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ICL

Israel Chemicals Ltd.

Directors' Report on the State of the Company's Affairs for the period ended March 31, 2013

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1. Description of the Company and its Business Environment

1.1 Description of ICL

Israel Chemicals ("the Company" or "ICL") is a multi-national 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. The 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 engaged in the production of these minerals and sale thereof throughout the world, as well as in the development, production and marketing of downstream products based primarily on these raw materials or complementary to these products.

ICL has a prominent position in the world in the markets for potash, bromine, pure phosphoric acid, specialty phosphates, bromine and phosphorus-based flame retardants and chemicals used in wildfire retardants. Potash and phosphate are core components in the fertilizers' area. Bromine is used in a wide range of applications, mainly as a basic ingredient of flame retardants. ICL's products are used primarily in agriculture, electronics, food products, oil and gas drilling, water purification and desalination, and in industries such as detergents, paper, cosmetics, pharmaceuticals, automotive, aluminum and others. ICL has accumulated decades of 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 an 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, and under licenses for mining and production of minerals ICL has received in the UK and Spain.

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

The operations of ICL's facilities are largely integrated with one another, both in terms of supply of raw materials and in that one facility frequently utilizes the by-products of another facility for the manufacture of end-products (for example, bromine is produced by utilizing the bromine in the by-product streams from the evaporation ponds that is used to produce potash, bromine production utilizes chlorine, a by-product stream in the production of magnesium and others).

Approximately 5% of ICL's production is sold in Israel. For some of ICL's products, ICL and some ICL companies have been declared a monopoly in Israel.

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

ICL applies an overall policy of sustainable development that integrates social, economic and environmental considerations in all of its business activities. The policy stresses social responsibility, which includes contribution to the community, taking responsibility for the safety, hygiene and the well-being of its employees, reducing environmental impacts, creating a dialog and transparent communication channel with the authorities, as well as other items.

As noted, ICL operates in three operating segments based on a management/functional breakdown, where the administrative structure and the legal ownership do not necessarily 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 the UK. ICL Fertilizers refines the potash into various grades and sells it worldwide. ICL Fertilizers also uses some of the potash for the manufacture of compound fertilizers.
In addition, ICL Fertilizers mines and processes phosphate rock from open-pit mines in the Negev region, and at its production facilities in Israel it manufactures sulfuric acid, fertilizer-grade phosphoric acid, phosphate fertilizers, complex fertilizers based mainly on potash and phosphate, liquid fertilizers and soluble fertilizers. ICL also produces compound fertilizers in the Netherlands, Germany and Belgium, liquid fertilizers and soluble fertilizers in Spain, slow-release and controlled-release in the Netherlands and the United States and phosphate-based animal feed additives in Turkey and Israel. ICL Fertilizers markets its products worldwide, particularly in Europe, Brazil, India, China and Israel.

B. ICL Industrial Products ("ICL-IP") – ICL-IP manufactures elementary bromine from an end-brine that is created as a by-product of the potash production process in Sodom, as well as bromine-based compounds. In the last few years ICL-IP has been the world's leading manufacturer of elementary bromine. In 2012, it produced about one third of total global production. In 2012, ICL-IP used about 76% of the elementary bromine it produces for manufacturing bromine compounds at its production sites in Israel, the Netherlands and China.
In addition, ICL-IP produces in Israel various salt, magnesia and chlorine products, additional phosphorous-based products in its plants in the USA and Germany, and other chlorine-based products in plants in the USA and Ireland.
ICL-IP markets its products worldwide.

C. ICL Performance Products ("ICL-PP") – ICL Performance Products purifies some of the fertilizer-grade phosphoric acid manufactured by ICL Fertilizers, purchases purified phosphoric acid from other sources and also manufactures thermal phosphoric acid. The purified phosphoric acid and the thermal phosphoric acid are used in the manufacture of downstream products having high added value – phosphate salts (which, in turn, are a raw material in the production of food additives), hygiene products, wildfire retardants and extinguishers. ICL-PP also produces phosphorus derivatives based on phosphorus purchased from outside sources and specialty products based on aluminum oxide ("alumina") and other raw materials. The main production sites of ICL Performance Products are in Europe (mainly Germany), the USA, Brazil, Israel, China, Mexico and other countries. Products based on specialty phosphates constituted approximately 76% of ICL-PP's sales in 2012. On February 21, 2013, a subsidiary in the Performance Products segment acquired the production assets and activities of a plant in Knapsack Germany used for production and marketing of P2S5 (a phosphorous derivative). The plant was acquired from the international company, Thermphos International B.V.

In addition to these segments, ICL carries on other activities, including production of magnesium metal.

1.2 Business environment and profitability

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

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

Most of ICL's sales are in foreign currency, mainly US dollars and euro. A significant part of its operating expenses in Israel is denominated in shekels; therefore devaluation of the average shekel exchange rate against the dollar has a positive impact on ICL's profitability, while appreciation has the opposite effect. Devaluation of the average exchange rate of the euro against the dollar has a negative impact on ICL's profitability, while appreciation has the opposite impact. Conversely, devaluation of the euro against the dollar improves the competitive ability of ICL's subsidiaries whose functional currency is the euro, compared with competitors whose functional currency is the dollar. ICL hedges against some of these foreign currency exposures.

Most of ICL's loans bear variable interest rates, exposing the Company to fluctuations in these interest rates. The Company partially hedges against this exposure by using financial hedging instruments, including derivatives.
For details of hedging amounts for reducing such exposures, see section 8 below.

There is interdependence between the amount of available arable land and the amount of food needed for the population, and the use of fertilizers. The natural population growth and change in food consumption habits (a shift to richer nutrition, largely based on animal protein, which increases grain consumption) resulting from the rising standard of living, mainly in developing countries and environmental-quality considerations and the efforts of western countries to reduce dependence on oil imports, has strengthened the trend of shifting to bio-fuels which affects the increase in global consumption of grains (cereals, rice, soya, corn, etc.). These trends already led to significantly lower grain stocks a few years ago, and consequently, higher prices of agricultural produce, increased planting of grain crops worldwide, and higher yield per unit of agricultural land, mainly by increased application of fertilizers.

In the middle of 2012, there was a sharp increase in grain prices due to the drought and dry weather conditions in the main growing regions in the United States, Russia and Kazakhstan. In the first quarter of 2013, there was a moderate decline in grain prices. Nonetheless, grain prices are still high compared with the past and compared with the production costs. The high level of prices ensures nice profits for the farmers and permits and encourages acquisition of fertilizers.[1]

The US Department of Agriculture (USDA), in its report published in May 2013, foresees ratio of grain stocks to annual consumption at a level of 20.07% at the end of the 2012/2013 agricultural year, similar to a level of 20.2% at the end of the 2011/2012 agricultural year.

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[1] Source: CBOT – Chicago Board of Trade.

In the short term, demand for fertilizers is volatile and is affected by factors such as weather in the world's central agricultural growing regions, fluctuations in planting of the main crops, agricultural input costs, agricultural product prices and developments in biotechnology. Some of these factors are influenced by subsidies and credit lines granted to farmers or to producers of agricultural inputs in various countries, and by regulation of environmental quality matters. Changes in currency exchange rates, legislation and international trade policy also affect the supply, demand and level of consumption of fertilizers worldwide. Notwithstanding the volatility that may be caused in the short term as a result of these factors, the Company estimates that the policy of most countries in the world is to ensure an orderly supply of high-quality food to their residents, including by encouraging agricultural production, which should act preserve the long-term growth trend[2].

The first quarter of 2013 was characterized by moderate demand for potash and phosphates – but higher than in the corresponding quarter last year. The demand for potash was unfavorably impacted to a certain extent by a delay in signing the potash supply contracts with India and the hesitation on the part of the Indian importers to place orders due the uncertainty with respect to the level of agricultural subsidies for the current year. In addition, the particularly cold weather in the United States as well as in a number of countries in northern Europe is causing a delay in fertilizer application for the spring 2013 season.

In the first quarter of 2013, a number of potash producers signed potash supply contracts with China for the first half of the year and the shipments to this country were renewed at an accelerated pace. The new contracts were closed at a price of $400 per ton CFR, constituting a decline of $70 per ton from the price in the first half of 2012 (in the second half of 2012 a potash supply contract with China was not signed). ICL Fertilizers agreed with its Chinese customer on a contractual quantity of 660 thousand tons for the first half of 2013 on similar terms.

During February and March 2013, potash supply contracts with India were closed for the period from April 2013 up to January 2014. The price level agreed to in the contracts is $63 lower than the price level in the prior contracts for supply potash to India, which were signed in August 2011. In this framework, ICL Fertilizers agreed to supply potash to its customers in India in the overall scope of about 920 thousand tons (including an option for supply of an additional quantity of 50 thousand tons). The sale price of the potash to the Indian market in the above-mentioned contracts is about the same as the sale price to India recently announced by the other potash producers supplying potash to this market.

Brazil started the year with a nice level of demand. The import quantities in Brazil are expected to increase in the second and third quarters as the peak fertilizer season approaches, which starts in September[3].

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[2] The assessments of future trends in this paragraph are forward-looking information and there is no certainty that they will be realized, when and at what pace. They could change as a result of fluctuations in world markets as well as local markets, especially at ICL's production sites and in the target markets for ICL products, including, inter alia, changes in supply and demand levels and in prices of products, commodities, grains. There could also be impact from actions taken by governments, producers and consumers. In addition there could be an impact from the situation in the financial markets, including changes in exchange rates, credit conditions and interest rates.

[3] The assessments of future trends in this paragraph are forward-looking information and there is no certainty that they will be realized, when and at what pace. They could change as a result of fluctuations in world markets as well as local markets, especially in Brazil, including, inter alia, changes in supply and demand levels, extreme changes in weather, prices of products, commodities and grains. There could also be impact from actions taken by governments, producers and consumers. In addition there could be an impact from the situation in the financial markets, including changes in exchange rates, credit conditions and interest rates.

The phosphate market was adversely affected by the lack of an import contract with the main importer – India, and by delay of the application of fertilizers for the spring season in the United States, which is suffering from cold weather and snow-covered fields. On the other hand, lively demand in Brazil and a stable level of demand in Europe has moderated the impact of the lower level of demand.

