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

ISRAEL CHEMICALS LIMITED

(An Israeli Corporation)

2004 ANNUAL REPORT

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PRICEWATERHOUSECOOPERS

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March 28, 2005

AUDITORS' REPORT

To the shareholders of

ISRAEL CHEMICALS LIMITED

We have audited the accompanying consolidated balance sheet of Israel Chemicals Limited (hereafter - "the Company") and its subsidiaries, as of December 31, 2004 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years ended December 31, 2004 and 2002. These consolidated financial statements are the responsibility of the Company's board of directors and its management. Our responsibility is to express an opinion on these financial statements based on our audit.

The consolidated financial statements as of December 31, 2003 and for the year then ended, were audited by other auditors, whose report dated March 28, 2004, was unqualified.

We did not audit the financial statements of certain subsidiaries, whose assets constitute approximately 28% of the total consolidated assets as of December 31, 2004, and whose revenues from sales constitute approximately 30% and 58% of the total consolidated revenues from sales for the years ended December 31, 2004 and 2002. The financial statements of those subsidiaries were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for such subsidiaries, is based on the reports of the other auditors. Furthermore, the data included in the financial statements relating to the net asset value of the Company's investments in associated companies and to its equity in their operating results is based on the financial statements of such associated companies, which have been audited by other auditors.

We conducted our audit in accordance with auditing standards generally accepted in Israel, including those prescribed by the Israeli Auditors (Mode of Performance) Regulations, 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the company's board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2004, and the results of their operations, the changes in their shareholders' equity and their cash flows for the years ended December 31, 2004 and 2002, in conformity with accounting principles generally accepted in Israel. Furthermore, in our opinion, the financial statements referred to above are prepared in accordance with the Israeli Securities (Preparation of Annual Financial Statements) Regulations, 1993.

(---)
Kesselman & Kesselman
Certified Public Accountants (Israel)
A member of PriceWaterhouseCoopers International

ISRAEL CHEMICALS LIMITED
CONSOLIDATED STATEMENTS OF INCOME

	Note	December 31 2004	December 31 2003
		U.S. dollars in thousands (note 2a)	
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents		37,202	27,323
Short-term investments, deposits and loans	3	150,327	*60,092
Accounts receivable:			
Trade	4	397,200	262,443
Other	5	107,859	*155,753
Inventories - non-current	6	509,811	*528,325
T o t a l current assets		1,202,399	1,033,936
INVESTMENTS AND LONG-TERM RECEIVABLES:			
Associated companies	7	14,150	9,906
Other companies	8		53,292
Long-term deposits and receivables, net of current maturities	9	33,707	*34,712
Inventories		31,415	*26,380
Deferred income taxes	17	29,773	*24,526
Minority interests		1,541	*6,821
		110,586	155,637
PROPERTY, PLANT AND EQUIPMENT:	10		
Cost		4,398,396	4,294,559
L e s s - accumulated depreciation		2,778,156	2,621,181
		1,620,240	*1,673,378
OTHER ASSETS AND DEFERRED CHARGES,	11		
net of accumulated amortization		129,047	138,037
		3,062,272	3,000,988

* Reclassified.

(----)	(----)	(----)
Yossi Rosen	**Akiva Mozes**	**Avi Doitchman**
Chairman of the Board of Directors	**President and Chief Executive Officer**	**CFO**

Approval date of the financial statements: March 28, 2005

	Note	December 31 2004	2003
		U.S. dollars in thousands (note 2a)	
Liabilities and shareholders' equity			
CURRENT LIABILITIES:			
Short-term credit from banks and other credit granting institutions	12	340,485	558,945
Accounts payable and accruals:			
Suppliers and contractors	14	267,492	244,050
Other	15	319,311	*267,014
T o t a l current liabilities		927,288	1,070,009
LONG-TERM LIABILITIES:			
Bank loans and other liabilities, net of current maturities	16	449,595	*460,217
Reclamation and disposal of waste		28,380	*22,635
Deferred income taxes	17	192,380	*233,593
Employee related obligations	18	240,221	187,058
Total long term liabilities		910,576	903,503
COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES	19		
T o t a l liabilities		1,837,864	1,973,512
MINORITY INTERESTS		9,051	7,708
DEBENTURES CONVERTIBLE INTO SHARES	13	38,335	71,669
SHAREHOLDERS' EQUITY	20	1,177,022	948,099
		3,062,272	3,000,988

* Reclassified.

