

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

September 9, 2009

Israel Chemicals Ltd.
("The Company")
Shelf Offering Memorandum

In accordance with the shelf offering of the Company published on August 9, 2009 under which, inter alia, Debentures (Series B) and Debentures (Series C), which were issued on April 30, 2009, were listed for trading ("**the existing debentures**") ("**the Shelf Offering**"), and pursuant to the provisions of the Securities (Shelf Offering of Securities) Regulations, 5765-2005 and the provisions of the Securities (Method of Offering Securities to the Public) Regulations, 5767-2007 ("**the Offering Method Regulations**"), the Company hereby publishes a Shelf Offering Memorandum for issuance and listing on the Tel Aviv Stock Exchange Ltd. ("**the TASE**") for the securities stated below ("**the Shelf Offering Memorandum**").

The terms in this Shelf Offering Memorandum will have the meaning given to them in the Shelf Prospectus, unless otherwise noted. It is clarified that in the event of any contradiction between the provisions in this Shelf Offering Memorandum in respect of Debentures (Series B) and/or Debentures (Series C) and the Shelf Prospectus, the provisions in the Shelf Prospectus will prevail. In the event of any contradiction between the provisions in the Shelf Offering Memorandum and the provisions in the Shelf Prospectus in respect of Debentures (Series D), the provisions in the Shelf Offering Memorandum will prevail.

Debentures (Series B) and Debentures (Series C)) offered under this Shelf Offering Memorandum are included in the Shelf Prospectus as part of the option for expansion of the existing debenture series at a par value of up to NIS 2,000,000,000 for each series. Debentures (Series D) offered under this Shelf Offering Memorandum are included in the Shelf Prospectus as part of the option to issue up to six series of Debentures (Series D to I) at a par value of up to NIS 2,000,000,000 for each series, bearing interest (or without interest) and linkage differences (or without linkage differences).

This Shelf Offering Memorandum is the first Shelf Offering Memorandum since the publication of the Shelf Prospectus.

1. The offered securities

- 1.1. A. Up to NIS 630,000,000 registered par value Debentures (Series B) ("**Debentures (Series B)**"), of NIS 1 par value each, offered by way of the expansion of the series of the Debentures (Series B) in circulation issued on April 30, 2009 ("**Debentures (Series B) in circulation**") and listed for trading under the Shelf Prospectus. Debentures (Series B), bear annual interest of 5.25%, unlinked (principal and interest) to any index or currency, and the principal of the Debentures (Series B) is payable (principal) in one installment on October 31, 2013. The interest on the Debentures (Series B) will be payable semi-annually, on October 31st of each of the years 2009 to 2013 and on April 30th of each of the years 2010 to 2013. The interest rate for each interest period for Debentures (Series B) is 2.625%, with the exception of the first interest period, which is 6.24%. The first interest payment will be made on October 31, 2009. The final interest payment will be made on October 31, 2013 together with the final principal payment and against delivery of the Debenture (Series B) to the Company.
- B. An additional quantity of up to NIS 94,500,000 par value Debentures (Series B), which the Company is entitled, by the end of the first business day after the public allocation of Debentures (Series B) and no later than their date of listing, to allocate to the classified investors who made a prior commitment. For details see section 2.1.4.1 below.
- C. An additional quantity of up to NIS 94,500,000 par value Debentures (Series B), which the Company is entitled to allocate to all subscribers in the tender in the cases and under the conditions stated in section 2.1.4.2 below.
- D. The conditions of Debentures (Series B) that are offered under this Shelf Offering Memorandum are the same as the conditions of Debentures (Series B) in circulation. The Debentures (Series B) that will be issued under this Shelf Offering Memorandum (from the

date of issue) will constitute, as of the date of their issuance, a single series for all intents and purposes together with the Debentures (Series B) in circulation.

- E. Pursuant to the Shelf Offering, the trustee of Debentures (Series B) is Hermetic Trust Services (1975) Ltd.¹
- 1.2. A. Up to NIS 120,000,000 registered par value Debentures (Series C) ("**Debentures (Series C)**"), of NIS 1 par value each, offered by way of the expansion of the series of Debentures (Series C) in circulation issued on April 30, 2009 ("**Debentures (Series C) in circulation**") and listed for trading under the Shelf Prospectus. Debentures (Series C), bear variable annual Libor interest plus 2.4% linked (principal and interest) to the dollar. The principal of the Debentures (Series C) will be payable in one installment on October 31, 2013. The interest on the Debentures (Series C) will be payable semi-annually, on October 31st of each of the years 2009 to 2013 and on April 30th of each of the years 2010 to 2013. The interest rate for the first interest period of the Debentures (Series C) is 2.003%. The first interest payment for Debentures (Series C) will be paid on October 31, 2009. The final interest payment will be paid on October 31, 2013 together with the final principal payment and against delivery of Debenture (Series C) to the Company.
- B. An additional quantity of up to NIS 18,000,000 par value Debentures (Series C), which the Company is entitled, by the end of the first business day after the public allocation of Debentures (Series C) and no later than their date of listing, to allocate to the classified investors who made a prior commitment. For details see section 2.2.4.1 below.
- C. An additional quantity of up to NIS 18,000,000 par value Debentures (Series C) to which the Company is entitled to allocate to all subscribers in the tender in the cases and under the conditions stated in section 2.2.4.2 below.
- D. The conditions of Debentures (Series C) that are offered under this Shelf Offering Memorandum are the same as the conditions of Debentures (Series C) in circulation. The Debentures (Series C) that will be issued under this Shelf Offering Memorandum (from the date of issue) will constitute, as of the date of their issuance, a single series for all intents and purposes together with Debentures (Series C) in circulation.
- E. Pursuant to the Shelf Offering, the trustee of Debentures (Series C) is Hermetic Trust Services (1975) Ltd.
- 1.3. A. Up to NIS 100,000,000 registered par value Debentures (Series D) ("**Debentures (Series D)**"), of NIS 1 par value each. The Debentures (Series D) bear variable annual Telbor interest, as defined in section 4.3 below, plus the margin that will be set in the tender, which will not exceed 1.45% annually. The principal and interest of the Debentures (Series D) are unlinked to the CPI or any other index or currency. The principal of the Debentures (Series D), will be payable in one installment on October 31, 2014. The interest on the Debentures (Series D) will be paid quarterly, on January 31st of each of the years 2010 to 2014 and on April 30th of each of the years 2010 to 2014, and on July 31st of each of the years 2010 to 2014 and on October 31st of each of the years 2010 to 2014, for the three months period ending on each payment date as described in section 4.3.2 below, with the exception of the first interest payment, which will be paid on January 31, 2010 for the period commencing on the payment day of the Debentures (Series D) and ending on January 31, 2010, based on 365 days a year, according to the number of days in the aforesaid period. The last installment of the interest will be paid on October 31, 2014 together with the payment of the principal and against the delivery of the Debentures (Series D) to the Company.
- B. An additional quantity of up to NIS 15,000,000 par value Debentures (Series D), which the Company is entitled, by the end of the first business day after the public allocation of Debentures (Series D) and no later than their date of listing, to allocate to the classified investors who made a prior commitment. For details see section 2.3.4.1 below.

¹ The contact details of Hermetic Trust Services (1975) Ltd. are as follows: 113 Hayarkon Street, Tel Aviv, Israel; tel: 972-3-5274867; fax: 972-3-5271736. The contact person of the Trustee is Adv. Dan Avnon; email: hermetic@hermetic.co.il.

C. An additional quantity of up to NIS 15,000,000 par value Debentures (Series D), which the Company is entitled to allocate to all subscribers in the tender in the cases and under the conditions stated in section 2.3.4.2 below.

D. Pursuant to the Shelf Offering, the trustee of Debentures (Series D) is Clal Finance Trust 2007 Ltd.²

It is clarified that the total volume of the debentures allocated under this Shelf Offering Memorandum (including the additional allocation as described in sections 2.1.4, 2.2.4 and 2.3.4 below) in all of the series together (Series B, Series C and Series D) will not exceed a par value of NIS 1 billion.

Debentures (Series B), Debentures (Series C) and Debentures (Series D) will be referred to jointly as: **"the offered securities"**.

The dealer manager (as defined in section 2.5.1.1 of the Shelf Prospectus) is Poalim I.B.I Underwriting and Issuing Ltd. (**"the dealer manager"**).