The operations of ICL-IP are largely affected by activities in the electronics, construction, automotive, oil drilling, furniture, pharmaceuticals, agriculture, textile and water treatment markets. The slowdown of the global economy that characterized most of 2012 and continued into the period of the report triggered a slowdown in the demand for electronic products, which in turn caused a decline in the demand for flame retardants, mainly bromine-based for the electronics sector. Commencing from the final quarter of 2012, there is also a slowdown in demand for flame retardants in the construction sector. In 2012, the said slowdown caused a fall in the bromine prices in China and India. In the period of the report, the prices stabilized at their present level. Pressure is being exerted by "green" organizations in the area of environmental protection to reduce the use of bromine-based flame retardants. On the other hand, additional and new uses for bromine and its related compounds are being developed, along with regulation in various countries permitting increased use of bromine and bromine compounds.

In 2012 and in the first quarter of 2013, there was an increase in sales of clear brine solutions for oil drilling, compared with the sales in 2011 – both due to discontinuance of the freeze in provision of deep-water drilling permits in the Gulf of Mexico, and as a result of an increase in the number of drillings worldwide and in underwater drillings in particular.

In 2012, the market for chemicals used in swimming pools continued to be impacted by increased activities on the part of U.S. competitors, whose activities rely mainly on imports from the East – a trend that led to a fall in the prices of most of the products. In the beginning of 2013, the U.S. Department of Commerce decided to impose an anti-dumping tax on manufacturers of chlorine-based biocides from China, at the rate of about 30%, which improved the situation of the local producers. In the chlorine-based biocides area, the trend of rising demand in the period of the report continued.

Most of the products of ICL-IP are strongly affected by the global economic situation, competition in the target markets and volatility of prices in the fertilizers market, which affect the prices of ICL-IP’s principal raw materials and availability of the raw materials, as well as by fluctuations in the energy prices. These market conditions create a competitive market for ICL-IP's products. In addition, some of ICL-IP's target markets are characterized by a seasonal factor, mainly in the area of wildfire flame retardants.

Further to the trend that has recently characterized the global markets, the first quarter was also affected by an air of uncertainty with respect to the worldwide economic stability and the political instability in the Middle East. The impacts of the steps taken in Europe to reduce expenses and the slowdown in the developing markets, including India and China, continued to have an unfavorable effect.

Marine transportation expenses amount to about 8% of ICL’s total operating costs in the period of the report. The marine transportation costs in the first quarter of 2013 amounted to about USD 97 million.

In the past several years, the marine bulk transportation prices were characterized by wide fluctuations. Starting from the fourth quarter of 2010, there has been a trend of falling marine bulk transportation prices, which continued in 2011 and 2012. The average index (the BDI (Baltic Dry Index) marine shipping index) for the first quarter of 2013 was 796 points, constituting a decline of about 8% compared with the corresponding quarter last year.

Energy costs account for approximately 8% of ICL's total operating costs in the period of the report. Since 2009, there has been a steady rise in energy prices. Petroleum-based energy prices in this quarter were higher than in the corresponding quarter of the previous year. In addition, on January 26, 2012, the Yam Tethys partnership announced that it is forced to reduce the quantities of gas it supplies because of the dilution of the gas in the well. The rate of the decline in the supply of gas from Yam Tethys, compared with the potential use in 2012 and in the first quarter of 2013 amounted to about 53% and about 63%, respectively. On April 1, 2013, supply of gas from the Tamar Field commenced. Supply of the gas from the Tamar Field fulfills all of ICL's gas needs for the facilities the conversion of which has been completed. Increase in the use of natural gas in ICL's facilities will significantly reduce emissions of pollutants in the area of the factories, improve the quality of the output, reduce the maintenance expenses and lead to a significant monetary savings due to the switch from use of expensive fuels. (For additional details, see note 24(A)(9) to the financial statements as at December 31, 2012).

1.3 This Directors' Report is attached to the interim financial statements for the period ended March 31, 2013. The Directors' Report is in condensed form for the period and assumes that the reader also has the interim financial statements for the period ended March 31, 2013 and the Periodic Report for 2012.

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

2. Results of Operations

2.1 Principal financial results

Set forth below are the condensed results of operations for the period reviewed, compared with the results for the corresponding period last year, in millions of dollars.

	1-3/2013		1-3/2012		2012	
	USD millions	% of sales	USD millions	% of sales	USD millions	% of sales
Sales	1,640		1,499		6,471	
Gross profit	659	40.2	598	39.9	2,711	41.9
Operating income	363	22.1	343	22.9	1,554	24.0
Profit before tax	360	22.0	333	22.2	1,519	23.5
Net profit to Company shareholders	305	18.6	289	19.3	1,300	20.1
EBITDA*	445	27.1	432	28.8	1,902	29.4
Cash flows from current operations	192		321		1,727	
Investment in property, plant and equipment	183		143		712	

* Calculated as follows, in millions of dollars:

	1-3/2013	1-3/2012	2012
Net profit to Company shareholders	305	289	1,300
Depreciation and amortization	83	83	323
Finance expenses, net	2	17	61
Taxes on income	55	43	218
Total	445	432	1,902

2.2 Results of operations for the period January-March 2013

Sales

ICL's sales in the period of the report amounted to approximately USD 1,640 million, compared with USD 1,499 million in the corresponding period last year. This increase is due mainly to an increase in the quantities sold, which led to an increase in the total sales of about USD 203 million On the other hand, this increase was partly offset due to a decline in the selling prices, which gave rise to a decrease in the sales revenues by approximately USD 73 million.

Below is a geographical breakdown of the sales:

CIF sales	1-3/2013 USD millions	1-3/2013 %	1-3/2012 USD millions	1-3/2012 %
Israel	75	4.6	72	4.8
North America	288	17.6	292	19.5
South America	140	8.6	151	10.1
Europe	673	41.0	661	44.1
Asia	416	25.4	289	19.3
Rest of the world	48	2.8	34	2.2
Total	1,640	100.0	1,499	100.0

The sales' breakdown indicates an increase in sales mainly in Asia, which derives primarily from an increase in sales of potash in China, upon renewal of the potash shipments pursuant to the supply agreement for the first half of 2013.

Gross profit

The gross profit amounted to USD 659 million, compared with gross profit of USD 598 million in the corresponding period last year, an increase of about USD 61 million. The gross profit margin as a percentage of sales was about 40.2%, compared with about 39.9% in the corresponding period last year.

The increase in the gross profit compared to the corresponding period last year stems mainly from an increase in the quantities sold, as noted above, which caused an increase in revenues in the amount of about USD 138 million. This increase was partially offset by a drop in the selling prices in most of the Company's products, which led to a decrease of about USD 72 million, along with an increase in the energy prices, which led to a decline of about USD 7 million.

Selling and marketing expenses

Expenses for this item amounted to approximately USD 209 million, compared with approximately USD 175 million in the corresponding period last year. The increase stems mainly from an increase in shipping expenses, in the amount of USD 27 million, mainly as a result of the quantities sold in the quarter, as stated above.

General and administrative expenses

These expenses amounted to approximately USD 68 million, compared with approximately USD 64 million in the corresponding period last year. The increase stems primarily from an expense recognized in respect of options granted to employees during the fourth quarter of 2012.

Research and development expenses

R&D expenses (net of grants from the Chief Scientist) amounted to approximately USD 21 million, an increase of USD 3 million compared with the corresponding period last year.

Operating income

The operating income amounted to approximately USD 363 million, an increase of about USD 20 million compared with the corresponding period last year. The increase in the operating income stems mainly from the increase in gross profit, as noted above.

The rate of the gross profit out of the total sales was about 22.1%, compared with 22.9% in the corresponding period last year.

Financing expenses

The financing expenses amounted to approximately USD 2 million, compared with financing expenses of approximately USD 17 million in the corresponding period last year. The decrease in the financing expenses in the period of the report compared with the corresponding period last year stems mainly from revenues in the period as a result of change in the fair value of financial derivatives and from revaluation of net short-term financial liabilities, in the amount of USD 20 million, compared with income of USD 4 million in the corresponding period last year. On the other hand, there was an increase in the interest expenses net in the amount of about USD 2 million which stemmed primarily from the increase in the net average financial liabilities for the period.

Tax expenses

The expenses amounted to about USD 55 million, compared to about USD 43 million in the corresponding period last year. The tax rate on the pre-tax income is about 15.2% compared to about 13.0% in the corresponding period last year. The increase in the tax rate in the period of the report compared with the corresponding period last year derives mainly from non-recurring income recognized in the first quarter of 2012 from dividends distributed by subsidiaries outside of Israel, and from a tax credit received by a foreign subsidiary in the first quarter of 2012 relating to investments in new production facilities.

Net profit

Net profit for the Company's shareholders amounted to approximately USD 305 million, compared with USD 289 million in the corresponding period last year – an increase of about USD 16 million.

3. Operating Segments

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

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

CIF sales by segment of operation	1-3/2013		1-3/2012		2012	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
ICL Fertilizers	1,009	57.8	844	56.3	3,806	58.8
ICL Industrial Products	338	19.4	359	22.6	1,417	20.6
ICL Performance Products	357	20.4	343	21.6	1,472	21.4
Others and setoffs	(64)		(47)		(224)	
Total	1,640		1,499		6,471	

Sales data by segments to external customers and the percentages thereof out of the total sales

CIF sales by segment of operation	1-3/2013		1-3/2012		2012	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
ICL Fertilizers	936	57.1	787	52.5	3,534	54.6
ICL Industrial Products	333	20.3	356	23.7	1,402	21.7
ICL Performance Products	340	20.7	326	21.8	1,407	21.7
Others and setoffs	31		30		128	
Total	1,640		1,499		6,471	

Operating income by segment of operation	1-3/2013		1-3/2012		2012	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
ICL Fertilizers	293	29.0	242	28.7	1,159	30.5
ICL Industrial Products	48	14.2	61	17.0	217	15.3
ICL Performance Products	35	9.9	40	11.6	179	12.2
Other and offsets	(13)		(0)		(1)	
Operating income(consolidated)	363		343		1,554	

3.1 ICL Fertilizers

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

	1-3/2013	1-3/2012	2012
Sales			
Potash	55 %	51 %	56 %
Phosphate	45 %	49 %	44 %
Operating income			
Potash	83 %	82 %	86 %
Phosphate	17 %	18 %	14 %

Sales

Sales in the period of the report amounted to approximately USD 1,009 million, an increase of about USD 164 million compared with the corresponding period last year.

The increase in sales stems mainly from an increase in the quantities of potash and phosphates sold, which led to an increase in the sales' revenues of approximately USD 223 million, and from the first-time consolidation of the results of the companies acquired in 2012, which increased the sales by USD 7 million. This said increase was partly offset by a decrease in the selling prices of the segment's products, which led to a decline in the total sales of about USD 68 million.