The accompanying notes and appendix are an integral part of the financial statements.

ISRAEL CHEMICALS LIMITED

CONSOLIDATED STATEMENTS OF INCOME

	Note	2004	2003	2002
		U.S. dollars in thousands (note 2a) (except per share data)		
SALES	25	2,714,955	2,270,906	1,980,907
COST OF SALES	22a	1,777,905	*1,565,814	1,352,480
GROSS PROFIT		937,050	705,092	628,427
RESEARCH AND DEVELOPMENT EXPENSES, net	22b	32,115	29,148	28,461
SELLING, TRANSPORTATION AND MARKETING EXPENSES	22c	444,911	376,750	317,805
GENERAL AND ADMINISTRATIVE EXPENSES	22d	105,656	96,171	83,524
		582,682	502,069	429,790
OPERATING INCOME		354,368	203,023	198,637
FINANCING EXPENSES, net	22e	38,215	32,314	48,703
		316,153	170,709	149,934
OTHER EXPENSES, net:	22f	6,698	*43,738	18,631
INCOME BEFORE TAXES ON INCOME		309,455	126,971	131,303
TAXES ON INCOME	17	59,216	26,487	41,691
INCOME FROM OPERATIONS OF THE COMPANY AND ITS SUBSIDIARIES		250,239	100,484	89,612
SHARE IN PROFITS (LOSSES) OF ASSOCIATED COMPANIES, net	7b	338	(555)	(150)
MINORITY INTERESTS		(74)	3,148	2,849
NET INCOME FOR THE YEAR		250,503	103,077	92,311
NET INCOME PER NIS 1 OF PAR VALUE OF SHARES	2v	0.197	0.084	0.077
PAR VALUE OF SHARES USED IN THE COMPUTATION OF BASIC PER SHARE DATA - NIS in thousands		1,284,465	1,261,162	1,200,000

* Reclassified.

The accompanying notes and appendix are an integral part of the financial statements.

ISRAEL CHEMICALS LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Additional paid in capital	Capital reserve	Differences from translation of foreign currency financial statements of investees	Retained earnings	Dividend declared after balance sheet date	Cost of Company shares held by a subsidiary	Total
	U.S. dollars in thousands (note 2a)							
BALANCE AS OF JANUARY 1, 2002	521,402		1,110	(24,514)	342,690		(17,402)	823,286
CHANGES DURING 2002:								
Net income for the year					92,311			92,311
Dividend*					(54,446)			(54,446)
Dividend declared after balance sheet date					(26,100)	26,100		
Exercise of options granted to employees					(2,237)		6,827	4,590
Differences from translation of foreign currency financial statements of investees				8,840				8,840
BALANCE AS OF DECEMBER 31, 2002	521,402		1,110	(15,674)	352,218	26,100	(10,575)	874,581
CHANGES DURING 2003:								
Net income for the year					103,077			103,077
Dividend*					(36,173)	(26,100)		(62,273)
Dividend declared after balance sheet date					(25,469)	25,469		
Purchase of Company shares by a subsidiary							(2,164)	(2,164)
Exercise of options granted to employees					(893)		1,813	920
Conversion of debentures into shares	1,371	5,854						7,225
Differences from translation of foreign currency financial statements of investees				26,733				26,733
BALANCE AS OF DECEMBER 31, 2003	522,773	5,854	1,110	11,059	392,760	25,469	(10,926)	948,099
CHANGES DURING 2004:								
Net income for the year					250,503			250,503
Dividend*					(63,471)	(25,469)		(88,940)
Dividend declared after balance sheet date					(35,712)	35,712		
Exercise of options granted to employees					(5,750)		5,376	(374)
Conversion of debentures into shares	6,258	28,865						35,123
Differences from translation of foreign currency financial statements of Investees				32,611				32,611
BALANCE AS OF DECEMBER 31, 2004	529,031	34,719	1,110	43,670	538,330	35,712	(5,550)	1,177,022

* Net of a dividend in the amounts of U.S.$ 487 thousand, U.S.$ 556 thousand and U.S.$ 488 thousand paid to a subsidiary in 2002, 2003 and 2004, respectively.

The accompanying notes and appendix are an integral part of the financial statements.

