3 million in interest expenses due to the decrease of $179 million in net financial liabilities and a reduction of 1.7% in the average interest rate for the period.

Tax expenses

The tax expense amounted to $116.2 million, compared with $285.8 million last year. The tax rate on pre-tax profit is 16.9%, compared with 13.4% in the prior year. The reasons for the rise in the tax rate in the reporting period compared with the third quarter of 2008 are these:

a. A rise in the tax rate of a company assessed in Israel, deriving from differences in respect of the measurement basis according to income tax regulations and the measurement basis in the financial statements, in respect of the strengthening of the euro against the shekel.
b. A decrease in the sales turnover of the Group's companies in Israel led to a decrease in taxable income attributable to the benefiting plant, which is tax exempt.
c. An increase in the proportionate part of companies for which the tax rates are high, out of the total profit of the Group.
d. In 2008, the companies operating in Europe took full advantage of losses carried forward from prior years, in respect of which no deferred taxes were generated in the past.

Conversely, the effect of the decrease in the tax rates, in respect of the Economic Efficiency Law on the balance of deferred taxes partially offset the rise in the effective tax rate.

Net profit

Net profit to the shareholders of the Company amounted to $567.7 million. Adjusted net profit to the shareholders amounted to $593.5 million, compared with $1,895.9 million in the same period last year, a decrease of $1,302.4 million.

2.3 Results of operations for the period July – September 2009

Sales

Sales of the ICL Group in the quarter amounted to $1,346.5 million compared with $2,177.9 million in the corresponding period last year, a decrease of 38.2%.

The decrease reflects a sharp drop in quantities sold in all of the Company's segments of operation, which contributed approximately $319 million to the decrease in income and includes approximately $241 million resulting from quantities sold of potash, a fall in the selling prices of some of the Company's products, which contributed approximately $466 to the decrease in income, which includes $220 million as a result of the decrease in the price of potash and the negative effects of changes in exchange rates on income, accounting for $50 million.

Below is a breakdown of sales by geographical region:

	7-9/2009		7-9/2008	
	$ millions	%	$ millions	%
Israel	79.9	5.9	131.2	6.0
North America	292.7	21.7	341.0	15.7
South America	224.8	16.7	358.8	16.5
Europe	384.5	28.6	665.0	30.5
Asia	329.5	24.5	585.6	26.9
Rest of the world	35.1	2.6	96.3	4.4
Total	1,346.5	100.0	2,177.9	100.0

The breakdown points to a decrease in sales in all geographical regions, mainly due to the sharp decline in sales of fertilizers.

Gross Profit
Gross profit amounted to $574.8 million, a decrease of $625.6 million compared with the corresponding quarter last year, reflecting a decrease of 52.1%. The gross profit margin out of sales turnover fell from 57.0% to 42.7% of turnover.

The decrease in gross profit compared with the third quarter of 2008 stems mainly from the decrease in sales, which caused a decrease of about $209 million in gross profit, the lower selling prices referred to above, which contributed approximately $438 million to the decrease, and the smaller production quantities, mainly of phosphate fertilizers and bromine and its compounds, which decreased gross profit by a further $58 million. Conversely, there has been a drop in the prices of most inputs, including sulfur and energy, and a decrease in shekel expenses in dollar terms as a result of the weakening of the shekel against the dollar. The effects of the lower input prices and of the stronger dollar accounted for approximately $56 million and $23 million respectively.

Sales and Marketing Expenses
Expenses for this item amounted to $154.1 million, a decrease of about $52.2 million compared with the corresponding quarter last year, mainly due to the smaller quantities sold, which accounted for $8 million, and the sharp drop in marine and land transportation prices, which contributed approximately $26 million.

General and Administrative Expenses
These expenses amounted to $48.5 million, a decrease of $5.4 million compared with the same period last year, mainly due to the weaker shekel against the dollar.

Research and Development Expenses
R&D expenses (net of grants from the Chief Scientist) amounted to $13.4 million, a decrease of $1 million compared with the corresponding quarter last year.

Operating Income
Operating income in the quarter amounted to $287.7. Adjusted operating income in the quarter decreased by $606.2 million compared with last year, reaching $357.4 million, a decrease of about 62.9%.
The decrease in adjusted operating income stems from the aforementioned decrease in gross profit, which was partially offset by a decrease in the overhead expense stemming, inter alia, from the decrease in transportation expenses, as a result of the weakening of the shekel against the dollar and from the efficiency measures adopted by the Company.
The adjusted operating income rate out of sales turnover is 26.5%, compared with 44.2% last year. The decrease in the adjusted operating income margin stems mainly from the decrease in sales and in production, which was partially offset by the lower prices of raw materials and of energy, and by the stronger dollar against the shekel.

Financing Expenses
Net financing expenses amounted to $24.1 million, compared with $12.8 million in the corresponding quarter last year. The increase in financing expenses in the quarter arose mainly from an expense of approximately $17.8 million in respect of employee benefits, compared with $2.2 million in the same quarter last year, and from income of $0.3 million in respect of the revaluation of derivative financial instruments and short-term assets, compared with income of $11.4 million in the same quarter last year.
Conversely, the Company benefited from lower interest expenses of $15 million due to the decrease of approximately $180 million in net financial liabilities for the period, and from a decrease of 1.7% in the average interest rate for the period.

Tax Expenses
Income tax expense in the quarter amounted to $6.2 million, which is approximately 2.4% of pre-tax profit, compared with $98.2 million and approximately 11.2% of pre-tax profit in the corresponding period last year. The lower tax rate stems mainly from the effects of the decreasing tax rate as from 2011 as prescribed in the Economic Efficiency Law on deferred tax balances.

Net profit

Net profit to the shareholders of the Company in the quarter amounted to $256.6 million. Adjusted net profit to the shareholders is $278.9 million, compared with $846.1 million in the same period last year, a decrease of $567.2 million, and compared with $152.3 million in the second quarter of 2009.