Profitability

Operating income in the segment in the period of the report amounted to USD 293 million, an increase of USD 50 million compared with the corresponding period last year. The rate of the operating income as a percentage of sales was about 29.0%, compared with about 28.7% last year.

The increase in the operating income is mainly due to a decrease in the quantities of potash and phosphate fertilizers sold, in the amount of about USD 117 million. On the other hand, this increase was offset by a decrease in the selling prices, mainly in the potash segment, in the amount of about USD 67 million.

Potash

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

Potash – Revenue and Profit

$ millions	1-3/2013	1-3/2012	2012
Revenues*	571	446	2,198
Operating income	241	199	996

* Including revenues from inter-segment sales

The increase in revenues in the period of the report compared to the corresponding period last year stems from an increase in the quantities sold, which increased the sales by about USD 184 million. This increase was offset mainly by a decrease in potash prices, which decreased the revenues by approximately USD 59 million.

The increase in the operating income stems mainly from the impact of the increase in the quantities sold, in the amount of about USD 107 million. This increase was offset by the fall in the selling prices of potash, which reduced the operating income by about USD 58 million, and by an increase in the operating expenses, which reduced the operating income by about USD 8 million.

Potash – Production, Sales and Closing Inventories

Thousands of tons	1-3/2013	1-3/2012	2012
Production	1,303	1,212	4,936
Sales to external customers	1,251	850	4,336
Sales to internal customers	58	69	293
Total sales (including internal sales)	1,309	919	4,629
Closing inventory	1,000	992	1,006

The quantity of potash sold to external customers in the period of the report was 401 thousand tons higher than in the corresponding period last year.

In the first quarter of 2013, a number of potash manufacturers signed sale contracts in China for the first half of the year and shipments to this country were resumed at an accelerated pace (for additional information – see Section 1.2). On the other hand, in the corresponding quarter last year, due a delay in signing of the contracts for supply of potash to China, the potash shipments for this period were not renewed until the second quarter of 2012.

Production in the first quarter of 2013 was higher than production in the same quarter last year, mainly due to an increase in the scope of production in Europe.

Fertilizers and phosphates

Revenues in this segment derive from sales in and outside of Israel of phosphate rock, fertilizers (including phosphate fertilizers, compound, liquid and fully soluble fertilizers, along with slow-release and controlled-release fertilizers, phosphoric acid used as a raw material for fertilizer production (green acid), and other products.

Fertilizers and Phosphates – Revenue and Profit

$ millions	1-3/2013	1-3/2012	2012
Revenues*	460	428	1,726
Operating income	49	45	162

* Including revenues from inter-segment sales

The increase in revenues in the period of the report is mainly due to an increase in the quantities of phosphate fertilizers sold, which led to an in increase in the total revenues, in the amount of about USD 32 million, as well as the first-time consolidation of the results of companies acquired during 2012, which triggered an increase in the revenues, in the amount of about USD 7 million. This increase was partly offset by a decrease in the selling prices of the segment's products, which led to a decline in the revenues of about USD 9 million.

The increase in operating profit stems mainly from an increase in the quantities of phosphate fertilizers sold, in the amount of about USD 11 million, and a decline in the prices of inputs and other expenses, which caused an increase in the operating profit of about USD 4 million. In contrast, this increase was partly offset by a decrease in the selling prices of the segment's products, in the amount of about USD 9 million, and from the impact of the changes in the currency exchange rates, which led to a drop in the operating profit of about USD 2 million.

Fertilizers and Phosphates – Production and Sales

Thousands of tons	1-3/2013	1-3/2012	2012
Phosphast rock			
Production of rock	869	876	3,513
Sales *	155	128	739
Phosphate rock used for internal	648	598	2,491
Fertilizers			
Production	426	371	1,598
Sales *	465	329	1,575

* To external customers

Phosphate rock is produced according to demand, both for internal use and for sales to external customers, while maintaining appropriate inventory levels.

Production of phosphate fertilizers in the first quarter of 2013 was higher than in the corresponding quarter last year, mainly due to maintenance work in the production facilities performed in the corresponding period last year.

3.2 ICL Industrial Products

Sales

Sales of ICL-IP in the reporting period reached approximately USD 338 million, a decrease of about USD 21 million compared with the corresponding period last year. The decrease stems mostly from a decrease in the quantities sold, mainly flame retardants, which decreased the total sales by about $12 million, as well as from a decline in the sale prices, in the amount of about USD 8 million.

Profitability

Operating income in the quarter totaled USD 48 million, compared with USD 61 million in the corresponding period last year.

The percentage of operating income from sales amounted to about 14.2% compared with an operating income percentage of about 17.0% last year.

The operating income decreased primarily as a result of an increase in the other operating expenses, mainly salaries, which accounted for a decline of about USD 9 million, along with a decrease in the sale price, which caused a decline of about USD 8 million. In contrast, the decline was partially offset by the impact of the changes in the exchange rates, which added about USD 2 million sales, and an increase in the quantities manufactured, in the amount of about USD 2 million.

3.3 ICL Performance Products

Sales

Sales in this segment amounted to approximately USD 357 million, an increase of USD 13 million compared with the corresponding period last year.

This increase was due to a rise in the quantities sold, which led to an increase of USD 15 million that was partially offset by a decline in the prices, which led to a decrease of about USD 2 million.

Profitability

The operating income of the segment in the period of the report amounted to approximately USD 35 million, a decrease of about USD 4 million compared with the corresponding period last year. The decrease is mainly due to a rise in the other operating expenses, in the amount of about USD 6 million and a decline in prices of USD 2 million. This decrease was partially offset by a rise in the quantities sold, which led to an increase of about USD 3 million.

4. The Financial Position and Sources of Financing of ICL

As at March 31, 2013, an increase of USD 40 million was recorded in ICL's net interest-bearing financial liabilities, compared with the balance at the end of 2012, bringing the total to approximately USD 1,379 million.
ICL's sources of financing are short- and long-term bank loans, mostly from international banks, debentures issued to the public and to institutional investors in Israel and the USA, and securitization of customer receivables, whereby some of the Group companies sell customer receivables in return for provision of a credit facility. The total amount of the securitization framework and credit facility deriving therefrom amounts to USD 350 million. At March 31, 2013, ICL had used USD 176 million of the securitization facility.

ICL also has long-term credit facilities of USD 1,325 million and Euro 100 million, of which USD 663 million have not been used.

5. Cash Flows

The cash flows generated by operating activities in the period of the report amounted to USD 192 million, compared with USD 321 million in the corresponding period last year. The cash flows from operating activities in the first quarter were adversely affected by an increase in the Company's trade receivables due to an increase in sales in the first quarter of 2013 in the amount of about USD 233 million. The cash flows from current operating activities were the main source of financing the net investments in property, plant and equipment, in the amount of USD 183 million and acquisition of activities, in the amount of about USD 45 million.

6. Investments

In the period of the report, the investments in property, plant and equipment amounted to approximately USD 183 million, compared with about USD 143 million in the corresponding period last year. Most of the increase in investments stems from performance of work in the dyke surrounding the evaporation pond of ICL Fertilizers at the Dead Sea, investment under a plan for a gradual increase of the production capacity in the Sodom plants and commencement of the construction work with respect to a new power station in Sodom.

7. Human Resources

The total number of ICL's employees as at March 31, 2013 was 11,963 compared with 11,651 as at March 31, 2012, an increase of 312 employees. The increase in the number of employees is mainly due to completion of investments in new facilities and increased in production, as well as addition of personnel as a result of acquisition of companies worldwide.

8. Market Risk – Exposure and Management

Base rates at March 31, 2013:

Currency	Exchange rate
NIS \ USD	0.27412
EUR \ USD	1.27774
GBP \ USD	1.51711
JPY \ USD	0.01064
BRL \ USD	0.49331
CNY \ USD	0.16080

Update of sensitivity to changes in the exchange rates of balances in the statement of financial position at March 31, 2013:

USD/NIS	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(USD millions)
Type of instrument	Increase of 10%	Increase of 5%		Decrease of 5%	Decrease of 10%
Cash and cash equivalents	(2.4)	(1.2)	24.3	1.2	2.4
Short term deposits and loans	(1.0)	(0.5)	9.8	0.5	1.0
Trade receivables	(6.1)	(3.0)	60.8	3.0	6.1
Receivables and debit balances	(2.9)	(1.4)	28.7	1.4	2.9
Long-term deposits and loans	(0.4)	(0.2)	4.4	0.2	0.4
Credit from banks and others	20.2	10.1	(202.1)	(10.1)	(20.2)
Trade payables	30.1	15.1	(301.5)	(15.1)	(30.1)
Other payables	14.3	7.2	(143.1)	(7.2)	(14.3)
Debentures	38.2	19.1	(382.4)	(19.1)	(38.2)
Options	(53.4)	(30.3)	37.0	38.4	82.3
Forward	(24.3)	(12.7)	3.0	14.1	29.7
Swap	(30.5)	(16.0)	19.2	17.6	37.2
Total	(18.2)	(13.8)	(841.9)	24.9	59.2

CPI Type of instrument	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(USD millions)
	Increase of 10%	Increase of 5%		Decrease of 5%	Decrease of 10%
Long-term deposits and loans	0.2	0.1	2.1	(0.1)	(0.2)
Fixed-interest debentures	(14.5)	(7.2)	(144.7)	7.2	14.5
CPI/USD swap	4.3	2.2	8.2	(2.2)	(4.3)
Forward	6.1	3.1	(0.8)	(3.1)	(6.1)
Total	(3.9)	(1.8)	(135.2)	1.8	3.9

EUR/USD Type of instrument	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(USD millions)
	Increase of 10%	Increase of 5%		Decrease of 5%	Decrease of 10%
Cash and cash equivalents	(3.9)	(1.9)	38.7	1.9	3.9
Short term deposits and loans	(0.2)	(0.1)	1.6	0.1	0.2
Trade receivables	(38.0)	(19.0)	379.6	19.0	38.0
Receivables and debit balances	(1.5)	(0.7)	14.9	0.7	1.5
Long-term deposits and loans	(0.0)	(0.0)	0.4	0.0	0.0
Credit from banks and others	1.6	0.8	(15.5)	(0.8)	(1.6)
Trade payables	19.1	9.5	(190.8)	(9.5)	(19.1)
Other payables	12.8	6.4	(127.9)	(6.4)	(12.8)
Long-term loans from banks	14.3	7.1	(142.8)	(7.1)	(14.3)
Options	1.2	0.5	0.2	(0.4)	(1.2)
Forward	(11.0)	(5.2)	(6.4)	4.7	9.0
Total	(5.6)	(2.6)	(48.0)	2.2	3.6