2. Offering method for the securities

2.1. Debentures (Series B)

2.1.1. General

NIS 630,000,000 par value Debentures (Series B) offered to the public in 630,000 units (**"the unit"** or **"the units"**, as the case may be), by way of a tender for the unit price (**"the Series B tender"**). The composition of each unit and its minimum price will be as follows:

	Minimum price
NIS 1,000 par value Debentures (Series B) offered at 103.1% of their par value	NIS 1,031
Minimum price per unit	NIS 1,031

The unit price that will be set in the tender as aforesaid in this section will be no less than NIS 1,031 per unit (**"the minimum price"**).

2.1.2. The tender for the unit price

2.1.2.1. Subscription list

The subscription list for purchasing the Debentures (Series B) offered to the public by way of a tender on the unit price will open on September 10, 2009 (**"the submission day for subscriptions (Series B)"**) at 12:00 noon (**"the opening time for subscriptions (Series B)"**), at least five (5) trading hours following the publication date of the Shelf Offering Memorandum, and will close on the same day at 16:30 (**"the closing time for subscriptions (Series B)"**) or **"the tender day for Series B"**, as the case may be).

2.1.2.2. Submitting subscriptions

Subscriptions to purchase the units in the Series B tender will be submitted to the Company through the dealer manager or through bank branches or other members of the TASE (**"the TASE members"**) no later than the closing time for the subscriptions (Series B), on forms available from the TASE members.

A subscription received by TASE members after the closing time for the subscriptions (Series B) or which is received by the dealer manager more than two hours after the closing time for subscriptions (Series B), will not be accepted by the Company.

² The contact details of Clal Finance Trust 2007 Ltd. are as follows: 37 Menachem Begin Avenue, Tel Aviv, 67137; tel: 972-3-6274848; fax: 972-3-6274849; email: trustees@clal-fin.co.il; contact person: Adv. Yuval Likver.

The TASE members will forward the subscriptions in closed envelopes, which will be kept closed until after the aforementioned the closing time for the subscriptions, and which the dealer manager will place in a closed and locked box (including subscriptions submitted through the dealer manager), until up to two hours after the closing time for subscriptions (Series B).

Each subscriber will state on its subscription the number of units it wishes to purchase, and the unit price it proposes, which will be not less than the minimum price.

A subscription stating a price lower than the minimum price will be cancelled, and will be regarded as a subscription that was not submitted.

Subscriptions can be submitted for the purchase of whole units only. A subscription submitted for any fraction of a unit will be considered as a subscription submitted only for the whole number of units stated in it, and any fraction of a unit stated in it will be considered as if not included from the outset. A subscription in which the number of units stated is less than one whole unit, will not be accepted.

Each subscriber may submit up to three applications at different prices, provided the stated price margins for the unit will be NIS 1, such that the first possible price increment for units above the minimum price is NIS 1,032, followed by NIS 1,033, NIS 1,034 and so on. The unit price in an application, which is not equal to one of the price increments, will be rounded down to the nearest price increment.

For the matter of this section, “**subscriber**” – together with a relative who resides with him, as well as a classified investor as described in the Offering Method Regulations, who has made a prior commitment to purchase units as stated in section 3.1 below.

Subscriptions to purchase the units are irrevocable. Each subscriber will be considered as having undertaken, in its subscription, to purchase the units that will be allocated as a result of full or partial acceptance of its subscription in accordance with the terms of the Shelf Offering Memorandum, and will be regarded as obligated to pay the full consideration of the units, as the case may be, to which it is entitled in accordance with the terms of the Shelf Offering Memorandum.

TASE members will be liable and obligated towards the Company and towards the dealer manager, for payment of the full consideration payable to the Company in respect of the subscriptions submitted through them and which were accepted, in whole or in part.

2.1.3. Tender proceedings for Series B

2.1.3.1. Opening the envelopes

Two hours after the closing time for subscriptions (Series B), the box of subscriptions will be opened and the envelopes will be opened, in the presence of the Company's auditor, who will oversee the proper conduct of the proceedings for the Series B tender.

For further details on the proceedings for the Series B tender, including the publication of its results and the payment dates of the proceeds, see sections 2.4 and 2.6 of the Shelf Prospectus.

2.1.3.2. Manner of allocation of the units

Every unit for which subscriptions to purchase are accepted in the tender, will be issued at a standard price (“**the standard selling price**”) that will be set according to the results of the Series B tender, and the units will be allocated in the following manner:

- A. If the total number of units for which subscriptions were submitted (including subscriptions received by classified investors who entered into a prior agreement with the Company), is less than the number of units offered to the public, all the subscriptions will be accepted in full. In this

case, the standard selling price will be the minimum price. The balance of units for which subscriptions were not received, will not be issued.

- B. If the total number of units for which subscriptions were submitted (including subscriptions received by classified investors who entered into a prior agreement with the Company), is equal to or exceeds the total number of units offered in this Offering Memorandum, the standard selling price will be equal to the highest selling price (and/or higher prices) at which subscriptions were submitted to purchase all the units offered to the public (including subscriptions submitted by classified investors).

The Company will accept subscriptions to purchase the units offered to the public, and the selling price of the units will be the standard selling price, and each subscriber will be considered to have committed, in its subscription, to purchase all the units that will be allocated as a result of acceptance of its subscription, where the units offered under this Offering Memorandum will be issued at the standard selling price in accordance with the following principles:

- (1) Subscriptions stating a selling price higher than the standard selling price will be accepted in full.
- (2) Subscriptions stating a selling price lower than the standard selling price will not be accepted.
- (3) Subscriptions stating the standard selling price will be accepted pro rata, so that each subscriber will receive, out of the units offered to the public that remain for distribution, after the allocation in respect of subscriptions that state a selling price higher than the rate set as the standard selling price and after allocation of the units to which the classified investors who made a prior agreement with the Company are entitled, a portion prorated to the number of units included in the subscription it submitted which states the standard selling price, and the total number of units included in all the subscriptions which stated the standard selling price, less subscriptions which were submitted by classified investors who stated the standard selling price, rounded up to the nearest whole unit. Fractions generated as a result of an allocation made as aforesaid in this section, if generated, will be purchased by the dealer manager. The allocation to classified investors will be made as stated in section 3 below.

2.1.4. Additional allocation following the Series B tender

2.1.4.1. Additional allocations to classified investors

- A. The Company is entitled, by the end of the first business day after the allocation to the public of Debentures (Series B) and no later than their date of listing, to allocate to the classified investors who made a prior commitment, an additional quantity of Debentures (Series B) of up to NIS 94,500,000 par value Debentures (Series B) (up to 15% of the quantity offered under this Offering Memorandum) ("**the additional allocation to classified investors**"). Criteria for the additional allocation: each classified investor who submitted a prior commitment will be allocated a number of securities pro rata to its commitment out of all the commitments.
- B. The additional allocation to classified investors will be of units in the same composition as the units for which a prior commitment was given
- C. The additional allocation to classified investors will be made at the same price that units of Debentures (Series B) were allocated to the public.
- D. A classified investor will not be allocated securities in a total quantity exceeding the quantity stated in the prior commitment it submitted.
- E. Unless the classified investors stated otherwise, the prior commitment of the classified investors will be regarded as their consent to an allocation of up to the full number of the securities they subscribed for, and accordingly, the Company will be entitled to make an additional allocation as aforesaid to classified investors who entered into a prior agreement

with the Company and who stated a price in the subscriptions they submitted which is equal to the standard selling price or higher than the standard selling price (as the case may be), without approaching those classified investors a second time, provided the additional allocation is made according to the criteria described in section A above.

- F. In cases where a classified investor, one or more, notes that it does not wish to participate in an additional allocation as described in this section above, then the securities to which such an investor is entitled under this section 2.5.4.1 will be allocated to other classified investors, and the terms in this section will apply to their allocation.

2.1.4.2. Additional allocation to all subscriber

In addition to the provisions of section 2.5.4.1 above, in a case of oversubscription, as defined in the Offering Method Regulations, the Company is entitled to allocate to all the subscribers who submitted subscriptions at the standard selling price or at a higher price, an additional number of up to NIS 94,500,000 par value Debentures (Series B) (up to 15% of the number offered under this Offering Memorandum), which will be allocated in accordance with section 2.1.3.2 above, mutatis mutandis.