3. SEGMENTS OF OPERATION

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

CIF sales	1-9/2009		1-9/2008		7-9/2009		7-9/2008	
By segment of operation	**$ millions**	**% of sales**	**millions**	**% of sales**	**$ millions**	**% of sales**	**$ millions**	**% of sales**
ICL Fertilizers	1,513.4	46.4	3,742.9	63.0	677.1.	50.6	1,440.1	64.0
ICL Industrial Products	738.5	22.6	993.4	15.6	280.6	21.0	342,4	15.2
ICL Performance Products	1,013.6	31.0	1,201.5	20.3	380.9	28.5	466.9	20.8
Others and offsets	62.1		(151.9)		7.9		(71.5)	
Total	3,327.6		5,785.9		1,346.5		2,177.9	

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

Operating income	1-9/2009		1-9/2008		7-9/2009		7-9/2008	
By segment of operation	**$ millions**	**% of sales**	**$ millions**	**% of sales**	**$ millions**	**% of sales**	**$ millions**	**% of sales**
ICL Fertilizers	503.8	33.3	1,898.2	50.7	253.5	37.4	759.3	52.7
ICL Industrial Products	4.9	0.7	94.5	9.5	(8.0)	(2.9)	20.4	6.0
ICL Performance Products	138.1	13.6	220.9	18.4	35.2	9.2	103.6	22.2
Others and offsets	37.2		(4.0)		6.9		(1.6)	
Operating income (consolidated)	684.0		2,209.6		287.7		881.7	

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

Adjusted operating income	1-9/2009		1-9/2008		7-9/2009		7-9/2008	
By segment of operation	**$ millions**	**% of sales**	**$ millions**	**% of sales**	**$ millions**	**% of sales**	**$ millions**	**% of sales**
ICL Fertilizers	513.4	33.9	1,938.2	51.8	261.2	38.6	799.3	55.5
ICL Industrial Products	41.9	5.7	118.4	11.9	26.7	9.5	44.3	12.9
ICL Performance Products	165.8	16.4	238.8	19.9	62.6	16.4	121.5	26.0
Others and offsets	37.2		(4.0)		6.9		(1.5)	
Operating income (consolidated)	758.3		2,291.4		357.4		963.6	

Note: The sales data for the segments and their percentages out of total sales, are 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:

	1-9/2009	1-9/2008	7-9/2009	7-9/2008
Sales				
Potash	62%	61%	69%	63%
Phosphate	38%	39%	31%	37%
Adjusted operating income				
Potash	96%	70%	95%	74%
Phosphate	4%	39%	5%	26%

Sales

Sales in the reporting period amounted to $1,513.4 million, a decrease of approximately $2,229.5 million, or 59.6%, compared with last year.

The decrease in sales turnover derives mainly from a sharp drop in quantities sold of the segment's products, which led to a decrease of approximately $1.558 million in sales, and from the fall in the prices pf phosphate fertilizers and green acid, which resulted in a decrease of $582 million in sales.

Operating income

Operating income amounted to $503.8 million and adjusted operating income was $513.4 million, a decrease of $1,424.8 million compared with last year. The margin of operating income out of sales was 33.9%, compared with 51.8% last year.

The decrease in adjusted operating income stems mainly from the decrease in quantities sold, which reduced operating income by approximately $855 million, from the fall in the prices of phosphate fertilizers, phosphate and green acid, which reduced adjusted operating income by $576 million, and from the effects of the production of smaller quantities of the segment's products, accounting for $60 million. However, the decrease was partially offset by the fall in the prices of sulfur, which is a principal raw material in the manufacture of phosphate fertilizers, and other main inputs accounting for $200 million.

Potash

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

Potash – Revenue and profit (in millions of $)

	1-9/2009	1-9/2008	7-9/2009	7-9/2008	2008
Revenue*	962.5	2,373.3	477.6	937.6	2,700.0
Operating income	494.5	1,364.8	245.4	596.8	1,573.5

* Including revenue from inter-segment sales

The decrease in revenue in the period compared with the same period in the prior year stems from the sharp drop in the quantities of potash sold, which reduced sales by approximately $1,336 million.

The decrease in operating income stems mainly from the effects of the smaller quantities sold, which reduced operating income by approximately $761 million, and from the decrease in quantities produced, which reduced operating income by approximately $33 million.

Potash – Production, Sales and Stocks (in thousands of tons)

	1-9/2009	1-9/2008	7-9/2009	7-9/2008	2008
Production	3,078	3,763	1,009	1,192	4,968
Sales to external customers	1,583	3,982	939	1,179	4,483
Sales to internal customers	95	222	40	70	253
Total sales (including internal sales)	1,678	4,204	979	1,249	4,736
Closing stocks	2,917	844	2,917	844	1,517

The quantity of potash sold in the period is about 2,399,000 tons lower than in the same period in the prior year. The decrease in potash sales is the result of decreased demand for potash against a backdrop of the global slowdown in the wake of the credit crisis, a decrease in the prices of agricultural commodities, and a buildup of relatively high stocks in some markets, which resulted in a decrease in the demand for potash.

The demand for potash is still low compared with prior years, mainly because of the decline in potash fertilization levels in China Europe and the U.S., although shipments to India have increased with the signing of agreements with customers in that country. In addition, sales of potash to Brazil in the third quarter, which is usually the peak quarter for that country, have picked up. Overall, sales of ICL Fertilizers in the third quarter to these destinations are higher than in the first half of the year.

The decrease in potash production in the period stems mainly from the self-initiated reduction of production volumes and their adjustment to demand and storage capacity in Europe. Production was also reduced in Israel, due to a temporary decline in the availability of equipment and to allow maintenance work to be completed.

In the Company's assessment, in spite of the current crisis and notwithstanding the fact that in the short term, demand in the market continues to be relatively weak, the fundamental drivers of demand for fertilizers in the long run have not changed significantly. The increase in the demand for cereals, together with the relatively low (in historic terms) level of the global cereal stocks, are expected, in the medium and long term, to push the demand for fertilizers upwards. The short-term downturn in demand noted above, may lower the level of global cereal stocks even further, which could lead to an increase in the prices of cereal and fertilizers later on.[5]

Fertilizers and Phosphates

Revenues for 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 contain various proportions of nitrogen, phosphate and potassium), phosphoric acid used as a raw material for the production of fertilizers ("green acid"), as well as other products.