GBP/USD Type of instrument	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(USD millions)
	Increase of 10%	Increase of 5%		Decrease of 5%	Decrease of 10%
Cash and cash equivalents	(1.2)	(0.6)	11.7	0.6	1.2
Trade receivables	(9.9)	(4.9)	98.8	4.9	9.9
Receivables and debit balances	0.0	0.0	(0.1)	(0.0)	(0.0)
Credit from banks and others	1.1	0.6	(11.3)	(0.6)	(1.1)
Trade payables	2.1	1.1	(21.1)	(1.1)	(2.1)
Other payables	1.4	0.7	(14.3)	(0.7)	(1.4)
Forward	(1.4)	(0.6)	0.0	0.6	1.1
Total	(7.9)	(3.7)	63.7	3.7	7.6

GBP/EUR Type of instrument	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(USD millions)
	Increase of 10%	Increase of 5%		Decrease of 5%	Decrease of 10%
Forward	(1.1)	(0.6)	0.1	0.6	1.3
Options	(2.4)	(1.1)	0.4	1.2	2.7
Total	(3.5)	(1.7)	0.5	1.8	4.0

JPY/USD	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(USD millions)
Type of instrument	Increase of 10%	Increase of 5%		Decrease of 5%	Decrease of 10%
Cash and cash equivalents	(0.4)	(0.2)	4.4	0.2	0.4
Trade receivables	(1.1)	(0.5)	10.6	0.5	1.1
Long-term deposits and loans	(0.0)	(0.0)	0.3	0.0	0.0
Trade payables	0.1	0.1	(1.1)	(0.1)	(0.1)
Other payables	0.0	0.0	(0.4)	(0.0)	(0.0)
Options	1.1	0.6	1.5	(0.6)	(1.3)
Forward	0.4	0.2	0.1	(0.3)	(0.5)
Total	0.1	0.2	15.4	(0.3)	(0.4)

BRL/USD	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(USD millions)
Type of instrument	Increase of 10%	Increase of 5%		Decrease of 5%	Decrease of 10%
Cash and cash equivalents	(0.5)	(0.3)	5.4	0.3	0.5
Trade receivables	(1.2)	(0.6)	11.7	0.6	1.2
Trade payables	0.9	0.5	(9.3)	(0.5)	(0.9)
Other payables	0.1	0.1	(1.0)	(0.1)	(0.1)
Total	(0.7)	(0.3)	6.8	0.3	0.7

CNY/USD	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(USD millions)
Type of instrument	Increase of 10%	Increase of 5%		Decrease of 5%	Decrease of 10%
Cash and cash equivalents	(1.6)	(0.8)	15.9	0.8	1.6
Trade receivables	(1.1)	(0.6)	11.4	0.6	1.1
Receivables and debit balances	(0.0)	(0.0)	0.1	0.0	0.0
Trade payables	0.2	0.1	(2.1)	(0.1)	(0.2)
Other payables	0.5	0.3	(5.3)	(0.3)	(0.5)
Long-term loans from banks	0.1	0.0	(0.6)	(0.0)	(0.1)
Total	(1.9)	(1.0)	19.4	1.0	1.9

Update of the sensitivity of instruments hedging marine transportation and energy to changes in the prices of marine transportation and energy as at March 31, 2013.

Type of instrument	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(USD millions)
	Increase of 10%	Increase of 5%		Decrease of 5%	Decrease of 10%
Marine shipping hedges	2.9	1.4	(11.5)	(1.5)	(2.9)
Energy hedges	3.2	1.5	0.2	(1.3)	(2.7)
Total	6.1	2.9	(11.3)	(2.8)	(5.6)

Update of the sensitivity to changes in the Libor interest rate at March 31, 2013:

Type of instrument	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(USD millions)
	Increase of 1%	Increase of 0.5%		Decrease of 0.5%	Decrease of 1%
Fixed-interest debentures	1.3	0.7	(72.6)	(0.7)	(1.3)
Collar transactions	2.2	1.2	(3.1)	(1.3)	(0.8)
Swap transactions	7.4	3.7	(9.1)	(3.8)	(7.7)
NIS/USD swap	1.5	0.8	11.0	(0.8)	(1.6)
Total	12.4	6.4	(73.8)	(6.6)	(11.4)

Update of the sensitivity to changes in the index interest rate at March 31, 2013:

Sensitivity to changes in the index interest rate	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(USD millions)
Type of instrument	Increase of 1%	Increase of 0.5%		Decrease of 0.5%	Decrease of 1%
Fixed-interest debentures	1.5	0.8	(144.7)	(0.8)	(1.6)
CPI/USD swap	(0.4)	(0.2)	8.2	0.2	0.4
Total	1.1	0.6	(136.5)	(0.6)	(1.2)

Update of the sensitivity to changes in the shekel interest rate at March 31, 2013:

Sensitivity to changes in the shekel interest rate	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(USD millions)
Type of instrument	Increase of 1%	Increase of 0.5%		Decrease of 0.5%	Decrease of 1%
Fixed-interest debentures	1.2	0.6	(209.9)	(0.6)	(1.2)
NIS/USD swap	(2.6)	(1.3)	12.9	1.3	2.7
Total	(1.4)	(0.7)	(197.0)	0.7	1.5

Update of positions in derivatives at March 31, 2013

Hedging transactions against the effect of changes in exchange rates on cash flow

USD thousands

Transactions in dollars against other currencies (direction of transaction in derivatives is dollar purchase)	Nominal value		Fair value	
	Up to one year		Up to one year	
	Long	Short	Long	Short
EUR/USD				
Forward	144,119	-	1,282	-
Forward – recognized for accounting	-	233,539	-	(7,681)
Call options	12,777	-	(70)	-
Put options	12,755	-	230	-
JPY/USD				
Forward	4,921	-	91	-
Call options	13,500	-	1,578	-
Put options	13,500	-	(110)	-
NIS/USD				
Forward	-	265,020	-	2,956
Call options	-	726,500	-	(3,348)
Put options	-	726,500	-	40,302
GBP/USD				
Forward	-	12,241	-	46
GBP/EUR	-	-	-	-
Forward	11,909	-	61	-
Call options	26,833	-	(305)	-
Put options	26,833	-	658	-
Other currencies				
Forward	9,687	-	(18)	-
Hedging transactions against rise in marine transportation and energy prices – up to one year	59,589	-	(8,329)	-
Hedging transactions against rise in marine transportation and energy prices - more than one year	11,416	-	(3,022)	-
Swap contracts and futures contracts for the Company's liabilities				
Shekel fixed to variable interest swap contract – up to one year	-	16,639	-	262
Shekel fixed to variable interest swap contract – more than one year	-	54,825	-	1,708
Swap contract to dollar liability bearing fixed interest from shekel liability bearing fixed interest - not recognized	-	91,782	-	4,475
Swap contract to dollar liability bearing fixed interest from shekel liability bearing fixed interest - recognized	-	178,553	-	6,481
Swap contract to dollar liability bearing variable interest from index-linked liability bearing fixed interest – not recognized	-	34,009	-	8,199
Futures contract for CPI purchase – more than one year - not recognized	53,576	-	(760)	-

Interest-hedging transactions – for hedging against changes in variable interest rate (LIBOR) on dollar loans (in USD thousands)

	Nominal value				Fair value			
	Up to one year		Over one year		Up to one year		Over one year	
	Long	Short	Long	Short	Long	Short	Long	Short
Swap	114,262	-	247,000	48,000	(2,238)	-	(10,836)	3,958
Collars	25,000	-	120,000	-	(489)	-	(2,588)	-

As part of the Swap transactions, the Company replaces the variable interest rate paid on loans received with fixed interest with rates between 1.4% and 4.3%. In the Cap and Floor transactions, the Company fixes the fluctuation of the variable interest loans in the range of 1% to 5.25%.

In 2009, the Company issued listed debentures amounting to NIS 1.6 billion. Some of these series issued are denominated in shekels, some are linked to the CPI and bear linked interest, and some are linked to the USD (see section 5.3.2 in Description of the Corporation's Business at December 31, 2012).

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With respect to the CPI-linked shekel liabilities, the Company executed transactions in derivatives to replace shekel cash flows with dollar cash flows. The Company also executed transactions in derivatives to hedge most of its exposure to changes in the CPI.

As part of the above-mentioned hedging transactions, the Company made an investment in derivatives to hedge the exposure to changes in the cash flows of the expanded debentures (Series B), in respect of changes in the exchange rates of the shekel against the dollar.

In addition, in the third quarter of 2012, the Company acquired a derivative to hedge against the exposure to changes in the cash flows of the project for construction of a new cogeneration plant in Sodom, in respect of changes in the exchange rate of the dollar against the euro.

The transactions for hedging the expanded debentures (Series B) and construction of the power station comply with the conditions for an accounting hedge. Changes in the fair value of the derivative used to hedge cash flows, in respect of the effective portion, are recorded in other comprehensive income. In the period of the report, an item of other comprehensive loss was recognized, in the amount of about USD 6.6 million. Changes in the fair value of the derivative relating to the non-effective portion are recorded in the statement of income.

None of the other hedging transactions made by the Company are accounted for as accounting hedges in the financial statements.

9. Update of the description of the Company's business and material events during and after the balance sheet period

9.1 On March 12, 2013, the Board of Directors of ICL resolved to distribute a cash dividend of USD 147 million (the net dividend less the subsidiary's share is USD 146.7 million), which was distributed on April 25, 2013.

9.2 Subsequent to the balance sheet date, on May 12, 2013, the Board of Directors of ICL resolved to distribute a cash dividend of USD 213 million (net dividend less the share of a subsidiary is USD 212.6 million), which will be distributed on June 20, 2013.

9.3 On March 14, 2013, Mr. Yosi Rosen notified the Company's Board of Directors of his wish to resign from the Company's Board of Directors at the end of 14 years of service.

9.4 On February 21, 2013, a subsidiary in the Performance Products segment acquired the production assets and activities of a plant in Knapsack Germany used for production and marketing of P2S5 (a phosphorous derivative). The plant was acquired from the international company, Thermphos International B.V.

9.5 On October 31, 2012 and November 4, 2012, the Company and Israel Corporation Ltd. published Immediate Reports, further to reports in the media, about a possible merger transaction of ICL with Potash Corporation of Saskatchewan (hereinafter – "Potash"). On April 25, 2013, Potash gave notice that this is not the appropriate time to proceed with this opportunity. For further details see the Company's Immediate Reports dated October 31, 2012, November 4, 2012 and April 25, 2013 (Ref. Nos.: 2012-01-268383, 2012-01-270408 and 2013-01-045460, respectively).