2.2. Debentures (Series C)

2.2.1. General

NIS 120,000,000 par value Debentures (Series C) offered to the public in 120,000 units (“**the unit**” or “**the units**”, as the case may be), by way of a tender for the unit price (“**the Series C tender**”). The composition of each unit and its minimum price will be as follows:

	Minimum price
NIS 1,000 par value Debentures (Series C) offered at 91.3% of their par value	NIS 913
The minimum price per unit	NIS 913

The unit price that will be set in the tender as aforesaid in this section will be no less than NIS 913 per unit (“**the minimum price**”).

2.2.2. The tender for the unit price

2.2.2.1. Subscription list

The subscriptions for purchasing the Debentures (Series C) offered to the public by way of a tender on the unit price will open on September 10, 2009 (“**the submission day for subscriptions (Series C)**”) at 12:00 noon (“**the opening time for subscriptions (Series C)**”), at least five (5) trading hours following the publication date of the Shelf Offering Memorandum, and will close on the same day at 16:30 (“**the closing time for subscriptions (Series C)**” or “**the tender day for Series C**”, as the case may be).

2.2.2.2. Submitting subscriptions

Subscriptions to purchase the units in the Series C tender will be submitted to the Company through the dealer manager or through bank branches or other members of the TASE (“**TASE members**”), no later than the closing time for subscriptions (Series C), on forms available from TASE members.

A subscription received by TASE members after the closing time for the subscriptions (Series C) or which is received by the dealer manager more than two hours after the closing time for subscriptions (Series C), will not be accepted by the Company.

TASE members will forward the subscriptions in closed envelopes, which will be kept closed until after the aforementioned closing time for the subscriptions, and which the dealer manager will place in a closed and locked box (including subscriptions submitted through the dealer manager), until up to two hours after the closing time for subscriptions (Series C).

Each subscriber will state on its subscription the number of units it wishes to purchase, and the unit price it proposes, which will be not less than the minimum price.

A subscription stating a price lower than the minimum price will be void, and will be regarded as a subscription that was not submitted.

Subscriptions can be submitted for the purchase of whole units only. A subscription submitted for any fraction of a unit will be considered as a subscription submitted only for the whole number of units stated in it, and any fraction of a unit stated in it will be considered as if not included from the outset. A subscription in which the number of units stated is less than one whole unit, will not be accepted.

Each subscriber may submit up to three applications at different prices, provided the stated price margins for a unit will be NIS 1, such that the first possible price increment for units above the minimum price is NIS 914, followed by NIS 915, NIS 916 and so on. The unit price in an application, which is not equal to one of the price increments, will be rounded down to the nearest price increment.

For the matter of this section, “**subscriber**” – together with a relative who resides with him, as well as a classified investor as described in the Offering Method Regulations, who has made a prior commitment to purchase units as stated in section 3.2 below.

Subscriptions to purchase the units are irrevocable. Each subscriber will be considered as having undertaken, in its subscription, to purchase the units that will be allocated as a result of full or partial acceptance of its subscription in accordance with the terms of this Shelf Offering Memorandum, and will be regarded as obligated to pay the full consideration of the units, as the case may be, to which it is entitled in accordance with the terms of this Shelf Offering Memorandum.

TASE members will be liable and obligated towards the Company and towards the dealer manager, for payment of the full consideration due to the Company in respect of the subscriptions submitted through them and which were accepted, in whole or in part.

2.2.3. Tender proceedings for Series C

2.2.3.1. Opening the envelopes

Two hours after the closing time for the subscriptions (Series C), the box of subscriptions will be opened and the envelopes will be opened, in the presence of the Company's auditor, who will oversee the proper conduct of the proceedings for the Series C tender.

For further details on the proceedings for the Series C tender, including the publication of its results and the payment dates of the proceeds, see sections 2.4 and 2.6 of the Shelf Prospectus.

2.2.3.2. Manner of allocation of the units

Every unit for which subscriptions to purchase are accepted in the Series C tender, will be issued at a standard price (“**the standard selling price**”) that will be set according to the results of the Series C tender, and the units will be allocated in the following manner:

- A. If the total number of units for which subscriptions were submitted (including subscriptions received by classified investors who entered into a prior agreement with the Company), is less than the number of units offered to the public, all the subscriptions will be accepted in full. In this case, the standard selling price will be the minimum price. The balance of units for which subscriptions were not received, will not be issued
- B. If the total number of units for which subscriptions were submitted (including subscriptions received by classified investors who entered into a prior agreement with the Company), is equal to or exceeds the total

number of units offered in this Offering Memorandum, the standard selling price will be equal to the highest selling price (and/or higher prices) at which subscriptions were submitted to purchase all the units offered to the public (including subscriptions submitted by classified investors).

The Company will accept subscriptions to purchase the units offered to the public, and the selling price of the units will be the standard selling price, and each subscriber will be considered to have committed, in its subscription, to purchase all the units that will be allocated as a result of acceptance of its subscription, where the units offered under this Offering Memorandum will be issued at the standard selling price in accordance with the following principles:

- (1) Subscriptions stating a selling price higher than the standard selling price will be accepted in full.
- (2) Subscriptions stating a selling price lower than the standard selling price will not be accepted.
- (3) Subscriptions stating the standard selling price will be accepted pro rata, so that each subscriber will receive, out of the units offered to the public that remain for distribution, after the allocation in respect of subscriptions that state a selling price higher than the rate set as the standard selling price and after allocation of the units to which the classified investors who made a prior agreement with the Company are entitled, a portion prorated to the number of units included in the subscription it submitted which states the standard selling price, and the total number of units included in all the subscriptions which stated the standard selling price, less subscriptions which were submitted by classified investors who stated the standard selling price, rounded up to the nearest whole unit. Fractions generated as a result of an allocation made as aforesaid in this section, if generated, will be purchased by the dealer manager. The allocation to classified investors will be made as stated in section 3 below.

2.2.4. Additional allocation following the Series C tender

2.2.4.1. Additional allocations to classified investors

- A. The Company is entitled, by the end of the first business day after the allocation to the public of Debentures (Series C) and no later than their date of listing, to allocate to the classified investors who made a prior commitment, an additional quantity of Debentures (Series C) of up to NIS 18,000,000 par value Debentures (Series C) (up to 15% of the quantity offered under this Offering Memorandum) ("**the additional allocation to classified investors**"). Criteria for the additional allocation: each classified investor who submitted a prior commitment will be allocated a number of securities pro rata to its commitment out of all the commitments.
- B. The additional allocation to classified investors will be of units in the same composition as the units for which a prior commitment was given
- C. The additional allocation to classified investors will be made at the same price that units of Debentures (Series C) were allocated to the public.
- D. A classified investor will not be allocated securities in a total quantity exceeding the quantity stated in the prior commitment it submitted.
- E. Unless the classified investors stated otherwise, the prior commitment of the classified investors will be regarded as their consent to an allocation of up to the full number of the securities they subscribed for, and accordingly, the Company will be entitled to make an additional allocation as aforesaid to classified investors who entered into a prior agreement with the Company and who stated a price in the subscriptions they submitted which is equal to the standard selling price or higher than the standard selling price (as the case may be), without approaching those classified investors a second time, provided the additional allocation is made according to the criteria described in section A above.

A subscription in which the proposed margin is higher than the maximum margin, will be cancelled and will be considered not to have been submitted.

Subscriptions can be submitted for the purchase of whole units only. A subscription submitted for any fraction of a unit will be considered as a subscription submitted only for the whole number of units stated in it, and any fraction of a unit stated in it will be considered as if not included from the outset. A subscription in which the number of units stated is less than one whole unit, will not be accepted.

Each subscriber may submit up to three applications at different rates, provided the rates one of the margins stated in these subscriptions is 0.05%, such that the first possible increment for subscribing for units below the maximum margin is 1.40%, followed by 1.35%, 1.30% and so on. A margin stated in a subscription which is not equal to one of the interest increments, will be rounded up to the nearest interest increment.

For the matter of this section, “**subscriber**” – together with a relative who resides with him, as well as a classified investor as described in the Offering Method Regulations, who has made a prior commitment to purchase units as stated in section 3.3 below.