ISRAEL CHEMICALS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2004	2003	2002
	U.S. dollars in thousands (note 2a)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income for the year	250,503	103,077	92,311
Adjustments to reconcile net income to net cash from operating activities (a)	179,416	347,213	259,815
Net cash provided by operating activities	429,919	450,290	352,126
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment	(124,551)	(135,488)	(178,750)
Investment grant received	3,711	10,074	12,004
Acquisition of companies consolidated for the first time (b)		(1,632)	(23,091)
Proceeds from disposal of investments in subsidiaries consolidated in previous years (c)	19,370		(566)
Proceeds from disposal of investments in another company (SQM)	100,369		
Associated companies and another company - acquisition of shares and changes in loans, net	(4,428)	(328)	(2,922)
Proceeds from sale of an associated company	447		
Acquisition of marketable securities and long-term deposits	(5,099)	(6,199)	(1,428)
Short-term deposits and loans, net	(87,027)	(43,572)	(7,020)
Amounts charged to other assets and deferred charges	(3,268)	(2,413)	(3,647)
Proceeds from sale of property, plant and equipment	7,806	3,326	12,705
Proceeds from realization of marketable securities and long-term deposits	6,240	*9780	*22,675
Net cash used in investing activities	(86,430)	(166,452)	(170,040)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of options granted to employees	817	724	4,590
Issuance of share capital to minority shareholders in a subsidiary		225	
Receipt of long-term loans and other long-term liabilities	252,220	105,907	233,170
Repayment of long-term loans and other long-term liabilities	(216,891)	(377,805)	(332,606)
Dividend paid	(88,940)	(62,273)	(54,446)
Dividend paid to minority shareholders in subsidiaries		(646)	(544)
Short-term credit from banks and others, net	(281,062)	63,887	(33,653)
Purchase of Company shares by a subsidiary		(2,164)	
Net cash used in financing activities	(333,856)	(272,145)	(183,489)
TRANSLATION DIFFERENCES ON CASH BALANCES OF SUBSIDIARIES OPERATING INDEPENDENTLY	246	816	651
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,879	12,509	(752)
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	27,323	14,814	15,566
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR	37,202	27,323	14,814

* Reclassified.

The accompanying notes and appendix are an integral part of the financial statements.

ISRAEL CHEMICALS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2004	2003	2002
	U.S. dollars in thousands (note 2a)		
(a) Adjustments to reconcile net income to net cash from operating activities:			
Income and expenses not involving cash flows:			
Minority interest in profits (losses) of subsidiaries, net	74	(3,148)	(2,849)
Share in losses (profits) of associated companies, net	(338)	555	150
Depreciation and amortization	166,261	*166,417	*158,112
Deferred income taxes, net	(49,328)	(14,793)	29,515
Liability for employee severance pay, net	59,955	23,874	2,339
Capital losses (gains):			
On sale of property, plant and equipment	(4,430)	1,749	(703)
On sale of shares in companies consolidated in previous years (c)	(4,347)		(77)
On sale of investments in another company (SQM)	(43,623)		
On sale of shares in associated company	(309)	466	
On the issuance of shares to outsiders in an associated company			(2,154)
Write-down of production facilities	22,316	21,540	9,448
Write-off of long-term investments			811
Exchange and linkage differences on (erosion of) principal of long-term loans and other liabilities, net	13,986	(591)	(8,077)
Erosion of principal (interest, exchange and linkage differences) of long-term deposits and receivables, net	(265)	3,234	304
Loss (gain) from marketable securities, net	(162)	(465)	883
	159,790	198,838	187,702
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	(133,329)	100,577	63,920
Decrease (increase) in other receivables	47,903	31,309	(3,516)
Decrease (increase) in inventories	28,464	(28,837)	6,897
Increase in trade payables and contractors	24,125	13,497	14,495
Increase (decrease) in other payables	47,684	28,053	(13,258)
Increase in provision for reclamation of mines and disposal of waste	4,779	3,776	3,575
	19,626	148,375	72,113
	179,416	347,213	259,815

* Reclassified.