9.6 On May 6, 2013, the Finance Committee (the Committee that discusses the financial statements and recommends approval thereof) discussed the financial statements at March 31, 2013 and formulated its recommendations for ICL's Board of Directors which were distributed to all the Board members on May 7, 2013. The Committee's meeting was divided into two parts. In the first part, the Company's management reviewed the data from the financial statements and the way in which they were accounted for. In the second part, only the Board members serving as committee members were present, and they held a discussion and formulated the Committee's recommendations for the Board. The Committee members present at the meeting were: Prof. Yair Orgler, Dr. Miriam Haran, Yaacov Dior, Victor Medina, Avraham (Baiga) Shohat, Ovadia Eli. The first part of the meeting was also attended by the members Avisar Paz , Eran Sarig, Moshe Vidman, Chaim Erez. Both parts of the meeting were attended by CPA Zion Amsalem, the auditor, and the following officers: Stefan Borgas, Avi Doitchman, Eli Amit , Lisa Haimovitz , Michael Hazan (For details of the officers' duties, see the chapter, Additional Details regarding the Corporation in the 2012 periodic report).

On May 12, 2013 the Board approved the financial statements. For proceedings instituted by the Committee in order to formulate its recommendation, see sections 2.4 and 2.5 of Chapter D of the Periodic Report for 2012 (Code of Ethics, Corporate Governance, Overall Control and Internal Audit).

9.7 For details of the Company's liabilities, see the Immediate Report regarding liabilities by repayment dates which was published by the Company on May 12, 2013 (ref. no. 2013-01-060169), The information contained therein is presented here by reference.

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

Date: May 12, 2013

Stefan Borgas, CEO	Nir Gilad, Chairman of the Board

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ICL Israel Chemicals Ltd.

Condensed Consolidated Interim Financial Statements
As at March 31, 2013
(Unaudited)
In Thousands of U.S. Dollars

Condensed Consolidated Interim Financial Statements As at March 31, 2013

Contents

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

Introduction

We have reviewed the accompanying financial information of Israel Chemicals Ltd. and its subsidiaries, including the condensed consolidated interim statement of financial position as at March 31, 2013 and the related condensed consolidated interim statements of income, other comprehensive income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and Management are responsible for preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting", and are also responsible for preparation of the financial information for this interim period in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the financial information for this interim period based on our review.

Scope of Review

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

Conclusion

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

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

Somekh Chaikin
Certified Public Accountants (Isr.)

May 12, 2013

Condensed Consolidated Interim Statements of Financial Position

	March 31 2013 (Unaudited) US$ thousands	March 31 *2012 (Unaudited) US$ thousands	December 31 *2012 (Audited) US$ thousands
Current assets			
Cash and cash equivalents	230,519	172,580	206,067
Short-term investments and deposits	127,241	206,852	142,689
Trade receivables	1,261,141	1,279,573	1,034,668
Other receivables and debit balances, including derivative instruments	200,384	149,125	217,021
Income taxes refundable	59,930	42,069	56,469
Inventories	1,407,820	1,396,760	1,430,151
Total current assets	3,287,035	3,246,959	3,087,065
Non-current assets			
Investments in companies accounted for using the equity method of accounting	162,321	176,439	173,952
Long-term deposits and receivables	21,755	24,248	22,080
Excess of assets over liabilities in respect of defined benefit plan	73,647	75,477	69,193
Long-term derivative instruments	19,102	20,358	17,515
Non-current inventory	29,079	29,973	30,723
Deferred taxes, net	117,796	** 107,093	112,189
Property, plant and equipment	3,187,213	2,706,541	3,097,385
Intangible assets	767,540	748,527	734,809
Total non-current assets	4,378,453	3,888,656	4,257,846
Total assets	7,665,488	7,135,615	7,344,911

* Restated – retroactive application – see Note 3B
** Reclassified

	March 31 2013 (Unaudited) US$ thousands	March 31 *2012 (Unaudited) US$ thousands	December 31 *2012 (Audited) US$ thousands
Current liabilities			
Credit from banks and others	570,589	242,128	552,062
Trade payables	664,940	616,272	640,396
Provisions	39,906	42,389	40,217
Dividend payable	146,744	259,547	-
Other payables, including derivative instruments	536,979	569,728	545,872
Income taxes payable	28,890	36,471	30,651
Total current liabilities	1,988,048	1,766,535	1,809,198
Non-current liabilities			
Loans from banks and others	944,861	811,051	916,594
Debentures	231,349	495,433	228,708
Long-term derivative instruments	17,647	19,731	23,812
Deferred taxes, net	220,176	** 199,680	215,149
Employee benefits	670,730	606,054	685,716
Provisions	69,824	78,141	77,470
Total non-current liabilities	2,154,587	2,210,090	2,147,449
Total liabilities	4,142,635	3,976,625	3,956,647
Equity			
Share capital	542,853	542,769	542,769
Share premium	133,633	101,485	101,501
Capital reserves	(22,403)	26,353	45,312
Retained earnings	3,105,052	2,723,817	2,935,537
Treasury shares	(260,113)	(260,113)	(260,113)
Total equity attributable to the equity holders of the Company	3,499,022	3,134,311	3,365,006
Non-controlling interests	23,831	24,679	23,258
Total equity	3,522,853	3,158,990	3,388,264
Total liabilities and equity	7,665,488	7,135,615	7,344,911

* Restated – retroactive application – see Note 3B
** Reclassified

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

Approval date of the financial statements: May 12, 2013.

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

Condensed Consolidated Interim Statements of Income

	For the three-month period ended		For the year ended
	March 31 2013 (Unaudited) US$ thousands	March 31 *2012 (Unaudited) US$ thousands	December 31 *2012 (Audited) US$ thousands
Sales	1,640,441	1,499,328	6,471,433
Cost of sales	981,471	901,054	3,760,235
Gross profit	658,970	598,274	2,711,198
Selling, transportation and marketing expenses	208,705	175,335	797,291
General and administrative expenses	67,642	64,418	248,782
Research and development expenses, net	20,502	18,015	74,099
Other expenses	604	381	61,085
Other income	(1,491)	(2,772)	(23,691)
Operating income	363,008	342,897	1,553,632
Financing expenses	42,729	26,081	72,097
Financing income	(40,938)	(8,715)	(11,203)
Financing expenses, net	1,791	17,366	60,894
Share in income (loss) of companies accounted for using the equity method of accounting, net of tax	(756)	7,240	26,555
Income before taxes on income	360,461	332,771	1,519,293
Taxes on income	54,779	43,311	217,561
Income for the period	305,682	289,460	1,301,732
Attributable to:			
Equity holders of the Company	305,348	289,257	1,300,076
Non-controlling interests	334	203	1,656
Income for the period	305,682	289,460	1,301,732
Earnings per share attributable to the share holders of the Company:	US $	US $	US $
Basic earnings per share	0.240	0.228	1.024
Diluted earnings per share	0.240	0.227	1.024

*Restated – retroactive application – see Note 3B

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

Condensed Consolidated Interim Statements of Other Comprehensive Income

	For the three month period ended		For the year ended
	March 31	March 31	December 31
	2013	*2012	*2012
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Income for the period	305,682	289,460	1,301,732
Components of other comprehensive income that will be recognized in future periods in the income statement:			
Foreign currency translation differences with respect to foreign operations	(34,363)	30,652	24,674
Change in fair value of derivatives used to hedge cash flows	(6,371)	(2,740)	15,634
Income tax on components of other comprehensive income	(269)	685	313
Total	(41,003)	28,597	40,621
Components of other comprehensive income that will not be recognized in future periods in the income statement:			
Actuarial gains (losses) from defined benefit plan	14,604	7,287	(43,904)
Income tax on components of other comprehensive income	(3,693)	(2,749)	9,018
Total	10,911	4,538	(34,886)
Total comprehensive income for the period, net of tax	275,590	322,595	1,307,467
Attributable to:			
Equity holders of the Company	275,017	321,838	1,305,242
Non-controlling interests	573	757	2,225
Total comprehensive income for the period, net of tax	275,590	322,595	1,307,467

*Restated – retroactive application – see Note 3B

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

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve for foreign operations	Capital reserves	Treasury shares	Retained earnings	Total		
	Unaudited								
	US$ thousands								
For the three-month period ended March 31, 2013									
Balance as at January 1, 2013 (Audited)*	542,769	101,501	(30,063)	75,375	(260,113)	2,935,537	3,365,006	23,258	3,388,264
Exercise of options allotted to employees	84	32,132	-	(32,216)	-	-	-	-	-
Share-based payments	-	-	-	5,739	-	-	5,739	-	5,739
Dividends to equity holders	-	-	-	-	-	(146,744)	(146,744)	-	(146,744)
Tax benefit in respect of allotment of shares to employees	-	-	-	4	-	-	4	-	4
Comprehensive income for the period	-	-	(34,602)	(6,640)	-	316,259	275,017	573	275,590
Balance as at March 31, 2013 (Unaudited)	542,853	133,633	(64,665)	42,262	(260,113)	3,105,052	3,499,022	23,831	3,522,853

*Restated – retroactive application – see Note 3B

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

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

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve for foreign operations	Capital reserves	Treasury shares	Retained earnings	Total		
	Unaudited								
	US$ thousands								
For the three-month period ended March 31, 2012*									
Balance as at January 1, 2012 (Audited)	542,377	94,798	(54,168)	53,866	(260,113)	2,689,569	3,066,329	23,922	3,090,251
Exercise of options allotted to employees	392	6,687	-	(3,279)	-	-	3,800	-	3,800
Share-based payments	-	-	-	1,738	-	-	1,738	-	1,738
Dividends to equity holders	-	-	-	-	-	(259,547)	(259,547)	-	(259,547)
Tax benefit in respect of allotment of shares to employees	-	-	-	153	-	-	153	-	153
Comprehensive income for the period	-	-	30,098	(2,055)	-	293,795	321,838	757	322,595
Balance as at March 31, 2012 (Unaudited)	542,769	101,485	(24,070)	50,423	(260,113)	2,723,817	3,134,311	24,679	3,158,990