Subscriptions to purchase the units are irrevocable. Each subscriber will be considered as having undertaken, in its subscription, to purchase the units that will be allocated as a result of full or partial acceptance of its subscription in accordance with the terms of this Shelf Offering Memorandum, and will be regarded as obligated to pay the full consideration of the units, as the case may be, to which it is entitled in accordance with the terms of this Shelf Offering Memorandum.

TASE members will be liable and obligated towards the Company and towards the dealer manager, for payment of the full consideration payable to the Company in respect of the subscriptions submitted through them and which were accepted, in whole or in part.

2.3.3. Proceedings for the Series D tender

2.3.3.1. Opening the envelopes

Two hours after the closing time of the subscriptions (Series D), the box of subscriptions will be opened and the envelopes will be opened, in the presence of the Company's auditor, who will oversee the proper conduct of the proceedings for the Series D tender.

For further details on the proceedings for the Series D tender, including publication of its results and the payment dates of the proceeds, see sections 2.4 and 2.5 of the Shelf Prospectus.

2.3.3.2. Manner of allocation of the units

Every unit for which subscriptions to purchase are accepted in the Series D tender, will bear a standard margin (“**the standard margin**”) that will be set according to the results of the Series D tender, and the units will be allocated in the following manner:

- A. If the total number of units for which subscriptions were submitted (including subscriptions received by classified investors who entered into a prior agreement with the Company), is less than the number of units offered to the public, all the subscriptions will be accepted in full. In this case, the standard margin will be the maximum margin. The balance of units for which subscriptions were not received, will not be issued
- B. If the total number of units for which subscriptions were submitted (including subscriptions received by classified investors who entered into a prior agreement with the Company), is equal to or exceeds the total number of units offered in this Offering Memorandum, the standard margin will be equal to the lowest margin (and/or lower margins) at which

subscriptions were submitted to purchase all the units offered to the public (including subscriptions submitted by classified investors).

The Company will accept subscriptions to purchase the units offered to the public. The debentures will bear the standard margin and each subscriber will be considered to have committed, in its subscription, to purchase all the units that will be allocated as a result of acceptance of its subscription, where the units offered under the Series D tender bear the standard margin, in accordance with the following principles:

- (1) Subscriptions stating a lower margin than the standard margin – will be accepted in full.
 - (2) Subscriptions stating a higher margin than the standard margin – will not be accepted.
 - (3) Subscriptions stating the standard margin will be accepted pro rata, so that each subscriber will receive, out of the units offered to the public that remain for distribution, after the allocation in respect of subscriptions that state a margin that is lower than the margin set as the standard margin and after allocation of the units to which the classified investors who made a prior agreement with the Company are entitled, a portion prorated to the number of units included in the subscription it submitted which states the standard margin, and the total number of units included in all the subscriptions which stated the standard margin, less subscriptions which were submitted by classified investors who stated the standard margin, rounded up to the nearest whole unit. Fractions generated as a result of an allocation made as aforesaid in this section, if generated, will be purchased by the dealer manager. The allocation to classified investors will be made as stated in section 3 below.
- C. If according to the allocation as described in subsection B above, minimum distribution of debentures from any series as provided in section 2.5 below is not achieved, then the priority allocation to classified investors will be cancelled and all the subscriptions in the tender, including subscriptions of the classified investors, will be accepted as follows:
- (1) Subscriptions stating a lower margin than the standard margin – will be accepted in full.
 - (2) Subscriptions stating a higher margin than the standard margin – will not be accepted.
 - (3) Subscriptions stating the standard margin will be accepted pro rata, so that in respect of each subscription (including subscriptions received from classified investors), a portion prorated to the number of units included in the subscription (including subscriptions received from classified investors) and the total number of units included in all the subscriptions (including those received from classified investors) which state the standard margin, will be allocated out of the offered units less subscriptions accepted at a lower margin.
- D. If, as a result of an allocation as described in subsection (C) above, the minimum distribution requirements as provided in section 2.5 below are not met, then the Company will allocate units to all the subscribers, including classified investors who entered into a prior agreement with the Company, in the following manner:
- (1) Subscriptions stating a higher margin than the standard margin – will not be accepted.
 - (2) Subscriptions stating the standard margin or a lower margin (including subscriptions received from classified investors who entered into a prior agreement with the Company), will be accepted pro rata, so that in respect of each Subscription (including those submitted by

classified investors), a portion will be allocated, prorated to the number of units included in the subscription and the total number of units included in all the subscriptions (including those of classified investors) which state the standard margin or a lower rate.

- E. If as a result of an allocation of the units as described in subclause (D) above, the minimum distribution requirements as provided in section 2.5 below are not met, then the allocation will be made anew for the purpose of determining a new margin, which will not exceed the maximum margin and which will be different from the standard margin as aforesaid ("**the new standard margin**"). The new standard margin will be the lowest margin at which the offered units can be allocated in a way that will achieve the minimum distribution according to TASE directives as stated in section 2.5 below, provided that a subscriber will not be allocated more units than it subscribed for or at a lower margin than the margin it stated in its subscription. After the new standard margin is determined as aforesaid in this subsection, the allocation will be made in accordance with the provisions of subsection (D), and the term "the new margin" will replace the term "the standard margin".
- F. If, as a result of the allocation according to subsection (E) above, the minimum distribution requirements as provided in section 2.5 below are not met, the issuance will be cancelled and no monies will be collected from the subscribers. The Company's notice concerning cancellation of the issuance as aforesaid will be made in an Immediate Report and in a notice to be published by the Company in two (2) widely-circulated Israeli newspapers published in Hebrew.

2.3.4. Additional allocation following the Series D tender

2.3.4.1. Additional allocations to classified investors

- A. The Company is entitled, by the end of the first business day after the allocation to the public of Debentures (Series D) and no later than their date of listing, to allocate to the classified investors who made a prior commitment, an additional quantity of Debentures (Series D) of up to NIS 15,000,000 par value Debentures (Series D) (up to 15% of the quantity offered under this Offering Memorandum) ("**the additional allocation to classified investors**"). Criteria for the additional allocation: each classified investor who submitted a prior commitment will be allocated a number of securities pro rata to its commitment out of all the commitments.
- B. The additional allocation to classified investors will be of units in the same composition as the units for which a prior commitment was given
- C. The additional allocation to classified investors will be made at the standard margin or at the new standard margin, as the case may be.
- D. A classified investor will not be allocated securities in a total quantity exceeding the quantity stated in the prior commitment it submitted.
- E. Unless the classified investors stated otherwise, the prior commitment of the classified investors will be seen as their consent to an allocation of up to the full number of the securities they subscribed for, and accordingly, the Company will be entitled to make an additional allocation as aforesaid to classified investors who entered into a prior agreement with the Company and who stated a margin in the subscriptions they submitted which is equal to the standard margin (or the new standard margin, as the case may be), without approaching those classified investors a second time, provided the additional allocation is made according to the criteria described in section (A) above.
- F. In cases where a classified investor, one or more, notes that it does not wish to participate in an additional allocation as described in this section above, then the securities to which such an investor is entitled under this

section 2.3.4.1 will be allocated to other classified investors, and the terms in this section will apply to their allocation.

2.3.4.2. Additional allocation to all subscribers

In addition to the provisions of section 2.5.4.1 above, in a case of oversubscription, as defined in the offering method regulations, the Company is entitled to allocate to all the subscribers who submitted subscriptions at the standard margin or at the new standard margin, as the case may be, or at a lower margin, an additional number of up to NIS 15,000,000 par value Debentures (Series D) (up to 15% of the number offered under this Offering Memorandum), which will be allocated in accordance with section 2.3.3.2 above, mutatis mutandis.

2.4. Independent tenders

The tenders for the purchase of Debentures (Series B), Debentures (Series C) and Debentures (Series D) are separate tenders and they are not inter-dependent. If one of these tenders is cancelled, the debentures offered under that tender will not be issued, they will not be listed on the TASE and moneys for those debentures will not be collected from the subscribers, without prejudice to the validity of another tender.

2.5. Minimum distribution and value of public holdings

2.5.1. Pursuant to the TASE guidelines, the following provisions will apply in respect of the minimum distribution of public holdings, minimum value of public holdings and minimum equity:

- A. The minimum number of holders of the debentures, following public issue under this Offering Memorandum is no less than 35 and the minimum value of the holding of each holder is NIS 200,000.