ISRAEL CHEMICALS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2004	2003	2002
	U.S. dollars in thousands (note 2a)		
(b) Acquisition of companies consolidated for the first time:			
Working capital (excluding cash and cash equivalents)		(1,215)	(1,812)
Deferred taxes, net			(11,872)
Property, plant and equipment, net		(417)	(10,711)
		(1,632)	(24,395)
L e s s - amounts paid in 2001 presented among other assets as of December 31, 2001			1,304
		(1,632)	(23,091)
(c) Sale of investments in subsidiaries consolidated in previous years:			
Working capital (excluding cash and cash equivalents)	2,202		(903)
Property, plant and equipment, net	11,947		356
Deferred income taxes	1,927		
Deferred charges	125		
Long-term liabilities	(1,178)		(96)
Capital gain on sale of investment	4,347		77
	19,370		(566)
(d) Non-cash activity - conversion of debentures into shares	35,123	7,225	

The accompanying notes and appendix are an integral part of the financial statements.

NOTE 1 - GENERAL:

a. Operations

Israel Chemicals Limited (hereafter - “ICL” or “the Company”) and its subsidiaries and associated companies (hereafter - “the Group”) - are a multi-national enterprise operating mainly in the fields of fertilizers and special chemicals, in four main operating segments: fertilizers (which includes potash and phosphates); industrial products; performance products and metallurgy (magnesium). The Group is also involved in certain other business activities.

The operations of ICL are based mainly on exploitation of natural resources from the Dead Sea - potash, bromine, magnesium and salt, and in the Negev - deposits of phosphate rock. These natural resources are sourced under concessions granted by the State of Israel (regarding royalties and the concession periods - see note 19b). Other operations include the mining of potash and salt in the UK, see note 19a(3) and Spain, see note 10b(2), under leases and concessions received from the relevant authorities is those countries. ICL is engaged in the extraction of the abovementioned raw materials and their marketing worldwide, as well as development, production and marketing of products based mainly on those raw materials. ICL and some of the Group companies were declared a monopoly in respect of some of the products they produce and/or sell in Israel.

The Group’s principal production facilities are located in Israel, Germany, Netherlands, Spain, UK, United States, China and France. The Group has additional production facilities in Austria, Belgium, Turkey, Brazil, Argentina and Australia.

The Company’s overseas operations consist mainly of the production of products that are integrated with or based on the activities of the companies in Israel or in closely related fields. Over 90% of the Group’s products are sold to customers outside of Israel. As to financial data relating to operating and geographical segments, and sales according to markets - see note 25. For part of the sales in Israel, ICL and some of the Group companies were declared a monopoly in respect of some of the products they produce and/or sell in Israel.

The shares of ICL are listed for trade on the Tel-Aviv Stock Exchange (hereafter - “the TASE”).

b. State share

The State of Israel holds a Special State Share in ICL and in some of its subsidiaries, entitling the State the right to safeguard certain vital State interests (see note 20b).

NOTE 1 - GENERAL (continued):

c. Definitions:

1) Subsidiary - a company over which the Company has control and over 50% of the ownership, the financial statements of which have been consolidated with the financial statements of the Company.

2) Proportionately consolidated company - a company or partnership under common control, none of the shareholders of which holds exclusive control, the financial statements of which have been consolidated with those of the Company by the proportionate consolidation method.

3) Associated company - a company (which is not a subsidiary or a proportionately consolidated company), over whose financial and operational policy the Company exerts significant influence, the investment in which is presented by the equity method. Significant influence is deemed to exist when the percentage holding in said company is 20% or more, unless there are circumstances that contradict this assumption.

4) Investee company - a subsidiary, a proportionately consolidated company and an associated company.

5) Goodwill - the difference between the cost of the investment in the investee company and the Company's share in the fair value of the underlying assets, net of the fair value of its underlying liabilities, at time of acquisition, net of the applicable taxes.

6) The Group - the Company and its investee companies.

7) Interested parties - as defined in the Israeli Securities (Preparation of Annual Financial Statements) Regulations, 1993.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

a. First-time presentation of financial statements in dollars:

The Company prepares and presents its financial statements in U.S. dollars (hereafter - “dollars”; “$”), the currency in which most of the Company's sales are conducted and most of the Company's asset acquisitions are made. The financial statements of Group companies drawn up in foreign currency are translated or remeasured into dollars for the purpose of inclusion in these financial statements, as explained in b. below.

Through to December 31, 2003, the Company prepared its financial statements on the basis of historical cost adjusted for the changes in the general purchasing power of Israeli currency (hereafter - shekels or NIS), which in the case of the Company, was based on the changes in the exchange rate of the dollar, as permitted under section 29a of Opinion 36 of the Institute of Certified Public Accountants in Israel (hereafter - the Israeli Institute).