*Restated – retroactive application – see Note 3B

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

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

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve for foreign operations	Capital reserves	Treasury shares	Retained earnings	Total		
	Audited								
	US$ thousands								
For the Year ended December 31, 2012*									
Balance as at January 1, 2012	542,377	94,798	(54,168)	53,866	(260,113)	2,689,569	3,066,329	23,922	3,090,251
Exercise of options allotted to employees	392	6,703	-	(3,295)	-	-	3,800	-	3,800
Share-based payments	-	-	-	8,668	-	-	8,668	-	8,668
Dividends to equity holders	-	-	-	-	-	(1,019,222)	(1,019,222)	(2,889)	(1,022,111)
Tax benefit in respect of allotment of shares to employees	-	-	-	189	-	-	189	-	189
Comprehensive income for the period	-	-	24,105	15,947	-	1,265,190	1,305,242	2,225	1,307,467
Balance as at December 31, 2012	542,769	101,501	(30,063)	75,375	(260,113)	2,935,537	3,365,006	23,258	3,388,264

*Restated – retroactive application – see Note 3B

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

Condensed Consolidated Interim Statements of Cash Flows

	For the three month period ended		For the year ended
	March 31	March 31	December 31
	2013	*2012	*2012
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Cash flows from operating activities			
Income for the period	305,682	289,460	1,301,732
Adjustments for:			
Depreciation and amortization	82,500	83,284	322,511
Interest expenses, net	9,378	9,213	28,529
Share in losses (income) of companies accounted for using the equity method of accounting, net of tax	756	(7,240)	(26,555)
Loss (gain) on sale of property, plant and equipment	(181)	(107)	602
Share-based payment transactions	5,739	1,738	8,668
Revaluation of assets and liabilities denominated in foreign currency	9,278	9,065	7,511
Gain on entry into consolidation of associated company	-	-	(1,945)
Income tax expense	54,779	43,311	217,561
	467,931	428,724	1,858,614
Change in inventory	10,495	(21,860)	(54,852)
Change in trade and other receivables	(233,032)	30,311	217,118
Change in trade and other payables	10,404	(58,272)	(71,612)
Change in provisions and employee benefits	(3,338)	(1,485)	30,973
	252,460	377,418	1,980,241
Income tax paid	(56,044)	(48,064)	(220,179)
Interest received	2,945	400	12,207
Interest paid	(7,269)	(8,383)	(45,051)
Net cash provided by operating activities	192,092	321,371	1,727,218
Cash flows from investing activities			
Investment in long-term deposits	-	-	(2,397)
Proceeds from sale of property, plant and equipment	-	379	924
Short-term loans and deposits, net	(2,103)	(89,593)	(16,099)
Business combinations less cash acquired	(45,460)	-	(11,875)
Dividend received from associated companies	11,535	12,321	17,089
Acquisition of property, plant and equipment	(183,027)	(142,727)	(711,721)
Acquisition of intangible assets	(1,194)	(3,204)	(11,350)
Investments and loans to companies accounted for using the equity method of accounting	-	(5,570)	(8,521)
Proceeds from sale of long-term deposits	462	294	3,241
Net cash used in investing activities	(219,787)	(228,100)	(740,709)
Cash flows from financing activities			
Proceeds from exercise of options allotted to employees	-	3,800	3,800
Dividend paid to the Company's equity holders	-	-	(1,019,222)
Dividend paid to non-controlling interests	-	-	(2,889)
Receipt of long-term loans	65,000	-	362,001
Repayment of long-term loans	(32,705)	(62,307)	(311,415)
Short-term credit from banks and others, net	23,698	(102,572)	(50,899)
Net cash provided by (used in) financing activities	55,993	(161,079)	(1,018,624)
Net increase (decrease) in cash and cash equivalents	28,298	(67,808)	(32,115)
Cash and cash equivalents as at beginning of the period	206,067	238,141	238,141
Effect of exchange rate fluctuations on cash and cash equivalents	(3,846)	2,247	41
Cash and cash equivalents as at end of the year	230,519	172,580	206,067

* Restated - retroactive application - see Note 3B

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

Note 1 – The reporting entity

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

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

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

Note 2 - Basis of Preparation of the Financial Statements

A. Statement 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, 2012 (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 Company's Board of Directors on May 12, 2013.

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

In preparation of the condensed financial statements in accordance with IFRS, Company management is required to use judgment when making estimates and assumptions that affect implementation of the policies and the amounts of assets, liabilities, income and expenses. It is clarified that the actual results are likely to be different from these estimates.

Management's judgment, at the time of implementing the Group's accounting policies and the main assumptions used in the estimates involving uncertainty, are consistent with those used in the Annual Financial Statements.

Note 3 - Significant Accounting Policies

A. The Company's accounting policies in these condensed consolidated interim financial statements are the policies that were applied in the Annual Financial Statements as at December 31, 2012, except for that stated in Section B, below.

B. First-time application of new accounting standards

IFRS 11 "Joint Arrangements" (hereinafter – "the Standard"). The Standard replaced the directives of IAS 31 "Interests in Joint Ventures" (hereinafter – "IAS 31") and amended part of the requirements in IAS 28 "Investments in Associated Companies".

The Standard defines a joint arrangement as an arrangement over which two or more parties have joint control.

A distinction exists in the Standard between joint operations and joint ventures.

Joint operations – are arrangements wherein the parties having joint control have rights in the assets relating to the arrangement and obligations to discharge the liabilities relating to the arrangement, regardless of whether or not the joint arrangement is structured in a separate vehicle. The accounting treatment of joint operations is similar to the accounting treatment in IAS 31 for jointly controlled assets and operations, that is, the assets, liabilities and transactions are recognized and accounted for according to the relevant standards.

Joint ventures – all joint arrangements which are structured in a separate vehicle in which the parties having joint control have rights to the net assets of the joint arrangement. Joint ventures are to be accounted for using the equity method only (the option to apply the proportionate consolidation method has been eliminated).

As a result of adoption of the Standard, jointly-controlled companies that were previously included in the consolidated financial statements using the proportionate consolidation method, are accounted for using the equity method of accounting. This Standard applies to reporting periods beginning on January 1, 2013 and is being applied retroactively.

The impact of the above-mentioned Standard on the financial statements is not material.

Amendment to IAS 19 "Employee Benefits" (hereinafter – "the Amendment"). Pursuant to the Amendment, costs in respect of past service are to be recognized immediately without reference to whether or not these benefits have vested. Calculation of the net financing income (expenses) will be made by multiplying the net defined benefit liability (asset) by the discount rate used to measure the defined benefit obligation. Accordingly, calculation of the actuarial gains or losses also changed. In addition, the Amendment changes the definitions of short-term employee benefits and of other long-term employee benefits, so that instead of determining the classification as short-term or long-term based on the date of eligibility, the classification will depend on the dates when the entity expects the benefits to be fully utilized.

The Amendment applies to annual periods beginning on January 1, 2013 and is to be applied retroactively (except for certain relief enumerated in the Amendment).

The impact of the above-mentioned Amendment on the financial statements is not material.

Note 3 - Significant Accounting Policies (cont'd)

B. First-time application of new accounting standards (cont'd)

IFRIC Interpretation 20 "Stripping Costs in the Production Stage in the Site Mining Process" (hereinafter – "the Interpretation"). The Interpretation applies to costs of removing waste created in the course of mining operations of an open mine during the mine's production stage ("stripping costs"). Pursuant to the Interpretation, if the benefit of the stripping costs is realized in the form of inventory produced, the entity is to account for these stripping costs in accordance with IAS 2 as inventory. If the benefit is improved access to the quarry, the entity is to recognize these costs as an addition to a non-current asset, provided the criteria appearing in the Interpretation are fulfilled.

The Interpretation is to be applied for reporting periods commencing on or after January 1, 2013, by means of retroactive application.

The impact of the above-mentioned Interpretation on the financial statements is not material.

C. Indices and exchange rates

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

	Consumer Price Index	Dollar-NIS exchange rate	Dollar-EUR exchange rate
Rates of change for the three months ended:			
March 31, 2013	**0.0%**	**(2.3%)**	**3.1%**
March 31, 2012	0.4 %	(2.8%)	(3.1%)
For the year ended December 31, 2012	1.6 %	(2.3%)	(1.9%)

Note 4 - Business Segments

A. General

ICL is a multi-national enterprise, which operates mainly in the fields of fertilizers and specialty chemicals, in three reporting segments – fertilizers, industrial products and performance products. The segments are described below:

ICL Fertilizers – ICL Fertilizers extracts potash from the Dead Sea and mines and produces potash and salt from subterranean mines in Spain and in the UK. ICL Fertilizers processes the potash into its types and markets it throughout the world. This segment also uses part of the potash to produce complex fertilizers.

In addition, ICL Fertilizers mines and processes phosphate rock in open mines in the South, and produces in Israel sulfuric acid, agricultural phosphoric acid, phosphate fertilizers, compound fertilizers, based mainly on potash and phosphate, liquid fertilizers and soluble fertilizers. ICL Fertilizers also manufactures compound fertilizers in the Netherlands, Germany and Belgium, liquid fertilizers and soluble fertilizers in Spain, slow-release fertilizers and controlled-release fertilizers in the Netherlands and in the United States, and phosphate-based food additives for livestock, in Turkey and in Israel.

ICL Fertilizers markets its products worldwide, mainly in Europe, Brazil, India, China and Israel. The activities of ICL Fertilizers also include the activities of Mifalei Tovala Ltd., which is engaged in the transportation of cargo, mainly of ICL companies in Israel, since a large part of the Company's activities consists of bulk transport of cargo of the ICL Fertilizers segment.

ICL Industrial Products – ICL Industrial Products produces bromine out of a solution that is created as a by-product of the potash production process in Sodom, as well as bromine-based compounds. ICL Industrial Products uses most of the bromine it produces for self-production of bromine compounds at production sites in Israel, the Netherlands and China. In addition, ICL Industrial Products extracts salt, magnesia and chlorine from Dead Sea brine, and produces chlorine-based products in Israel and the United States. Also, ICL Industrial Products engages in the production and marketing of flame retardants and additional phosphorus-based products.

ICL Performance Products – ICL Performance Products cleans some of the agricultural phosphoric acid manufactured by ICL Fertilizers, purchases clean phosphoric acid from other sources and also manufactures thermal phosphoric acid. The clean phosphoric acid and the thermal phosphoric acid are used to manufacture downstream products with high added value, phosphate salts, which are also used as a raw material for manufacturing food additives, hygiene products and flame-retardants and fire extinguishment products. ICL Performance Products also manufactures phosphorous derivatives based on phosphorous acquired from outside sources and manufactures specialty products, based on aluminum acids (hereinafter – "Alumina") and other raw materials. Manufacture of ICL's performance products is mostly carried out at production sites in Europe, (particularly in Germany), the United States, Brazil, Israel, China, and other countries.

In addition to the segments detailed above, ICL has other activities, including mainly production and marketing of pure magnesium and magnesium alloys.