The "holder" is defined in the TASE guidelines as a single holder whose holding is greater than the value of the aforesaid minimum holding or a joint holder together with others whose joint holdings are equal to or greater than the value of the aforesaid minimum holding.

- B. The value of public holdings following listing on the TASE will not be less than NIS 36 million.

2.5.2. If any of the requirements for listing on the TASE as stated in section 2.5.1 above are not met, then the issue of the Debentures (Series D) will be cancelled and the debentures will not be listed on the TASE. In the event of cancellation of the issuance as aforesaid, the Company will file an Immediate Report on the matter, and in addition it will publish a notice within three (3) business days from the date of the cancellation, in two (2) widely-circulated Israeli newspapers published in Hebrew.

3. Classified investors

3.1. Classified investors participating in the tender for unit price relating to Debentures (Series B)

Of the units offered to the public under the tender for unit price relating to Debentures (Series B), with respect to 500,000 units (which constitute 79.37% of the units offered to the public), prior commitments to purchase them were received from classified investors as defined in section 1 of the Method of Offering Regulations ("**classified investors**"), whose names are specified in this sub-section, below.

Details of the classified investors and details of their commitments relating to the purchase of Debentures (Series B):

<u>Name of classified investor</u>	<u>No of units</u>	<u>Price per unit</u>
A.S. Bartman Investments Ltd.	1058	9,000
Fidelity Ventures Ltd.	1055	3,000
A.S. Bartman Investments Ltd.	1052	9,600
Gaon Mutual Funds Management Ltd. - More	1051	9,000
Providence Fund of Haifa Municipality	1051	2,000
Israel Aerospace Industries Ltd. Workers' Association	1051	1,000
Rosario Underwriting Services (A.S) Ltd.	1045	2,600
A.S. Bartman Investments Ltd.	1044	12,000
Savings Fund for Permanent IDF Forces – Provident Funds Management Company Ltd.	1041	3,050
Barak Capital Investments Management Ltd.	1041	1,000
Gilad Comprehensive Pension Fund Ltd.	1041	3,800
Harel Provident Ltd.	1041	15,300
Harel Finance Trade and Securities Ltd.	1041	28,460
* Israel Brokerage and Investments (IBI) Ltd.	1040	4,000
Alumot-Sprint Mutual Funds Management Ltd.	1039	3,619
Gaon Mutual Funds Management Ltd. - Tamhil	1038	1,800
Edmund de Rothschild Debentures Rated A and above	1038	800
Provident Fund Management of Bank Discount Employees Ltd.	1037	10,000
Savings Fund of Permanent IDF Forces Ltd. - Harel	1037	1,525
Maor-Luski Ltd.	1037	2,768
Harel Finances Trade and Securities Ltd.	1037	14,230
Harel Provident Ltd.	1037	7,650
Gilad Comprehensive Pension Fund Ltd.	1037	1,900
Psagot Provident Funds Ltd.	1036	102,496
Delek Group Ltd.	1036	5,000
Bank Igud le-Israel Ltd. – Nostro	1036	10,000
Excellence Nessuah Mutual Funds Management Ltd.	1036	16,330
Altshuler-Shacham Ltd.	1035	1,000
Clal Finance Mutual Funds Management Ltd.	1035	7,500
Shomera Insurance Company Ltd.	1035	3,500
Yashir Investments House (Mutual Funds) Ltd.	1035	4,200
Menora Mivtachim Insurance Ltd.	1035	18,000
Menora Mivtachim Gemel Ltd.	1035	5,000
Menora Mivtachim Insurance Ltd. – Profit Sharing	1035	21,000
Yalin Lapidot Mutual Funds Management Ltd.	1033	1,250
Provident Management Funds of Bank Discount Employees Ltd.	1033	10,000
Yalin Lapidot Provident Fund Management Ltd.	1032	8,000

Name of classified investor	No of units	Price per unit
Mahog Ltd.	1032	2,000
Edmund de Rothschild Debentures Rated A and above	1032	850
Phoenix Insurance Investments and Finance Ltd.	1032	49,031
Israel Aerospace Industries Ltd.	1031	1,154
Medinol Ltd.	1031	2,309
Harel Provident Ltd.	1031	5,887
U-Bank Ltd.	1031	3,848
Gilad Comprehensive Pension Fund Ltd.	1031	1,462
Barak Capital Investments Management Ltd.	1031	2,309
Altshuler Provident Funds Ltd.	1031	36,637
Altshuler-Shacham Ltd.	1031	770
* Israel Brokerage and Investments, IBI Ltd	1031	10,005
Delek Group Ltd.	1031	1,539
Savings Fund of Permanent IDF Forces Ltd.	1031	1,174
A.S. Agach	1031	1,924
A.S. Investment Portfolio Lelo Menayot	1031	616
Harel Finances Trade and Securities Ltd.	1031	10,951
A.S. Sheklit	1031	3,078
A.S. Agach Haverot	1031	3,078
Total		500,000

* Classified entity related to distributors (see footnotes to section 9 below). Classified entities related to the distributors subscribed for a total of 14,005 units of Debentures (Series B), constituting 2.8% of the total number of units subscribed by classified investors.

The list of classified investors above does not include, to the best of the Company's knowledge, entities related to the interested parties in the Company.

3.2. Classified investors participating in the tender for unit price relating to Debentures (Series C)

Of the units offered to the public under the tender for unit price relating to Debentures (Series C), with respect to 95,040 units (which constitute 79.2% of the units offered to the public), prior commitments to purchase them were received from classified investors, whose names are specified in this sub section below.

Details of the classified investors and details of their commitments relating to the purchase of Debentures (Series C):

Name of Classified Investor	No of units	Price per unit
Gaon Mutual Funds Management Ltd. – Lelo Menayot - More	925	1,000
Haifa Municipality Employees Provident Funds	925	1,000
Altshuler-Shacham Ltd.	921	1,000
Fidelity Ventures Ltd.	916	878
Alumot-Sprint Mutual Funds Management Ltd.	915	1,888
Bank Igud le-Israel Ltd. – Nostro	915	10,000
Helman Aldoby Group	915	5,000
Excellence Nessuah Mutual Funds Management Ltd.	913	11,774
Yalin Lapidot Provident Fund Management Ltd.	913	30,000
Yalin Lapidot Mutual Funds Management Ltd.	913	3,000
Mehog Ltd.	913	6,000
Psagot Provident Funds Ltd.	913	23,500
Total		95,040

The list of classified investors above does not include, to the best of the Company's knowledge, entities related to the interested parties and/or distributors in the Company.

3.3. Classified investors participating in the tender for margin relating to Debentures (Series D)

Of the units offered to the public under the tender for margin relating to Debentures (Series D), with respect to 72,379 units (which constitute 72.379% of the units offered to the public), prior commitments to purchase them were received from classified investors, whose names are specified in this sub section below.

Details of the classified investors and details of their commitments relating to the purchase of Debentures (Series D):

<u>Name of classified investor</u>	<u>Margin</u>	<u>No of units</u>
Kibbutz Sasa Members Reserve Duty Fund Cooperative Society Ltd		800
Kibbutz Sasa	0.8	800
IBI Makam Plus – Mutual Fund	1	7,000
Israel Electric Company Ltd. Study Fund	1	2,000
Kibbutz Sasa Members Reserve Duty Fund Cooperative Society Ltd.	1.1	800
Kibbutz Sasa	1.1	800
Yalin-Lapidot Provident Fund Management Ltd.	1.2	3,000
Mechog Ltd.	1.2	2,000
Fidelity Venture Capital Ltd.	1.2	800
Yalin Lapidot Mutual Funds Management Ltd.	1.24	1,250
* IBI Noga – Mutual Fund	1.25	5,000
Alumot Sprint Mutual Funds Management Ltd.	1.3	2,284
Excellence Nessuah Mutual Funds Management Ltd.	1.3	10,000
Maor Luski Ltd.	1.3	1,445
Altshuler-Shacham Ltd.	1.4	1,000
* Dash (2B) Agach 20	1.4	800
* Dash (OA) Agach Havarot Matara Manof	1.4	800
* Dash (OB) Concerni Lelo Menayot	1.4	800
* Dash (OB) Tel Bond Lelo Menayot	1.4	800
* Dash (OO) Agach Meoozan Lelo Menayot	1.4	800
* Dash (OO) AA Bond Lelo Menayot	1.4	800
* Dash (OO) Nominal Bond	1.4	800
* Dash (OO) Variable Interest Shekel Bond	1.4	800
Psagot Securities Ltd. – For Provident Funds	1.4	1,000
Yalin Lapidot Provident Fund Management Ltd.	1.45	8,000
Yalin Lapidot Mutual Funds Management Ltd.	1.45	15,000
Mechog Ltd.	1.45	3,000
Total		72,379
18,400 units		

* Classified entity related to distributors (see footnotes to section 9 below). Classified entities related to the distributors subscribed for a total of 18,400 units of Debentures (Series D), constituting 25.42% of the total number of units subscribed by classified investors.