[5] The assessments of future trends in this paragraph are forward looking information and there is no certainty that they will be realized, at what time and at what rate. They could change depending on 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, prices of the products, the commodities and the cereals, prices of the inputs, marine transportation and energy costs. There could also be impact from actions taken by governments, manufacturers 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.

Fertilizers and Phosphates – Revenue and Profit (in millions of $)

	1-9/2009	1-9/2008	7-9/2009	7-9/2008	2008
Revenue*	601.5	1,477.4	218.2	549.9	1,680.9
Operating income	9.3	551.9	4.7	175.1	471.0
Adjusted operating income	18.9	591.9	12.3	215.1	616.2

* Including revenue from inter-segment sales.

The decrease in revenue in the reporting period compared with the corresponding period last year, stems mainly from the impact of the fall in the prices of phosphate fertilizers, phosphate rock and green acid, which led to a decrease of $582 million in sales, and from the decrease in quantities sold of those products, which reduced sales by approximately $240 million.

The decrease in adjusted operating income in the reporting period compared with the same period last year is due mainly to the effects of the fall in the prices of phosphate fertilizers, phosphate rock and green acid, accounting for approximately $523 million, the effects of the smaller quantities sold of phosphate fertilizers and phosphate fertilizers and phosphate rock, accounting for $83 million, and from the effects of production stoppages for defined periods at various plants, accounting for $27 million. However, the decrease in operating income was partially offset by the fall in the prices of inputs and principal raw materials, particularly sulfur, by approximately $200 million, and by the effects on the increase in the quantities sold of green acid, by approximately $11 million.

Operating income in the reporting period includes one-time expenses in respect of early retirement, in the amount of approximately $10 million.

Fertilizers and Phosphates – Production and Sales (in thousands of tons)

	1-9/2009	1-9/2008	7-9/2009	7-9/2008	2008
Phosphate rock					
Production	1,977	2,457	678	877	3,088
Sales*	449	515	116	133	588
Phosphate rock for internal uses	1,361	2,116	458	777	2,608
Fertilizers					
Production	671	1,340	342	422	1,543
Sales*	813	1,322	387	397	1,423

* To external customers.

In response to the market situation, ICL Fertilizers reduced production volumes in its plants, and during the reporting period production was halted for defined periods in most plants, which significantly lowered the production of fertilizers in the period.

Phosphate rock is produced according to demand, both for internal uses and for sales to external customers, while maintaining suitable stock levels. As a result of the decline in production of phosphate fertilizers, the Company also reduced the production of phosphate rock in the reporting period.

Following the downward trend in sales that started towards the end of 2008, the first half of the 2009 saw that trend continuing, and most sales in the period are of phosphate rock and phosphoric acid to India and phosphate fertilizers to Brazil. In addition to the decrease in the sales quantities, there has been a fall in the prices of phosphate fertilizers, phosphoric acid and phosphate rock. However, during the third quarter, there has been an increase in demand, which impacted positively with the level of sales in the quarter compared with the first half of 2009.

Towards the end of the second quarter of 2009, stocks of phosphate fertilizers decreased n North America as demand recovered and production slowed. These lower stock levels could lead the manufacturers of phosphate fertilizers to reconsider their announced decisions to halt production.[6]

As mentioned above, in the Company's assessment, in spite of the current crisis and the short-term demand situation, the fundamental drivers of demand for fertilizers in the long run have not changed significantly. The increase in the demand for cereals, together with the relatively low (in historic terms) level of the global cereal stocks, are expected, in the medium and long-term, to push the demand for fertilizers upwards. The short-term downturn in demand, as stated above, may lower the level of global cereal stocks even further, which could lead to an increase in cereal prices later on.[7]

3.2 ICL Industrial Products

Sales

Sales of ICL Industrial Products in the reporting period amounted to $738.5 million, a decrease of $254.9 million compared with the same period last year. The decrease in sales compared with last year is due to the effects of the decrease in quantities sold.

Below is an analysis of the changes in sales in the reporting period:

Sales of fire retardants and of inorganic bromine products decreased sharply compared with last year, accounting for a decrease of approximately $163 million and $60 million in sales, respectively.
A decrease in the sales pf the segment's other products, notably biocides for water treatment, Dead Sea salts and magnesia products, led to a further decrease of approximately $31 million in sales.
During the third quarter of 2009, sales can be seen to be improving, with demand for most of the segment's products higher than in the fourth quarter of 2008 and in the first half of 2009.

Operating income

Operating income in the reporting period was $4.9 million. Adjusted operating income for the reporting period was $41.9 million, compared with $118.4 million last year.

Adjusted operating income decreased mainly as a result of the sharp decrease in quantities sold, which resulted in a decrease in production volumes. This decrease in quantities sold and in production totals $145.3 million. The decrease was partially offset by a fall in the prices of energy and raw materials, accounting for approximately $15.1 million, lower costs, particularly due to a stronger dollar against the shekel and the euro, accounting for approximately $35 million, and lower costs resulting from the efficiency measured adopted by ICL Industrial Products.

---

[6] The assessments of future trends in this paragraph are forward looking information and there is no certainty that they will be realized, at what time and at what rate. They could change depending on fluctuations in world markets as well as local markets, especially at the sites where ICL produces and in the target markets for ICL products, including, *inter alia*, changes in the levels of supply and demand, prices of the products, the commodities and the cereals, prices of the inputs, marine transport and energy costs. 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.

[7] The assessments of future trends in this paragraph are forward looking information and there is no certainty that they will be realized, at what time and at what rate. They could change depending on fluctuations in world markets as well as local markets, especially at the sites where ICL produces and in the target markets for ICL products, including, *inter alia*, changes in the levels of supply and demand, prices of the products, the commodities and the cereals, prices of the inputs, marine transport and energy costs. 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.