Note 4 - Business Segments (cont'd)

B. Operating segment data:

	Fertilizers				Industrial	Performance	Other		
	Potash	Phosphate	Eliminations	Total	products	products	activities	Eliminations	Consolidated
	(Unaudited)								
	US$ thousands								
Three-month period ended March 31, 2013									
Sales to external parties	516,753	419,565	-	936,318	332,912	340,095	31,116	-	1,640,441
Inter-segment sales	54,439	40,436	(22,344)	72,531	5,463	16,739	10,721	(105,454)	-
Total sales	571,192	460,001	(22,344)	1,008,849	338,375	356,834	41,837	(105,454)	1,640,441
Income from ordinary activities	240,772	48,594	3,146	292,512	48,169	35,431	(8,956)	-	367,156
Unallocated expenses and intercompany eliminations									(4,148)
Operating income									363,008
Financing expenses									(42,729)
Financing income									40,938
Share in losses of Investee companies accounted for using the equity method of accounting, net of tax									(756)
Income before taxes on income									360,461
Capital expenditures	111,812	26,903	-	138,715	38,229	60,636	2,155	-	239,735
Unallocated capital expenditures									136
Total capital expenditures									239,871
Depreciation and amortization	27,641	25,559	-	53,200	16,520	10,969	1,549	-	82,238
Unallocated depreciation and amortization									262
Total depreciation and amortization									82,500

Note 4 - Business Segments (cont'd)

B. Operating segment data (cont'd):

	Fertilizers				Industrial	Performance	Other		
	Potash	Phosphate	Elimination	Total	products	products	activities	Eliminations	Consolidated
	(Unaudited)								
	US$ thousands								
Three-month period ended March 31, 2012*									
Sales to external parties	391,059	395,828	-	786,887	355,650	326,382	30,409	-	1,499,328
Inter-segment sales	55,396	31,509	(29,936)	56,969	3,397	17,025	11,586	(88,977)	-
Total sales	446,455	427,337	(29,936)	843,856	359,047	343,407	41,995	(88,977)	1,499,328
Income from ordinary activities	199,104	44,719	(1,336)	242,487	60,962	39,808	1,969	-	345,226
Unallocated expenses and intercompany eliminations									(2,329)
Operating income									342,897
Financing expenses									(26,081)
Financing income									8,715
Share in income of Investee companies accounted for using the equity method of accounting, net of tax									7,240
Income before taxes on income									332,771
Capital expenditures	72,658	31,781	-	104,439	29,985	10,595	1,886	-	146,905
Unallocated capital expenditures									117
Total capital expenditures									147,022
Depreciation and amortization	29,161	26,619	-	55,780	15,535	10,538	1,326	-	83,179
Unallocated depreciation and amortization									105
Total depreciation and amortization									83,284

* Restated – retroactive application – see Note 3B

Note 4 - Business Segments (cont'd)

B. Operating segment data (cont'd):

	Fertilizers				Industrial products	Performance products	Other activities	Eliminations	Consolidated
	Potash	Phosphate	Eliminations	Total					
	Audited								
	US$ thousands								
Year 2012:*									
Sales to external parties	1,964,741	1,568,944	-	3,533,685	1,401,645	1,406,626	129,477	-	6,471,433
Inter-segment sales	233,587	158,151	(119,544)	272,194	15,778	65,491	49,907	(403,370)	-
Total sales	2,198,328	1,727,095	(119,544)	3,805,879	1,417,423	1,472,117	179,384	(403,370)	6,471,433
Income from ordinary activities	996,491	162,419	(88)	1,158,822	217,336	179,256	630	-	1,556,044
Unallocated expenses and intercompany eliminations									(2,412)
Operating income									1,553,632
Financing expenses									(72,097)
Financing income									11,203
Share in income of Investee companies accounted for using the equity method of accounting, net of tax									26,555
Income before taxes on income									1,519,293
Capital expenditures	428,474	151,235	-	579,709	138,488	52,944	7,798	-	778,939
Unallocated capital expenditures									677
Total capital expenditures									779,616
Depreciation and amortization	110,217	101,393	-	211,610	61,998	42,451	5,614	-	321,673
Unallocated depreciation and									838
Total depreciation and amortization									322,511

* Restated – retroactive application – see Note 3B

Note 5 – Financial Instruments

A. Fair value of financial instruments

The Group's financial instruments include mainly, cash and cash equivalents, short-term investments, deposits and loans, receivables and debit balances, long-term investments and receivables, short-term credit, creditors and credit balances, long-term loans and other liabilities; and derivative financial instruments.

Due to their nature, the fair value of the financial instruments included in the working capital of the Group is generally identical or approximates the value, according to which they are stated in the accounts. The fair value of the long-term deposits and receivables and the long-term liabilities also approximates their stated value, since these financial instruments bear interest at a rate which approximates the accepted market rate of interest.

The following table shows in detail the book value and the fair value of financial instrument groups presented in the financial statements not in accordance with their fair value:

	March 31, 2013	
	Book value	Fair value
	US$ thousands	US$ thousands
Debentures bearing fixed interest:		
Marketable	339,339	354,591
Non-marketable	67,000	72,581
	406,339	**427,172**

B. Hierarchy of fair value

The following table presents an analysis of the financial instruments measured by fair value, using the valuation method.
The following levels were defined:
Level 1: Quoted (unadjusted) prices in an active market for identical instruments
Level 2: Observed data (directly or indirectly) not included in Level 1.

	March 31, 2013		
	Level 1	Level 2	Total
	US$ thousands	US$ thousands	US$ thousands
Securities held for trading purposes	44,235	-	44,235
Derivatives used for hedging, net	-	32,191	32,191
	44,235	**32,191**	**76,426**

Note 6 - Additional Information

1. On March 12, 2013, the Company's Board of Directors decided to distribute a dividend in the amount of $147 million (the net dividend, less the share of a subsidiary, amounts to $146.7 million), about $0.12 per share. The dividend was distributed, after the date of the report, on April 25, 2013.

2. Subsequent to the date of the report, on May 12, 2013, the Company's Board of Directors decided to distribute a dividend in the amount of $213 million (the net dividend, less the share of a subsidiary amount to $ 212.6 million), about $ 0.17 per share. The dividend will be distributed on June 20, 2013.

3. During the period of the report 6,633,574 options out of the 2010 Plan were exercised for 312,558 of the Company's ordinary shares. After exercise of the options, the Company's issued and paid-up share capital is 1,295,015,589 ordinary shares for NIS 1 par value.

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

ICL

Israel Chemicals Ltd.

Separate Interim Financial Information

In accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970

Condensed Financial Data

of the Company from the Condensed Consolidated Interim Financial Statements as at March 31, 2013 (Unaudited)

Condensed Financial Data of the Company from the Condensed Consolidated Interim Financial Statements as at March 31, 2013

Contents

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To: The shareholders of Israel Chemicals Ltd.

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

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970 of Israel Chemicals Ltd. (hereinafter – the Company), as at March 31, 2013 and for the three-month period then ended. The separate interim financial information is the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

Scope of Review

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

Conclusion

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

Somekh Chaikin
Certified Public Accountants (Isr.)

May 12, 2013

Condensed Details of Interim Financial Position as at

	March 31 2013 (Unaudited) US$ thousands	March 31 2012 (Unaudited) US$ thousands	December 31 2012 (Audited) US$ thousands
Current assets			
Cash and cash equivalents	50,766	59,907	57,901
Short-term investments and deposits	10,022	436	19,656
Investee companies - current account	951,007	** 881,481	** 700,910
Other receivables, including derivative instruments	9,188	2,908	4,248
Income tax refundable	58,766	47,075	10,439
Total current assets	1,079,749	991,807	793,154
Non-current assets			
Investments in investee companies	3,871,338	* 3,390,652	* 3,782,401
Long-term deposits and receivables	7,232	7,589	7,294
Loans to subsidiaries	570,000	570,000	570,000
Long-term derivative instruments	19,102	20,358	17,515
Deferred taxes, net	7,896	8,449	7,778
Property, plant and equipment	1,087	922	1,082
Total non-current assets	4,476,655	3,997,970	4,386,070
Total assets	5,556,404	4,989,777	5,179,224

*Restated – retroactive application – see Note 3

**Reclassified

	March 31 2013 (Unaudited) US$ thousands	March 31 2012 (Unaudited) US$ thousands	December 31 2012 (Audited) US$ thousands
Current liabilities			
Credit from banks and others	394,673	22,027	396,974
Credit from investee companies	501,401	** 558,353	** 431,828
Dividend payable	146,744	259,547	-
Other payables, including derivative instruments	27,582	36,515	44,940
Total current liabilities	1,070,400	876,442	873,742
Non-current liabilities			
Loans from investee companies	790,000	517,086	741,558
Debentures	164,349	428,433	161,708
Long-term derivative instruments	14,947	17,364	20,204
Employee benefits	17,686	16,141	17,006
Total non-current liabilities	986,982	979,024	940,476
Total liabilities	2,057,382	1,855,466	1,814,218
Equity			
Share capital	542,853	542,769	542,769
Share premium	133,633	101,485	101,501
Capital reserves	(22,403)	* 26,353	* 45,312
Retained earnings	3,105,052	* 2,723,817	* 2,935,537
Treasury shares	(260,113)	(260,113)	(260,113)
Total equity attributable to the owners of the Company	3,499,022	3,134,311	3,365,006
Total liabilities and equity	5,556,404	4,989,777	5,179,224

*Restated – retroactive application – see Note 3

**Reclassified

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

Approval date of the separate financial information: May 12, 2013.

The additional information attached to the condensed interim separate company financial information constitutes an integral part thereof.

Condensed Details of Interim Statements of Income

	For the three-month period ended		For the year ended
	March 31	March 31	December 31
	2013	2012	2012
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Financing income	12,691	5,960	18,480
Expenses			
General and administrative	15,547	11,821	43,814
Financing	19,427	11,719	43,219
	34,974	23,540	87,033
Income from investee companies, net	328,426	* 311,460	* 1,373,345
Income before taxes on income	306,143	293,880	1,304,792
Taxes on income	795	4,623	4,716
Income for the period attributed to the owners of the Company	305,348	289,257	1,300,076

*Restated – retroactive application – see Note 3

The additional information attached to the condensed interim separate company financial information constitutes an integral part thereof.