The list of classified investors above does not include, to the best of the Company's knowledge, entities related to the interested parties in the Company.

3.4. The classified investors will be entitled to prior commitment commissions with respect to the units for which the classified investors committed to subscribe, at 0.45% of the total proceeds for Debentures (Series B) calculated at the minimum price per unit; at 0.45% of the total proceeds

for Debentures (Series C) calculated at the minimum price per unit and at 0.45% of the total proceeds for Debentures (Series D).

- 3.5. Under the Method of Offering Regulations, in the event of oversubscription in a standard offering, the allocation to the classified investors will be as follows:

In this Section 3, "oversubscription" – the ratio of the number of securities for which subscriptions were submitted at the sale price or at the set margin, accordingly, to the number of securities remaining for distribution, provided it is more than one. The "number remaining for distribution" – the number of securities offered under this Shelf Offering Memorandum after deducting the number of securities for which subscriptions were submitted at a price exceeding the sale price or at a margin that is lower than the set margin, accordingly.

In the event of oversubscription, allocation to a classified investor, based on prior commitment, will be effected as follows:

- A. If the oversubscription is no more than five, each classified investor will be allocated one hundred percent (100%) of the number they undertook to purchase; if the oversubscription is more than five, each classified investor will be allocated fifty percent (50%) of the number they undertook to purchase.
- B. If the amount of units remaining for distribution is not sufficient for such allotment, as aforesaid in sub-section A above, then the amount of units remaining will be allotted to the classified investors pro rata to each prior commitment of the total prior commitments submitted at the same unit price or at the same margin, accordingly.
- 3.6. If there is no oversubscription, the subscriptions of the classified investors under the tender will be seen as subscriptions submitted by the public for the purpose of allocation of the securities to the subscribers.
- 3.7. Receipt of prior commitments from the classified investors and the response thereto under this section will be carried out in accordance with the principles set forth in the Method of Offering Regulations.
- 3.8. Classified investors may, by written notice to the dealer manager by the subscription list closing time on the tender day, change the unit price or margin, accordingly, noted in its commitment, provided that the unit price will be higher than the price noted in its subscription or that the margin will be lower than the margin noted in its subscription, accordingly.
- 3.9. Classified investors may, on the tender day, subscribe for a number of units greater than the number noted in their prior commitments to purchase units, however the extra units subscribed will not be deemed as subscriptions from classified investors in the matter of the Shelf Offering Memorandum, but as subscriptions submitted by the public.
- 3.10. Subscriptions submitted by classified investors will be deemed as subscriptions submitted by the public for the purpose of fixing the margin or the unit price, accordingly.
- 3.11. The classified investors are entitled to sell the securities included in the units allocated to them as of the date on which they are listed on the TASE and lock-up provisions will not apply to them.

4. Terms and conditions for the securities offered under this Shelf Offering Memorandum

4.1. Terms and conditions for Debentures (Series B)

- 4.1.1. Up to NIS 630,000,000 registered par value Debentures (Series B), ("**Debentures (Series B)**"), of NIS 1 par value each, are offered by way of the expansion of the series of Debentures (Series B) in circulation, which were issued on April 30, 2009 and listed under the Shelf Prospectus. Debentures (Series B), bearing annual interest at a rate of 5.25%, are not linked (principal and interest) to any index or currency, while the principal of Debentures (Series B) will be repayable in one single installment on October 31, 2013.
- 4.1.2. Interest on Debentures (Series B) will be paid twice annually, on October 31st of each of the years 2009 to 2013, and on April 30th of each of the years 2010 to 2013, for the six-month period ending on the aforesaid payment date. The interest rate for the entire interest period for Debentures (Series B) will be 2.625%, with the exception of the initial interest period, which will be 2.64%. The first interest payment will be made on October

31, 2009. The final interest payment will be made on October 31, 2013 together with the payment of the principal and against return of the debenture certificates to the Company.

- 4.1.3. Subject to the other conditions for Debentures (Series B), the Company will pay interest, as aforesaid, to whosoever is registered as the holder of the Debentures (Series B) at the end of the day on October 19th or end of the day on April 18th, of each year, accordingly, shortly prior to the payment date of that payment.
- 4.1.4. When the payment date on account of the principal amount and/or interest falls on a day that is not a business day, the payment date will be deferred to the first business day thereafter, without the addition of any interest or linkage.
- 4.1.5. Any payment on account of the principal amount and/or interest paid later than three (3) business days from the effective date for payment in accordance with the debentures, and for reasons within the Company's control, will bear interest in arrears as defined below, as of the effective date for payment and until the actual date of payment. In this matter, the rate of interest in arrears will be the maximum interest rate that is customarily payable at that time at Bank Leumi Ltd., on debit balances in current loan accounts or checking accounts in Israeli shekels, which do not have a valid credit facility, the higher of the two, and which will be calculated according to the number of actual days in arrears. To avoid all doubt, it is clarified that during the period of arrears, the amount in arrears will not bear interest as aforesaid in this section above.
- 4.1.6. The Debentures (Series B) are offered in this Shelf Offering Memorandum pursuant to the resolution of the Company's board of directors of September 9, 2009 and in accordance with the Deed of Trust between the Company and Hermetic Trust Services (1975) Ltd. that was signed on April 28, 2009 and amended on August 6, 2009.
- 4.1.7. For further details of the main conditions of the Debentures (Series B), see sections 2.14, 2.17 (with the exception of section 2.17.8.2) and 2.19 of the Shelf Prospectus.

4.2. Terms and conditions for Debentures (Series C)

- 4.2.1. Up to NIS 120,000,000 registered NIS 1 par value Debentures (Series C), are offered by way of the expansion of the series of Debentures (Series C) in circulation, which were issued on April 30, 2009 and listed under the Shelf Prospectus. Debentures (Series C), bearing variable annual interest at the Libor rate plus 2.4%, are linked (principal and interest) to the US dollar, while the principal of Debentures (Series C) will be repayable in one single installment on October 31, 2013.
- 4.2.2. Interest on Debentures (Series C) will be paid twice annually, on October 31st of each of the years 2009 through 2013, and on April 30th of each of the years 2010 through 2013. The interest rate for the initial interest period of the Debentures (Series C) will be 2.003%. The first interest payment for Debentures (Series C) will be made on October 31, 2009. The final interest payment will be made on October 31, 2013 together with the payment of the principal and against return of the debenture certificates to the Company.
- 4.2.3. Subject to the other conditions for Debentures (Series C), the Company will pay interest, as aforesaid, to whosoever is registered as the holder of the Debentures (Series C) at the end of the day on October 19th or the end of the day on April 18th, of each year, accordingly, shortly prior to the payment date of each payment.
- 4.2.4. When the payment date on account of the principal amount and/or interest falls on a day that is not a business day, the payment will be deferred to the first business day thereafter, without the addition of any interest or linkage.
- 4.2.5. Any payment on account of the principal amount and/or interest paid later than three (3) business days from the effective date for payment in accordance with the debentures, and for reasons within the Company's control, will bear interest in arrears as defined below, as of the effective date for payment and until the actual date of payment. In this matter, the rate of interest in arrears will be the maximum interest rate customarily payable at that time at Bank Leumi Ltd. on debit balances in current loan accounts or checking accounts in Israeli shekels, which do not have a valid credit facility, the higher of the two, based on the number of actual days in arrears. To remove all doubt, it is clarified that during the period of arrears, the amount in arrears will not bear interest as aforesaid in this section above.