Taking into account the provisions of section 4 of Accounting Standard No. 13 - “Effect of Changes in Foreign Currency Exchange Rates” - issued by the Israel Accounting Standards Board (hereafter - “the IASB”), and since the dollar is the principal currency used in the Company’s operations, the Company prepares and presents, commencing January 1, 2004, its financial statements in dollars. This presentation maintains continuity of the measurement basis, as formerly applied in the Company’s financial statements.

The comparative figures in dollars included in these financial statements are based on the adjusted financial statements for the prior reporting periods, as previously presented, after being divided by the exchange rate of the dollar at the end of each of those prior reporting periods.

b. Translation of financial statements of investee companies prepared in foreign currency

As from January 1, 2004, the Company applies the provisions of Israel Accounting Standard No. 13 of the IASB - “Effect of Changes in Foreign Currency Exchange Rates” - which became effective on the date of the transition to nominal financial reporting (see a(1) above). This standard replaces clarifications 8 and 9 to Opinion 36 of the Israeli Institute, which dealt with this issue until that date. Most of the provisions of Standard No. 13 correspond to the provisions that appeared in the abovementioned clarifications.

Pursuant to the aforementioned standard, for purposes of consolidation, the amounts (in terms of foreign currency) included in the financial statements of investee companies, prepared in foreign currency, are accounted for by the equity method, as follows:

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

1) Investee companies operating independently

The operating results and cash flows of such companies are translated into dollars at the exchange rates existing on the dates of the transactions (or at the average exchange rates for the period, where these approximate the actual exchange rates). Balance sheet items, including the balances of goodwill fair value adjustments in respect of the acquisition of these companies, are translated at the exchange rate on balance sheet date.

Exchange differences arising from the translation of the net investment in the investee company are carried as a separate item under shareholders' equity ("differences from translation of foreign currency financial statements of investees"). Upon disposal of the investment in the investee company, these exchange differences are carried to the income statement, as part of the gain or loss recognized on the disposal.

Through December 31, 2003, as a result of adjusting the financial statements for the effects of inflation and in accordance with the clarifications to Opinion 36 of the Israeli Institute, the operating results and cash flows of such companies were translated into dollars based on the exchange rate at the end of the reported period. The implementation of Standard No. 13 in 2004 had no effect on the translation differences previously included pursuant to the aforesaid clarifications. In addition, as prescribed in the above clarifications, goodwill recognized on the acquisition of an investee company, was previously treated as an asset of the investor company (translated into dollars on acquisition date, and adjusted subsequently for the changes in the exchange rate of the dollar). The transition of the goodwill into an asset of the investee company, as prescribed by Standard No. 13, has been effected by translating the foreign currency amount of its unamortized balance into dollars, at the exchange rate on the reporting date; the difference resulting from this translation is immaterial.

2) Investee companies the activities of which are an integral part of the activities of the investor company

The amounts (in terms of foreign currency) included in the financial statements of such companies were remeasured into dollars. The remeasurement was effected by way of translation of the amounts into dollars, on the basis of historical exchange rates in relation to the dollar. Differences resulting from the above treatment are included in the statements of income under financing income or expenses.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

c. Principles of consolidation:

1) The financial statements include the financial statements of ICL and its subsidiaries.

In addition to the abovementioned subsidiaries, which have been fully consolidated, the consolidated financial statements include, by the proportionate consolidation method, partnerships and investee companies under common control.

Intercompany balances and transactions have been eliminated. Profits from intercompany sales, not realized outside the Group, have also been eliminated.

2) Goodwill is presented in the balance sheets under “other assets and deferred charges” and is amortized in equal annual installments, commencing in the year of acquisition, as follows:

a) Goodwill arising on acquisition of minority interests in Dead Sea Works Ltd. (hereafter - "DSW") is amortized over a 20-year period.

In the opinion of the Company’s management, the amortization of goodwill over a 20-year period appropriately reflects the estimated period of economic benefit from DSW, in view of the special circumstances and characteristics of DSW.

b) Goodwill arising on acquisition of other subsidiaries is amortized over periods of up to 10 years.

d. Investments in associated companies

Investments in these companies are accounted for by the equity method.

e. Inventories

Inventories are valued at the lower of cost or market. Cost is determined as follows:

- Finished products and work in process - on the basis of the moving average of periodic production costs, including the cost of overburden removal.