3.3 ICL Performance Products

Sales

Sales in this segment amounted to approximately $1,013.6 million, a decrease of approximately $188 million compared with the same period last year. The decrease stems from the decrease in quantities sold of most of the segment's products, which resulted in a decrease of approximately $216 million in sales. In addition, the strengthening dollar against the euro in the period compared with last year led to a decrease of approximately $47 million in dollar terms.

The decrease was partially offset by higher selling prices of some products in the reporting period than in the corresponding period last year, mainly in North American markets, which increased sales by approximately $75 million.

Operating income

Operating income in the segment in the reporting period amounted to $138.1 million. Adjusted operating income was $165.8 million, a decrease of approximately $73 million compared with last year. The decrease stems mainly from the effects of the smaller quantities sold, accounting for approximately $159 million, which was partially offset by a fall in the prices of principal raw materials and a stronger dollar against the shekel.

The financial crisis affecting the global markets and the decrease in the prices of raw materials in general, and particularly phosphoric acid, as well as the reduction of customer inventories, are the cause of the continued slowdown in demand for some of the products manufactured by the segment and of downward pressure on prices. There is no certainty that the Company will be able to continue to command the prices that typified the reporting period.

4. THE FINANCIAL POSITION AND SOURCES OF FINANCING OF ICL

At September 30, 2009, a decrease of approximately $253 million was recorded in the net interest-bearing financial liabilities of ICL, compared with the end of 2008, leaving a balance of approximately $700 million.

ICL's sources of financing are short- and long-term loans, mostly from international banks, debentures which were issued to institutional investors in Israel and the U.S., unlisted short-term commercial paper issued from time to time, and customer securitization, in which some of the companies in the Group sell customer debt in exchange for a cash advance. The total volume of securitization is $300 million. At September 30, 2009, ICL had not utilized the securitization framework at all. During the third quarter of 2009, the Company extended the securitization agreement to July 7, 2010 on the market terms prevailing at the extension date. In March 2010 the Company will make a first payment of $38 million of debentures issued to institutional investors abroad.

During April 2009, the Company issued debentures in a private placement by way of a tender to institutional investors, in the amount of NIS 695 million (approximately $166.9 million), as described in Section 11.3 of this report. During the third quarter of 2009, these debentures were listed on the stock exchange.
On September 9, 2009, the Company issued three series of debentures by way of a tender in a private placement, in the amount of NIS 898 million (approximately $235 million), as described in Section 11.4 of this report.

5. CASH FLOW

Cash flow generated by operating activities for the reporting period amounted to $881.0 million, compared with $1,378.9 million last year. Cash flow from operating activities was the principal source for net financing of investments in property, plant and equipment, for reducing net financial liabilities and for the distribution of a dividend.

6. INVESTMENTS

In the reporting period, investments in property, plant and equipment amounted to approximately $248.7 million, compared with $238.3 million last year. The increase is accounted for mainly by the investments made in expanding production capacity and in ecology and infrastructures.

7. HUMAN RESOURCES

The total number of employees at ICL at September 30, 2009 is 10,768, compared with 10,952 on September 30, 2008, a decrease of 184 employees. The decrease stems mainly from the ongoing efficiency measures adopted by the Company both in Israel and abroad, the early retirement plans implemented in some of the subsidiaries, and the freeze on hiring. The decrease was partially offset by the increase in the number of workers as a result of the first-time consolidation of acquired companies.

8. MARKET RISK EXPOSURE AND MANAGEMENT

Base rates at September 30, 2009:

Currency	Exchange rate
NIS/USD	0.26610
EUR/USD	1.46615
GBP/USD	1.60915
JPY/USD	0.01117
BRL/USD	0.56293
CNY/USD	0.14644

Below is an update of sensitivity to changes in the exchange rates of balance sheet balances as at September 30, 2009:

USD/NIS	Increase (decrease) in fair value (in $ millions)		Fair value (in $ millions)	Increase (decrease) in fair value (in $ millions)	
Type of instrument	**Rise of 10%**	**Rise of 5%**		**Fall of 5%**	**Fall of 10%**
Cash and cash equivalents	(9.1)	(4.5)	90.9	4.5	9.1
Short-term deposits and loans	(2.4)	(1.2)	23.9	1.2	2.4
Trade receivables	(5.7)	(2.9)	57.2	2.9	5.7
Receivables and debit balances	(2.0)	(1.0)	20.4	1.0	2.0
Long-term deposits and loans	(16.8)	(8.4)	168.4	8.4	16.8
Credit from banks and others	8.5	4.2	(84.7)	(4.2)	(8.5)
Trade payables	18.6	9.3	(186.1)	(9.3)	(18.6)
Other payables	15.4	7.7	(154.0)	(7.7)	(15.4)
Debentures	36.6	18.3	(366.1)	(18.3)	(36.6)
Options	(13.3)	(7.7)	10.8	9.5	20.4
Forward	(14.7)	(7.7)	7.7	8.5	18.0
Total	15.1	6.1	(411.6)	(3.5)	(4.7)

CPI	Increase (decrease) in fair value (in $ millions)		Fair value (in $ millions)	Increase (decrease) in fair value (in $ millions)	
Type of instrument	**Rise of 10%**	**Rise of 5%**		**Fall of 5%**	**Fall of 10%**
Long-term deposits and loans	7.4	3.7	73.9	(3.7)	(7.4)
Credit from banks and others	(0.1)	0.0	(0.6)	0.0	0.1
Other payables	(0.1)	0.0	(0.8)	0.0	0.1
Long –term loans from banks	(7.1)	(3.6)	(70.0)	3.6	7.1
Fixed-interest debentures	(13.2)	(6.6)	(132.3)	6.6	13.2
CPI/USD swap	4.6	2.3	4.4	(2.3)	(4.6)
Forward	5.6	2.8	1.0	(2.8)	(5.6)
Total	(2.9)	(1.4)	(124.4)	1.4	2.9