- 4.2.6. The Debentures (Series C) are offered in this Shelf Offering Memorandum pursuant to the resolution of the Company's board of directors of September 9, 2009 and in accordance with the Deed of Trust between the Company and Hermetic Trust Services (1975) Ltd. that was signed on April 28, 2009 and amended on August 6, 2009.
- 4.2.7. For further details of the main conditions of the Debentures (Series C), see sections 2.15, 2.17 (with the exception of section 2.17.8.2) and 2.19 of the Shelf Prospectus

4.3. Terms and conditions for Debentures (Series D)

- 4.3.1. Up to NIS 100,000,000 registered NIS 1 par value Debentures (Series D). Debentures (Series D), bear variable annual interest at the Telbor interest rate, as defined below, for a period of three months, with the addition of the margin that will be determined in the tender, which will not exceed 1.45% annually. The principal and interest of the Debentures (Series D) are not linked to the consumer price index or any other index or currency. The principal of the Debentures (Series D) will be payable in one installment on October 31, 2014.

In the matter of this Shelf Offering Memorandum, "**Telbor interest**" (**the Tel Aviv Interbank Offered Rate**) means the interest rate on inter-bank Israeli shekel loans calculated according to the interest offered by a number of banks in Israel, for a period of three months, as quoted on the sampling day (if quoted on Mondays to Thursdays, at 13:00 or close thereto, and if quoted on Fridays, at 12.00 noon or close thereto) by Reuters. "**Sampling day**" with respect to the Telbor interest is the banking day that falls two (2) business days prior to the first day of the interest period. The Company will notify the debenture holders and the TASE, in an immediate report by the first business day of each interest period (as defined in section 4.3.2 below) of the Telbor interest rate on the sampling day, the interest rate for that interest period and the annual interest accordingly.

- 4.3.2. Interest on Debentures (Series D) will be paid quarterly, on January 31st of each of the years 2010 through 2014 (for the three month period commencing on November 1st preceding the date of each interest payment and ending on the payment date of the interest – in other words, on January 31st, inclusive), on April 30th of each of the years 2010 through 2014 (for the three months period commencing on February 1st preceding the date of each interest payment and ending on the payment date of the interest – in other words, on April 30th, inclusive), on July 31st of each of the years 2010 through 2014 (for the three month period commencing on May 1st preceding the date of each interest payment and ending on the payment date of the interest – in other words, on July 31st of that year, inclusive), and on October 31st of each of the years 2010 through 2014 (for the three month period commencing on August 1st preceding the date of each interest payment and ending on the payment date of the interest – in other words, on October 31st, inclusive) ("**the interest period**"), with the exception of the first interest payment for Debentures (Series D), which will be paid on January 31, 2010 for the period commencing on the payment day and ending on January 31, 2010. The interest for each interest period (including the first interest period) will be based on 365 days per year, according to the number of days in that interest period. The final interest payment will be made on October 31, 2014 together with the final principal payment and against return of the debenture certificates to the Company
- 4.3.3. Subject to the other conditions for Debentures (Series D), the Company will pay interest, as aforesaid, to whosoever is registered as the holder of the Debentures (Series D) at the end of the day January 19th, April 18th, July 19th and October 19th, of each year, accordingly, shortly prior to the payment date of each payment.
- 4.3.4. When the payment date on account of the principal amount and/or interest falls on a day that is not a business day, the payment date will be deferred to the first business day thereafter, without the addition of any interest or linkage.
- 4.3.5. Any payment on account of the principal amount and/or interest paid later than three (3) business days from the effective date for payment in accordance with the debentures, and for reasons within the Company's control, will bear interest in arrears as defined below, as of the effective date for payment and until the actual date of payment. In this matter, the rate of interest in arrears will be the maximum interest rate customarily payable at that time at Bank Leumi Ltd. on debit balances in current loan accounts or checking accounts in Israeli shekels which do not have a valid credit facility, the higher

of the two, and which will be calculated according to the number of actual days in arrears. To avoid all doubt, it is clarified that during the period of arrears, the amount in arrears will not bear interest as aforesaid in this section above.

4.3.6. The Debentures (Series D) are offered in this Shelf Offering Memorandum pursuant to the resolution of the Company's board of directors of September 9, 2009 and in accordance with the Deed of Trust between the Company and Clal Finance Trust 2007 Ltd. that was signed on August 6, 2009 and amended on September 9, 2009.

4.3.7. For further details of the main conditions of the Debentures (Series D), see sections 2.16.3, 2.16.4.3(C), 2.16.4.4, 2.16.5.2(B), 2.16.6, 2.17 (with the exception of 2.17.8.2) and 2.19 of the Shelf Prospectus.

4.4. Debentures (Series B) offered under this Shelf Offering Memorandum will be issued above their adjusted value.

On September 3, 2009, the Company received consent from the tax authorities with regard to the formula for calculating the weighted discount rate applicable, inter alia, to the Company's Debentures (Series C), if and insofar as these debentures are issued below their adjusted value as described below. Subject to the provisions of the arrangement set by the tax authorities, if the Debentures (Series C) are issued at a discount, the Company will calculate, shortly after fixing the discount rate for the debentures, the weighted discount rate according to the formula below and will publish it in an immediate report.

$$\text{Original discount rate multiplied by the total par value of the original debentures} + \left\{ \begin{array}{l} \text{Original discount rate multiplied by the total par value of the additional debentures} \\ \times \text{Period coefficient}^* \\ \text{Additional debentures} \end{array} \right\}$$

Weighted discount rate =

$$\frac{\text{Total par value of the original debentures} + (\text{total par value of the additional debentures} \times \text{the period coefficient of the additional debentures})}{\text{Total par value of the original debentures} + (\text{total par value of the additional debentures} \times \text{the period coefficient of the additional debentures})}$$

* The period coefficient is the ratio between the average life of the additional debentures and the average life of the original debentures.

For details of taxation for the debentures, see section 2.22 of the Shelf Prospectus.

5. Refrain from making arrangements

5.1. The Company and the directors undertake, by their signature on this Shelf Offering Memorandum, to refrain from making any arrangements not stated in the Shelf Prospectus and in the Shelf Offering Memorandum with respect to the offering of the securities offered under this Shelf Offering Memorandum, their distribution and circulation to the public, and undertake to refrain from awarding the purchasers of the securities offered under this Shelf Offering Memorandum the right to sell the securities that they purchased beyond which is stipulated in the Shelf Prospectus and the Shelf Offering Memorandum.

5.2. The Company and the directors, undertake by their signature on this Shelf Offering Memorandum, to notify the Securities Authority of any arrangement known to them with a third party with respect to the offering of the securities offered under the Shelf Offering Memorandum, their distribution and circulation to the public that contradicts their undertakings as stated in section 5.1 above.

5.3. The Company and the directors, undertake by their signature on this Shelf Offering Memorandum, to refrain from engaging in any arrangements with any third party whatsoever with respect to the offering of the securities offered under the Shelf Offering Memorandum, their distribution and circulation to the public, which to the best of their knowledge, the arrangements were made in contradiction to the stipulations in section 5.1 above.

5.4. The Company furnished to the Securities Authority, on the date of publication of the Shelf Prospectus and on the date of this Offering Memorandum, undertakings duly signed by the

Company's controlling shareholders, Idan Ofer and Ehud Angel, according to which the controlling shareholders undertake to act as stipulated in sections 5.1-5.3 above.

6. Debenture rating

On September 2, 2009, the Company issued an immediate report pertaining to the announcement by Standard & Poor's Maalot Ltd. ("**Maalot**") (Ref. No. 2009-01-221874) awarding a rating of iIAA+ for the debentures issued by the Company by way of the expansion of an existing series and/or a new series in the scope of NIS 1 billion. Furthermore, Maalot updated the rating outlook for the Company's debentures from stable to negative. The iIAA+/Negative rating is also valid for the Company's existing debentures in circulation. The rating report and Maalot's consent to include it are attached to this Shelf Offering Memorandum.

7. Permits and approvals

7.1. The Company applied to the TASE to register the Debentures (Series B), Debentures (Series C) and Debentures (Series D), which will be issued under this Shelf Offering Memorandum, and the TASE consented thereto, subject to the Company's compliance with the TASE guidelines pertaining to minimum distribution and value of the public holdings of the Debentures (Series D), as set forth in section 2.5 above.