Condensed Details of Interim Other Comprehensive Income

	For the three-month period ended		For the year ended
	March 31	March 31	December 31
	2013	2012	2012
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Income for the period attributed to the owners of the Company	305,348	289,257	1,300,076
Components of other comprehensive income that will be recognized in future periods in the income statement:			
Change in fair value of derivatives used to hedge cash flows	1,078	(2,740)	(1,250)
Income tax on components of other comprehensive income	(269)	685	313
Other comprehensive income (loss) in respect of investee companies, net	(31,140)	*34,636	*6,103
Other comprehensive income (loss) for the period, net of tax	(30,331)	32,581	5,166
Total comprehensive income for the period attributed to the owners of the Company	275,017	321,838	1,305,242

*Restated – retroactive application – see Note 3

The additional information attached to the condensed interim separate company financial information constitutes an integral part thereof.

Condensed Details of Interim Cash Flows

	For the three-month period ended		For the year ended
	March 31 2013 (Unaudited) US$ thousands	March 31 2012 (Unaudited) US$ thousands	December 31 2012 (Audited) US$ thousands
Cash flows from operating activities			
Income for the period	305,348	*289,257	*1,300,076
Adjustments:			
Depreciation and amortization	128	87	430
Interest expenses, net	4,206	3,881	15,569
Gain from investee companies, net	(328,426)	*(311,460)	*(1,373,345)
Capital loss (gain) on sale of property, plant and equipment	-	12	(28)
Share based payment transactions	5,739	1,738	8,668
Revaluation of assets and liabilities denominated in foreign	2,672	(2,692)	5,828
Income tax expense	795	4,623	4,716
	(9,538)	(14,554)	(38,086)
Change in other receivables	(5,021)	(692)	(2,046)
Change in trade and other payables	(21,936)	(19,954)	(7,251)
Change in employee benefits	680	651	1,516
	(35,815)	(34,549)	(45,867)
Income tax paid	(47,927)	(40,345)	(147,799)
Interest received	61	364	760
Interest paid	-	(1,429)	(17,800)
Net cash used in operating activities related to the Company	(83,681)	(75,959)	(210,706)
Net cash provided by operating activities related to investee companies	207,046	230,516	1,019,588
Net cash provided by operating activities	123,365	154,557	808,882
Cash flows from investing activities			
Proceeds from realization of property, plant and equipment	-	24	64
Short term loans and deposits, net	1,712	-	(20,058)
Acquisition of property, plant and equipment	(133)	(1)	(504)
Net cash provided by (used in) investing activities related to the Company	1,579	23	(20,498)
Net cash used in investing activities related to investee companies	(250,097)	(34,511)	(13,532)
Net cash used in investing activities	(248,518)	(34,488)	(34,030)
Cash flows from financing activities			
Proceeds from exercise of options issued to employees	-	3,800	3,800
Dividend paid	-	-	(1,019,222)
Short-term credit from banks and others, net	-	(79)	107,929
Net cash provided by (used in) financing activities related to the Company	-	3,721	(907,493)
Net cash provided by (used in) financing activities related to investee companies	118,018	(133,908)	120,517
Net cash provided by (used in) financing activities	118,018	(130,187)	(786,976)
Net decrease in cash and cash equivalents	(7,135)	(10,118)	(12,124)
Cash and cash equivalents as at the beginning of the period	57,901	70,025	70,025
Cash and cash equivalents as at the end of the period	50,766	59,907	57,901

*Restated – retroactive application – see Note 3

The additional information attached to the condensed interim separate company financial information constitutes an integral part thereof.

Additional Information

1 - General

The separate interim financial information is presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) - 1970, and does not include all the information required by Regulation 9C and the 10th Addendum to the Securities Regulations (Periodic and Immediate Reports) - 1970 regarding the separate financial information of a corporation. The information should be read in conjunction with the separate financial information as at and for the year ended December 31, 2012 and in conjunction with the condensed consolidated interim financial statements as at March 31, 2013.

In this separate financial data –

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

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

A. The accounting principles in this condensed interim financial information are in accordance with the accounting principles detailed in the separate financial information as at December 31, 2012 except for that stated in Section B, below.

B. First time Application of New Accounting Standards

Amendment to IAS 19 "Employee Benefits" (hereinafter – "the Amendment"). Pursuant to the Amendment, costs in respect of past service are to be recognized immediately without reference to whether or not these benefits have vested. Calculation of the net financing income (expenses) will be made by multiplying the net defined benefit liability (asset) by the discount rate used to measure the defined benefit obligation. Accordingly, calculation of the actuarial gains or losses also changed. In addition, the Amendment changes the definitions of short-term employee benefits and of other long-term employee benefits, so that instead of determining the classification as short-term or long-term based on the date of eligibility, the classification will depend on the dates when the entity expects the benefits to be fully utilized.

The Amendment applies to annual periods beginning on January 1, 2013 and is to be applied retroactively (except for certain relief enumerated in the Amendment). Due to the Amendment, investments in investee companies and comprehensive income has been restated.

The impact of the above-mentioned Amendment on the financial statements is not material.

Additional Information to Separate Financial Data (cont'd)

3 - Material Relationships, Commitments and Transactions with Investee Companies

(a) On March 6, 2013, a dividend in the amount of $25 million was received from the subsidiary Mifalei Tovala.

(b) On March 10, 2013, a dividend in the amount of $40 million was received from the subsidiary Dead Sea Bromine.

(c) On March 11, 2013, dividends in the amounts of $80 million and $40 million were declared by the subsidiaries Dead Sea Works and Rotem Amfert Negev, respectively. The dividends were received after the date of the report, on April 13, 2013.

(d) On March 21, 2013, a dividend in the amount of $4.5 million was received from IDE (which is accounted for in the financial statements based on the equity method of accounting).

(e) After the date of the report, on May 9, 2013, a dividend in the amount of $38 million was declared by the subsidiary Dead Sea Bromine.

(f) After the date of the report, on May 12, 2013, dividends in the amounts of $190 million and $28 million were declared by the subsidiaries Dead Sea Works and Rotem Amfert Negev, respectively.

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

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

Regarding this matter, the members of management are:

Stefan Borgas, CEO
Asher Grinbaum, Deputy CEO and COO
Nissim Adar, CEO of ICL Industrial Products
Dani Chen, CEO of ICL Fertilizers
Avi Doitchman, Executive VP, CFO and Strategy
Eli Amit, Senior VP of Economics
Hezi Israel, VP Business Development and Strategy
Yakir Menashe, Senior VP Global Human Resources
Lisa Haimovitz, VP General Counsel and Company Secretary
Herzel Bar-Niv, VP of International Taxation
Amir Benita, VP Accounting
Osnat Sessler, VP of Investor Relations and Communications
Michael Hazan, VP Finance
Israel Dreyfuss, ICL Controller

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

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

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

In the annual report regarding the effectiveness evaluation of the internal controls on financial reporting and disclosure which was attached to the Periodic Report for the period ended December 31, 2012 (hereinafter – the last annual report regarding internal control) the Board of Directors and the management evaluated the Company's internal controls. Based on this evaluation, the Corporation's Board of Directors and management reached the conclusion that the said internal controls, as at December 31, 2012 were effective.

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

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

Date: May 12, 2013

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

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

I, Stefan Borgas, declare that:

1. I have examined the quarterly report of Israel Chemicals Ltd. (hereinafter – "the Corporation") for the first quarter of 2013 (hereinafter – "the Statements");

2. As far as I am aware, the Statements do not include a misrepresentation of a material fact and they do not lack a material fact that is required so that the representations included therein, in light of the circumstances in which such representations were included, will not be misleading with reference to the period covered by the Statements;

3. As far as I am aware, the financial statements and other financial information included in the Statements properly reflect, in all material respects, the Corporation's financial position, results of operations and cash flows as at the dates and for the periods to which the Statements relate;

4. I have disclosed to the Corporation's auditors, Board of Directors and Audit and Financial Statements Committees, based on my most up-to-date estimation with respect to the internal control over the Corporation's financial reporting and disclosure:

A) All the significant deficiencies and weaknesses in determination or operation of the internal control over the financial reporting and disclosure that might reasonably have an unfavorable impact on the Corporation's ability to gather, process, summarize or report financial information in such a manner that could cause doubt with respect to the reliability of the financial report and preparation of the financial statements in accordance with the provisions of law;

and –

B) Every fraud, whether or not significant, wherein the CEO is involved or a party under his direct supervision or other employees are involved that have a significant function in the internal control over the financial reporting and disclosure;

5. I, alone or together with others in the Corporation:

A) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, which are designed to ensure that significant information relating to the Corporation including subsidiaries as defined in the Securities Law (annual financial statements), 2010, is brought to my attention by others in the Corporation and subsidiaries, particularly during the period of preparation of the Statements; and –

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

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

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

Date: May 12, 2013

Stefan Borgas
Chief Executive Officer

Declaration of the most senior officer in the finance area in accordance with Regulation 38C(d)(2):

I, Avi Doitchman, declare that:

1. I have examined the financial statements and other financial information included in the interim financial statements of Israel Chemicals Ltd. (hereinafter – "the Corporation") for the first quarter of 2013 (hereinafter – "the Statements or the Interim Statements");

2. As far as I am aware, the interim financial statements and the other financial information included in the Interim Statements do not include a misrepresentation of a material fact and they do not lack a material fact that is required so that the representations included therein, in light of the circumstances in which such representations were included, will not be misleading with reference to the period covered by the Statements;

3. As far as I am aware, the interim financial statements and other financial information included in the Statements properly reflect, in all material respects, the Corporation's financial position, results of operations and cash flows as at the dates and for the periods to which the Statements relate;

4. I have disclosed to the Corporation's Auditors, Board of Directors and Audit and Financial Statements Committees, based on my most up-to-date estimation with respect to the internal control over the Corporation's financial reporting and disclosure:

A) All the significant deficiencies and material weaknesses in determination or operation of the internal control over the financial reporting and disclosure to the extent it relates to the interim financial statements and the other financial information included in the interim Statements, which could reasonably have an adverse impact on the Corporation's ability to gather, process, summarize or report financial information in such a manner that could cause doubt with respect to the reliability of the financial report and preparation of the financial statements in accordance with the provisions of law; and –

B) Every fraud, whether or not significant, wherein the CEO is involved or a party under his direct supervision or other employees are involved that have a significant function in the internal control over the financial reporting and disclosure;

5. I, alone or together with others in the Corporation:

A) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, which are designed to ensure that significant information relating to the Corporation including subsidiaries as defined in the Securities Law (annual financial statements), 2010 is brought to my attention by others in the Corporation and subsidiaries particularly during the period of preparation of the Statements; and –

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

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

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

Date: May 12, 2013

Avi Doitchman
Executive VP, CFO and Strategy