EUR/USD	Increase (decrease) in fair value (in $ millions)		Fair value (in $ millions)	Increase (decrease) in fair value (in $ millions)	
Type of instrument	**Rise of 10%**	**Rise of 5%**		**Fall of 5%**	**Fall of 10%**
Cash and cash equivalents	(6.4)	(3.2)	64.0	3.2	6.4
Short-term deposits and loans	(0.5)	(0.3)	5.3	0.3	0.5
Trade receivables	(21.9)	(10.9)	218.8	10.9	21.9
Receivables and debit balances	(1.5)	(0.7)	14.7	0.7	1.5
Long-term deposits and loans	(0.3)	(0.1)	2.5	0.1	0.3
Credit from banks and others	0.6	0.3	(5.7)	(0.3)	(0.6)
Trade payables	14.1	7.1	(141.4)	(7.1)	(14.1)
Other payables	7.6	3.8	(76.2)	(3.8)	(7.6)
Long-term bank loans	17.7	8.8	(176.6)	(8.8)	(17.7)
Options	0.6	(0.4)	(0.5)	(0.3)	0.4
Forward	14.7	7.3	(1.3)	(7.3)	(14.7)
Total	24.7	12.5	(96.4)	(12.4)	(23.7)

GBP/USD	Increase (decrease) in fair value (in $ millions)		Fair value (in $ millions)	Increase (decrease) in fair value (in $ millions)	
Type of instrument	**Rise of 10%**	**Rise of 5%**		**Fall of 5%**	**Fall of 10%**
Cash and cash equivalents	(1.9)	(1.0)	19.2	1.0	1.9
Short-term deposits and loans	(2.8)	(1.4)	28.3	1.4	2.8
Trade receivables	(2.1)	(1.1)	21.1	1.1	2.1
Receivables and debit balances	(0.2)	(0.1)	1.7	0.1	0.2
Credit from banks and others	0.6	0.3	(6.3)	(0.3)	(0.6)
Trade payables	0.8	0.4	(7.6)	(0.4)	(0.8)
Other payables	1.2	0.6	(11.8)	(0.6)	(1.2)
Forward	1.6	0.9	(0.1)	(0.9)	(2.0)
Total	(2.8)	(1.4)	44.5	1.4	2.4

JPY/USD	Increase (decrease) in fair value (in $ millions)		Fair value (in $ millions)	Increase (decrease) in fair value (in $ millions)	
Type of instrument	**Rise of 10%**	**Rise of 5%**		**Fall of 5%**	**Fall of 10%**
Cash and cash equivalents	(0.4)	(0.2)	3.6	0.2	0.4
Trade receivables	(1.5)	(0.8)	15.1	0.8	1.5
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	(4.1)	(0.2)	(0.4)
Other payables	0.0	0.0	(0.3)	0.0	0.0
Options	0.2	0.1	(0.2)	(0.5)	(0.5)
Forward	0.6	0.3	(0.1)	(0.4)	(0.7)
Total	(0.7)	(0.4)	14.3	(0.1)	0.3

BRL/USD	Increase (decrease) in fair value (in $ millions)		Fair value (in $ millions)	Increase (decrease) in fair value (in $ millions)	
Type of instrument	**Rise of 10%**	**Rise of 5%**		**Fall of 5%**	**Fall of 10%**
Cash and cash equivalents	(1.4)	(0.7)	13.8	0.7	1.4
Trade receivables	(0.7)	(0.4)	7.3	0.4	0.7
Receivables and debit balances	0.0	0.0	0.1	0.0	0.0
Trade payables	0.2	0.1	(2.4)	(0.1)	(0.2)
Other payables	0.2	0.1	(2.0)	(0.1)	(0.2)
Total	(1.7)	(0.9)	16.8	0.9	1.7

CNY/USD	Increase (decrease) in fair value (in $ millions)		Fair value (in $ millions)	Increase (decrease) in fair value (in $ millions)	
Type of instrument	**Rise of 10%**	**Rise of 5%**		**Fall of 5%**	**Fall of 10%**
Cash and cash equivalents	(0.7)	(0.4)	7.4	0.4	0.7
Short-term deposits and loans	(1.4)	(0.7)	13.9	0.7	1.4
Trade receivables	(2.2)	(1.1)	21.8	1.1	2.2
Receivables and debit balances	(0.1)	0.0	0.6	0.0	0.1
Credit from banks and others	0.3	0.2	(3.2)	(0.2)	(0.3)
Trade payables	0.5	0.2	(4.7)	(0.2)	(0.5)
Other payables	0.4	0.2	(3.7)	(0.2)	(0.4)
Total	(3.2)	(1.6)	32.2	1.6	3.2

Update of sensitivity to changes in the LIBOR interest rate as at September 30, 2009:

	Increase (decrease) in fair value (in $ millions)		Fair value (in $ millions)	Increase (decrease) in fair value (in $ millions)	
Type of instrument	**Rise of 1%**	**Rise of 0.5%**		**Fall of 0.5%**	**Fall of 1%**
Fixed-interest bonds	3.8	1.9	(131.6)	(2.0)	(4.0)
Collar transactions	4.5	2.2	(6.7)	(2.2)	(4.5)
Swap transactions	8.8	4.4	0.8	(4.9)	(10.3)
Other options	0.2	0.1	(0.4)	(0.2)	(0.5)
Total	17.3	8.6	(137.9)	(9.3)	(19.3)

Update of sensitivity to changes in the index interest rate as at September 30, 2009:

Sensitivity to changes in the index interest rate	Increase (decrease) in fair value (in $ millions)		Fair value (in $ millions)	Increase (decrease) in fair value (in $ millions)	
Type of instrument	**Rise of 1%**	**Rise of 0.5%**		**Fall of 0.5%**	**Fall of 1%**
Fixed-interest bonds	5.3	2.7	(132.3)	(2.8)	(5.6)
Long-term bank loans	4.1	2.1	(70.0)	(2.2)	(4.6)
Index/USD swap	(1.8)	(0.9)	4.4	0.9	1.9
Total	7.6	3.9	(197.9)	(4.1)	(8.3)

Update of sensitivity to changes in the shekel interest rate as at September 30, 2009:

Sensitivity to changes in the shekel interest rate	Increase (decrease) in fair value (in $ millions)		Fair value (in $ millions)	Increase (decrease) in fair value (in $ millions)	
Type of instrument	**Rise of 1%**	**Rise of 0.5%**		**Fall of 0.5%**	**Fall of 1%**
Fixed-interest bonds	7.0	3.5	(205.7)	(3.6)	(7.4)
NIS/USD swap	(8.3)	(4.2)	2.4	4.3	8.7
Total	(1.3)	(0.7)	(203.3)	0.7	1.3

Below are the updated positions in derivatives as at September 30, 2009:

Hedging transactions against the effects of changes in exchange rates on cash flow – in $ thousands				
The transactions are made for economic hedging purposes – they are not recognized for accounting purposes	**Nominal Value**		**Fair Value**	
	Up to One Year		**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	145,510		(1,325)	
Put options	10,414		(522)	
Call options	10,414		2	
JPY/USD in $ thousands				
FORWARD	6,565		(124)	
Put Options	7,500		9	
Call Options	5,500		(160)	
NIS/USD in $ thousands				
FORWARD		184,084		7,708
Put Options		179,000		(845)
Call Options		179,000		11,629
GBP/$ in $ thousands				
FORWARD		18,000		(76)
GBP/EUR in $ thousands (direction of transaction is purchase of GBP)				
FORWARD		15,023		(239)
Put Options	5,857		(822)	
Call Options	5,857			
Other currencies				
FORWARD	127		(3)	
Swap contracts and futures contracts in respect of the Company's liabilities				
Swap contract for converting cash flow from CPI-linked fixed-interest liabilities to fixed-interest dollar liabilities		38,892		4,389
Swap contract for converting cash flow from fixed-interest shekel liabilities to fixed-interest dollar liabilities		48,177		3,459
Swap contract for converting cash flow from fixed-interest shekel liabilities to fixed-interest dollar liabilities – recognized for accounting purposes		178,553		(1,119)
Futures contract for index purchasing – more than one year	53,291		964	

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

	Nominal value in $ thousands	Carrying value / Fair value	Average transaction rate
FORWARD transactions			
USD/NIS	184,084	7,708	3.90
EUR/USD	145,510	(1,325)	1.45

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

Interest-rate swaps – for hedging against changes in variable interest rate (LIBOR) on dollar loans (in $ thousands)								
	Nominal Value				Fair Value			
	Up to one year		More than one year		Up to one year		More than one year	
	Long	Short	Long	Short	Long	Short	Long	Short
Swap		38,000	356,262	68,000		660	(5,965)	6,074
Caps			195,000				2,403	
Floors			195,000				(9,061)	
Other options			20,000				(403)	

In swap transactions the Company changes the variable interest rate paid on loans to fixed interest at rates between 2.4% and 4.3%. In cap and floor transactions, the Company fixes the float of variable interest loans in the range of 2.28% to 5.25%.

On April 27, 2009, the Company issued three series of debentures in a private placement by way of a tender to institutional investors. Some of the series are denominated in NIS and some are linked to the CPI and bear linked interest (see Section 11.3).

On September 9, 2009, the Company issued three series of debentures by way of a public offering tender, for NIS 898 million (approximately $235 million) (see Section 11.4).

For CPI-linked shekel liabilities, the Company made transactions in derivatives to change cash flows from shekels to dollars. The Company also transacted in 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 to hedge the exposure to changes in the cash flows of debentures from an expanded Series B, in respect of changes in shekel / dollar exchange rates. This hedging transaction was treated in the financial statements accounting hedging, as a result of which the Company charged part of the changes in the fair value of the derivatives (a loss of approximately $2.3 million) to a capital fund.
All other hedging transactions made by the Company are not treated as accounting hedging in the financial statements.

9. DISCLOSURE AS TO THE PROCEEDING FOR APPROVAL OF THE COMPANY'S FINANCIAL STATEMENTS

The Board of Directors of ICL is responsible for overall control in the Company.

The Board of Directors appointed a finance committee which discusses the financial statements and recommends their approval. The Finance Committee has seven members, including all the outside directors, and all its members have accounting and financial expertise. The other members of the Board of Directors are invited to meetings of the Finance Committee which convene to discuss the financial statements, as are the auditing accountants and the Internal Auditor.

The Finance Committee reviews the financial statements with the aid of a detailed presentation by the CEO of the Company Akiva Moses, and the CFO, Avi Doitchman, CPA. The review covers material issues in the financial reporting, including transactions outside the normal course of business, if any, the critical assessment and estimates applied in the financial statements, the reasonableness of the data, the accounting policy applied and any changes in it, including a review of new financial standards, and the application of the principle of proper disclosure in the financial statements and the accompanying notes. The Finance Committee also looks at various aspects of risk control and management, both those which are reflected in the financial statements (such as the reporting on financial risks) and those which affect the reliability of the financial statements. If necessary, the Finance Committee requests comprehensive reviews of matters of material influence. The Company's auditor responds to questions that arise during the committee's discussions, and where necessary presents the principal findings that came to light during the review process.

The approval process for the financial statements at ICL involves discussion of the results of the segments by the segments' boards of directors. The members of these boards are also members of the Board of Directors of ICL and officers at ICL. The auditing accountants of the segments and those responsible for internal auditing in the segments participate in these discussions. The Board of Directors of ICL discusses ICL's financial statements after approval of those of the segments.

Approval of the financial statements of the Company involves a number of meetings, as necessary; first, a meeting of the Finance Committee, a few days prior to approval of the financial statements, comprehensive discussion of the material reporting issues, and thereafter, immediately prior to the date of approval of the financial statements, discussion by the Board of Directors of the results themselves. The auditing accounts and the Internal Auditor are invited to these meetings of the Board of Directors. The auditing account responds to questions that arise, and where necessary, presents the principal findings that came to light during the review process. Once the Board of Directors is satisfied that the financial statements correctly reflect ICL's position and the results of its operations, it approves them.

10. UPDATE ON THE DESCRIPTION OF THE CORPORATION'S BUSINESS

Below are updates concerning certain subjects described in the chapter "Description of the Corporation's Business", in the section "Additional General Information" at the corporate level, and in the chapter "Additional Details" – in the Periodic report for 2008 ("the Periodic Report").