7.2. **The approval of the TASE will not be construed as approval of the information in the Shelf Offering Memorandum, its reliability or completeness, nor does it represent the expression of any opinion concerning the Company or the quality of the securities on offer under the Shelf Offering Memorandum or the price at which they are offered.**

8. Payment of fees

Pursuant to the provisions of Regulation 4A of the Securities (Application for Leave to Publish a Prospectus) Regulations, 5755-1995, the Company will pay to the Securities Authority an additional fee for the securities offered under this Shelf Offering Memorandum.

9. Proceeds of the issuance

9.1. The Company's expected proceeds from this issue, on the assumption that all the units offered under the Shelf Offering Memorandum, will be as stipulated below:

Immediate expected proceeds (gross)	NIS 859,090,000
Less prior commitment commission	NIS 3,036,000
Less fees for consultation, dealer and other expenses*	NIS 1,895,000
Expected proceeds (net)	<u>NIS 854,159,000</u>

* Poalim IBI Underwriting and Issuing Ltd., Leumi Partners Underwriting Ltd. and Apex Underwriting Ltd. ("**the distributors**") will receive, with respect to the issuance under this Memorandum, distribution commission of 0.15% of the gross issue proceeds ("**distribution fees**") which will be paid to them from the issuance proceeds. The distributors will also be paid success commission, at the sole discretion of the Company, of up to 0.5% of the gross proceeds from the issuance. The distributors will be entitled, at their sole discretion, to pay commissions to third parties who qualified to serve as distributors under the Securities Regulations (Underwriting) 5767-2007 for assistance in marketing and distributing the securities in the issuance, and this from the distribution fees, provided that these amounts are not paid to the end buyer of the issued securities. The dealer manager will receive dealer commission for managing the issuance under this Shelf Offering Memorandum, in the amount of NIS 30,000, which will be paid to it from the issue proceeds.

9.2. No minimum amount of proceeds was set for the issuance under this Shelf Offering Memorandum.

9.3. The Company will use the proceeds of the issuance under this Shelf Offering Memorandum, primarily to finance the Company's ongoing operations and to finance its business goals, in accordance with the decisions of the Company's board of directors, as they may be from time to time.

The Company reserves the right, in accordance with the decision of the Company's board of directors, subject to any law, to change the purpose of the issue proceeds. The Company will

publish an immediate report if the Company's board of directors decides to change the purpose of the proceeds, as aforesaid.

9.4. In the period between the date of receipt of the proceeds of the issuance under this Shelf Offering Memorandum and its investment, the issue proceeds will be invested in short-term and/or long-term bank deposits, or in securities rated AA or higher and by taking into account the Company's existing currency exposure.

10. Below are details of material adjustments and modifications that occurred with regard to all matters that are to be described in the Shelf Prospectus and which occurred between the publication of the Shelf Prospectus and the date of publication of the Shelf Offering Memorandum: It is hereby clarified that, in general the description included in the Shelf Offering Memorandum includes information which, in the Company's opinion, is material information. Furthermore, in some of the cases, in order to complete the picture, the Company included a more specific description than required, also including information which, in its opinion, is not necessarily material information.

The following description includes a brief summary of the immediate reports which the Company published from the date of the Shelf Prospectus and until proximate to the date of publication of the Shelf Offering Memorandum. The full versions of the immediate reports can be reviewed on the Securities Authority's MAGNA website (www.magna.isa.gov.il). It is hereby clarified and emphasized that the following description of everything pertaining to the Company's immediate reports as aforesaid includes summaries by way of reference and does not in any way substitute reviewing the full versions of the Company's reports as aforesaid.

- 10.1. On August 9, 2009 the Company published an immediate report pertaining to a special interest payment to institutional investors who hold Debentures (Series A – C) for their listing under the Shelf Prospectus (Ref. No. 2009-02-190440).
- 10.2. On August 24, 2009 the Company published its quarterly reports as of June 30, 2009 (Ref. No. 2009-01-206604).
- 10.3. On August 24, 2009 and September 1, 2009, the Company published immediate reports (Ref. Nos: 2009-01-206610 and 2009-01-220485) announcing that on September 16, 2009 the Company will pay a dividend to the holders of the Company's securities in an amount of USD 100,000,000.
- 10.4. On August 24, 2009 the Company published a report with regard to the status of the Company's liabilities prior to payment date (Ref. No. 2009-01-206622).
- 10.5. On August 25, 2009 the Company published an immediate report (Ref. No. 2009-01-210027) pertaining to the resolutions adopted by the Company's general meeting on the same date, including the appointment of Dr. Miriam Haran as an external director in the Company, for a term of three years. For details of the resolutions approved at the general meeting, see the immediate report.
- 10.6. On August 27, 2009, the Company published an immediate report with respect to the changes in the Company's issued share capital (Ref. No. 2009-01-213051) and registration of the Company's shareholders (Ref. No. 2009-01-213003) due to exercise of options by employees of the Company under the 2007 option plan. For further details, see the immediate report.
- 10.7. On September 1, 2009, the Company published a report (Ref. No. 2009-01-219423) pertaining to the termination of Yaakov Dior's service as an external director of the Company and on September 6, 2009, the Company published a report (Ref. No. 2009-01-223314) that Yaakov Dior ceased being an interested party in the corporation. For further details, see the immediate report.
- 10.8. On September 2, 2009, the Company published an immediate report (Ref. No. 2009-01-221841) pertaining to the Company's intention to raise NIS 500 million by expanding debenture series and/or issuing new series, by way of a standard offering. The Company noted in the report that the scope of the capital raising may change in accordance with the market conditions. For further details, see the immediate report.
- 10.9. On September 2, 2009, the Company issued an immediate report pertaining to the announcement by Maalot (Ref. No. 2009-01-221874) awarding a rating of iIAA+ for the debentures that will be issued by the Company by way of the expansion of an existing series and/or a new series in the scope of up to NIS 1 billion. Furthermore, Maalot updated the rating outlook for the Company's debentures from stable to negative. The iIAA+/Negative rating is also

valid for the Company's existing debentures in circulation. For further details, see the immediate report.

- 10.10. On September 6, 2009, the Company published a report (Ref. No. 2009-01-223347) pertaining to the Company's interested parties and executive officers on September 6, 2009 (this is updated as of the date of this Offering Memorandum). For further details, see the immediate report.
- 10.11. On September 6, 2009, the Company published a report with respect to the changes in the Company's issued share capital (Ref. No. 2009-01-223491) and registration of the Company's shareholders (Ref. No. 2009-01-223470) due to exercise of options by employees of the Company under the 2007 option plan. For further details, see the immediate report.
- 10.12. On September 8, 2009, the Company published a report with respect to the changes in the Company's shareholders register (Ref. No. 2009-01-226083). For further details, see the immediate report.
- 10.13. On September 9, 2009, the Company published an immediate report with respect to the results of the tender for classified investors that was held on September 8, 2009 (Ref. No.2009-01-226860). For further details, see the immediate report.

11. Underwriting

The offering of the debentures under the Shelf Offering Memorandum is not assured by underwriting.

Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co.

12. Legal opinion

The Company received the following legal opinion:

September __, 2009

Attn.

Israel Chemicals Ltd.

Re: Shelf Offering Memorandum of Israel Chemicals Ltd. ("ICL" or "the Company") dated September 9, 2009. ("Shelf Offering Memorandum") for the issue of Debentures (Series B), Debentures (Series C) and Debentures (Series D) ("the securities")

With regard to the Shelf Prospectus published by the Company on August 9, 2009 ("**the Shelf Prospectus**") and the Shelf Offering Memorandum, our opinion is as follows:

- A. The rights attached to the securities offered under the Shelf Offering Memorandum are correctly described in the Shelf Prospectus and in the Shelf Offering Memorandum.
- B. The Company has the authority to issue the securities offered under the Shelf Offering Memorandum in the manner described in the Shelf Prospectus and in the Shelf Offering Memorandum.
- C. The directors of the Company are duly appointed and their names are included in the Shelf Offering Memorandum.

We consent to our legal opinion being included in the Shelf Offering Memorandum.

Sincerely,

Esther Koren, Attorney Adva Bitan, Attorney
Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co.

The Company

Israel Chemicals Ltd.

Directors

Nir Gilad

Yossi Rosen

Chaim Erez

Moshe Vidman

Noga Yatziv

Avisar Paz

Amnon Sadeh

Avraham Shochat

Yair Orgler

Victor Medina

Miriam Haran