10.1 Section 2.4.1 in the chapter "Description of the Corporation's Business" – Details concerning distribution of a dividend: See Section 11.2 of the Directors' Report.

10.2 Section 4.1.1(1)(c) in the chapter "Description of the Corporation's Business" – Brine percolation at one of the dikes of the evaporation pond of ICL Fertilizers at the Dead Sea damaged the layer that seals the dike. The damage generated spaces in the body of the dike, and cracks were discovered along its length, which could endanger the dike's stability. After consultation with international experts, ICL Fertilizers has taken and is taking various maintenance steps to strengthen and preserve the stability of the dike, and is monitoring the situation closely for any development of failure in the dike. On May 19, 2009, the Board of Directors of ICL approved a preliminary plan for restoration of the dike. In addition, possible alternatives are being explored which could restore the condition of the dike (see also Section 5.10.15 of the Periodic Report).

10.3 Section 4.1.15A(2) in the chapter "Description of the Corporation's Business" – Phosphate mining concessions – For the Hitrurim phosphate field, the mining license from the Commissioner of Mines was extended to the end of December 2009. ICL Fertilizers will attend to extension of the license for an additional period.

10.4 Section 4.1.15C, Footnote 45, in the chapter "Description of the Corporation's Business" – On October 26, 2009, a hearing was held in the petition and the court recommended that the petitioners withdraw their petition due to the existence of alternative relief in the Administrative

Affairs Court, The petitioners accepted the court's recommendation, and therefore the petition was set aside while retaining the parties' allegations.

10.5 Section 4.1.17B(6) – Major Projects that the Corporation Plans to Undertake – The gas agreement – The flow of gas to the plants in Sdom is expected to commence within a few weeks.

10.6 Section 4,2,17B in the chapter "Description of the Corporation's Business" – Legal Proceedings – In September 2009, the parties notified the court that they wish to consider the possibility of a dialog between them.

10.7 Section 5.3 in the chapter "Additional General Information – Financing – See Sections 11.3 and 11.4 of the Directors' Report.

10.8 Item 20 in the chapter "Additional Details about the Corporation" – Stock exchange trading – See Section 11.7 of the Directors' Report.

10.9 Item 22 the chapter "Additional Details about the Corporation" – Transactions with a controlling shareholder – See Section 11.7 of the Directors' Report.

10.10 Item 26 the chapter "Additional Details about the Corporation" – The board of directors of the corporation – See Sections 11.5 and 11.9 of the Directors' Report.

10.11 Item 26A the chapter "Additional Details about the Corporation" – Officers of the corporation – See Section 11.6 of the Directors' Report.

11. EVENTS DURING AND AFTER THE BALANCE SHEET PERIOD

11.1 On September 3, 2008, the Board of Directors of ICL resolved to approve the buy-back of ordinary shares of the Company by the Company itself and/or by a subsidiary, in a volume of up to 5% of the issued and paid up capital of the Company, out of distributable Company profits as defined in the Companies Law, 5759-1999. The buy-back took place throughout the period from the date of the resolution through June 30, 2009, either during stock exchange trading or off the stock exchange floor. The resolution does not oblige the Company to implement the buy-back in any quantity or part of a quantity. The buy-back was effected in accordance with statutory limitations and the internal compliance plan for securities of the Company,[8] according to directives given from time to time by an ad hoc committee of the Board of Directors appointed for this matter, and within the framework of the aforementioned resolution.

Between September 2008 and June 30, 2009, the Company bought back 22,368,342 ordinary shares of ICL, comprising, at the report date, about 1.74% of ICL's capital, in consideration of $258 million. The bought-back shares are treasury shares, as the term is defined in Section 308 of the Companies Law.

The period for buying back Company shares as approved by the Board of Directors, ended on June 30, 2009.

11.2 On March 29, 2009, the Board of Directors of the Company resolved to distribute a dividend of $175 million (net, after deduction of the share of a subsidiary which is $174.7 million). The dividend was distributed on May 4, 2009.

[8] As part of its strategy, ICL examines from time to time transactions for the acquisition of companies or operations, mainly in its own area of operations or related areas. It also examined the sale of operations, mainly those which are not in its area of operation. ICL reports on such transactions wherever required, and at times, in appropriate cases, it decides to refrain from or delay reporting until the transaction has been closed, always in accordance with statutory terms. It is clarified that the aforesaid is relevant also in a period when a buy-back plan is being executed.

On May 19, 2009, the Board of Directors of the Company resolved to distribute a dividend of $100 million (net, after deduction of the share of a subsidiary which is $99.8 million). The dividend was distributed on June 17, 2009.
On August 23, 2009, the Board of Directors of the Company resolved to distribute a dividend of $100 million (net, after deduction of the share of a subsidiary which is $99.8 million). The dividend was distributed on September 16, 2009.
On November 23, 2009, the Board of Directors of the Company resolved to distribute a dividend of $175 million (net, after deduction of the share of a subsidiary which is $174.7 million). The dividend will be distributed on December 22, 2009.

11.3 On April 27, 2009, the Company issued three series of debentures ("the Debentures") in a private placement by way of a tender for institutional investors, in consideration of NIS 695 million (approximately $167 million). The Debentures were issued in the following three series:

a. Series A – approximately NIS 452 million of CPI-linked debentures, redeemable after 5 years.
b. Series B – approximately NIS 61 million of unlinked shekel debentures, redeemable after 4.5 years.
c. Series C – approximately NIS 182 million of dollar-linked debentures, redeemable after 4.5 years.

The interest rate set in a tender for the period after listing the debentures for trading on the stock exchange, is 3.4% per annum for the CPI-linked debentures, 5.25% per annum for the shekel debentures, and 2.4% over the dollar LIBOR for 6 months for the dollar-linked debentures.

For the period until they were listed for trading, the debentures were listed in the trading system for institutional investors operated by the Stock Exchange, and bore additional annual interest of 0.5%.
In August 2009, the debentures were listed for trading on the Tel Aviv Stock Exchange, under a prospectus dated August 9, 2009.

For the shekel and CPI-linked liabilities, the Company made transactions in derivatives to change the cash flows from shekels to dollars. In addition, the Company made transactions in derivatives to hedge most of the exposure to changes in the CPI.

On September 9, 2009, the Company issued three series of debentures by way of a public offering tender, for NIS 898 million (approximately $235 million). The Debentures were issued in the following three series:
a. Series B expanded – approximately NIS 696 million of unlinked shekel debentures, payable at the end of about 4 years, bearing 5.25% annual interest. The debentures were issued at NIS 1.031 per unit and at 5% effective interest.
b. Series C expanded – approximately NIS 102 million of dollar-linked debentures, redeemable at the end of about 4 years, bearing dollar LIBOR + 2.4% for six months (interest at the issue date – 4.4%). The debentures were issued at NIS 0.913 per unit and at 4.7% interest.
c. Series D – approximately NIS 100 million of unlinked shekel debentures, payable at the end of about 5 years and bearing shekel LIBOR + 1.45% for three months.

In respect of the shekel obligations, the Company made transactions in derivatives to change cash flows from shekels to dollars.

11.4 On April 22, 2009, Maalot S&P published an AA+ rating for the debentures issued on April 27, 2009 as described in Section 11.3, up to NIS 500 million. On the date of issue, Maalot S&P confirmed the rating for the actual amount of the issue.
On September 2, 2009, Maalot S&P published an AA+ rating for the debentures issued on September 9, 2009 as described in Section 11.3, up to on billion shekels. On the date of issue, Maalot S&P confirmed the rating for the actual amount of the issue.

11.5 On May 6, 2009, Mrs. Irit Izakson, a director in the Company, announced her resignation from the Board of Directors of the Company, effective immediately.

11.6 On March 29, 2009 the Board of Directors of the Company resolved to appoint Adv. Lisa Haimovitz as General Counsel and Company Secretary, effective from May 1, 2009, replacing Adv. Aner Berger, who gave notice of his resignation from ICL.

11.7 On July 20, 2009, the special general meeting of the shareholders of the Company approved, after approval by the Board of Directors and the Audit Committee, an update to the management fees paid to Israel Corporation Ltd., effective from January 1, 2009, to $3.5 million per year for each of the years 2009 – 2011 (until December 2008, the management fees were $2.5 million per year). During these years, remuneration will not be paid to directors who are officers but not directors in Israel Corporation

11.8 On December 2, 2008, the Company was notified by Volkswagen AG ("Volkswagen"), which holds 35% of the share capital of the subsidiary Dead Sea Magnesium that in accordance with its understanding of the cooperation agreement signed between the parties in 1996, it wished to sell its shares in Dead Sea Magnesium to ICL. ICL rejected the notice, since in its opinion Volkswagen could not exercise the right of transfer and it must continue to be obliged to fulfill its obligations to Dead Sea Magnesium, to banks and to third parties.

On July 1, 2009, a settlement agreement was signed by ICL and Volkswagen, the main points of which are these:

1. Volkswagen will transfer $30 million to Dead Sea Magnesium.
2. All of Volkswagen's shares in Dead Sea Magnesium will be transferred to ICL free of charge.
3. The parties waive their allegations against each other.

Concurrently with the money transfer made by Volkswagen, the Company transferred $56 million to Dead Sea Magnesium.

11.9 On August 25, 2009, the annual general meeting of the shareholders of the Company approved, after approval by the Board of Directors and the Audit Committee, the following:

1. To re-appoint all the serving directors of the Company (who are not external directors) for an additional term of office, until the end of the next annual general meeting.
2. To pay these directors a maximum remuneration similar to that paid to external directors or to expert external directors, as the case may be. For directors who are officers in Israel Corporation, see Section 11.7. The directors will continue to be covered by the Company's insurance arrangement, exemption from liability and indemnification undertaking
3. To pay maximum remuneration to directors in the Company in respect of their service on the boards of directors of the subsidiaries. For directors who are officers in Israel Corporation, see Section 11.7.
4. To re-appoint Professor Yair Orgler for a term of three years as an external director, commencing September 5, 2009.
5. To pay Professor Orgler the maximum remuneration for an expert director, in accordance with the Companies (Rules concerning remuneration and expenses for an external director) Regulations, 5760-2000. Professor Orgler will continue to be covered by the Company's insurance arrangement, exemption from liability and indemnification undertaking.
6. To appoint Dr. Miki Haran as an external director in the Company, for a term of office of three years, commencing from the date of the meeting.
7. To pay Dr. Haran the maximum remuneration for an expert director, in accordance with the Companies Regulations.
8. To approve grant of insurance, exemption from liability and indemnification undertaking in accordance with Company arrangements.
9. To pay the external directors remuneration in respect of their service in the subsidiaries of the Company in accordance with the Companies (Matters not constituting an interest) Regulations, 5767-2006.
10. To re-appoint the Company's auditors, KPMG Somekh Chaikin, as auditors of the Company for 2009 and until the end of the next annual general meeting, and to authorize the Board of Directors to set their fees.

11.10 On August 9, 2009, the Company published a shelf prospectus (as defined in Section 23A of the Securities Law, 5728-1968), based on the Company's financial statements at March 31, 2009.

11.11 In the reporting period, the Company included a provision in respect of an early retirement plan for employees in subsidiaries of the Company, in the amount of approximately $47 million (of which approximately $42 million in the third quarter). The expense was charged to the Other expenses item in the income statement for the period.

11.12 In the third quarter of 2009, the board of directors of a subsidiary approved, as part of its efficiency program, a plan to close one of the production facilities of ICL Performance Products and to transfer production to other plants.
Following approval of the plan, the Company reviewed the need for recognition of a provision for impairment of the value of the property, plant and equipment of the production facility. After the review, the Company included a provision of approximately $27 million for impairment of the value of the facility's assets, which was recorded under Other expenses in the income statement.
The Company expects that closure of the facility will result in annual savings of approximately $10 million.

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.

November 23, 2009

---	---
Nir Gilad	**Akiva Moses**
Chairman of the Board	**CEO**