- Raw materials and supplies - mainly on the moving average basis.

- Maintenance materials - on the moving average basis, see also g. below.

Some of the raw materials, finished products and work in process are in bulk. The quantities thereof are based on estimates (mostly made by external experts, who measure the volume and density of the inventories). Inventories for which sales are expected to occur in a period later than 12 months of balance sheet date are presented as non-current inventory among long-term investments and receivables.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

f. Investments in marketable securities and in other companies:

1) Marketable securities

Marketable securities (except investment in other companies - see note 8) are presented at market value or - for participation certificates in mutual funds - redemption value. Changes in the value of these securities are carried to the statement of income under net financing expenses.

2) Other companies

Investments in other companies are stated at cost, see also note 8.

g. Property, plant and equipment:

1) Property, plant and equipment is stated at cost, net of related investment grants or, in respect of subsidiaries purchased subsequent to January 1, 1996, at the fair value at the date of acquisition, net of a provision for the impairment in value of assets.

Expenditures for capital improvements - maintenance and repair expenditures, which improve the quality of products or increase the output or the useful life of the plant - and renovations are capitalized to the cost of these assets.

Spare parts for facilities are stated at cost, determined on a moving average basis, net of a write-down for obsolescence. Spare parts for current use are presented in inventories under current assets.

2) Property, plant and equipment include capitalization of construction expenses and financing expenses during the period prior to regular operation of the plants.

Capitalization of the financing expenses is calculated as follows:

a) If the asset being constructed is financed by specific credit, then the actual borrowing costs relating to that credit are charged to the cost of the asset.

b) When the financing is non-specific, the borrowing costs that are charged to the cost of the asset are calculated using a capitalization rate of 2.4% (2003 - 1.7%) being the weighted average rate of all the borrowing costs, net of those relating to specific credit.

3) As to capitalization of costs of constructing facilities for prevention of environmental pollution, see p. below.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

4) Depreciation is computed by the straight-line method, on the basis of the estimated useful life of the assets.

Annual rates of depreciation are as follows:

	%
Land development, roads and buildings	4-8
Installations, machinery and equipment	4-10
Dikes and evaporating ponds	4-17
Heavy mechanical equipment, railroad cars and containers	10-20
Office furniture and equipment, vehicles, computer equipment and other property, plant and equipment	6-33

h. Impairment of assets

In February 2003, Accounting Standard No. 15 of the IASB - “Impairment of Assets”, became effective. This standard requires a periodic review to evaluate the need for a provision for the impairment of the Company’s non-monetary assets - fixed assets and identifiable intangibles, including goodwill, as well as investments in associated companies. Accordingly, commencing with the interim financial statements for the three months ended March 31, 2003, the Company assesses - at each balance sheet date - whether any events have occurred or changes in circumstances have taken place, which might indicate that there has been an impairment of one or more of the above assets. When such indicators of impairment are present, the Company evaluates whether the carrying value of the asset in the Company’s financial statement can be recovered from the cash flows anticipated from that asset, and, if necessary, records an impairment provision up to the amount needed to adjust the carrying amount to the recoverable amount. The recoverable value of an asset is determined according to the higher of the net selling price of the asset or its value in use to the Company. The value in use is determined according to the present value of anticipated cash flows from the continued use of the asset, including those expected at the time of its future retirement and disposal.

The first-time implementation of this standard has not had any effect on the financial statements of the Company.

The Group previously applied SFAS 121 of the Financial Accounting Standards Board of the United States (“FASB”) - “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of”, which related - prior to its amendment in 2002 - to property, plant and equipment and intangibles, including goodwill related to those assets (hereafter - “long-lived assets”). Through to December 31, 2002, in accordance with the provisions of the aforementioned Standard, the Group regularly reviewed, whenever events have occurred or changes in circumstances have taken place, which might indicate that there has been an impairment of the long-lived assets used by the Group, whether the undiscounted cash flows anticipated from those assets, exceed the carrying amount of such assets; if the cash flows relating to an asset do not cover the carrying amount of the asset, the asset is written down to its fair value. The impairment loss is carried directly to income.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

i. Other assets and deferred charges:

1) Other assets

Other assets are presented at cost and are amortized in equal annual installments as follows:

a) Goodwill - see c(2) above.

b) Concessions are amortized over the remaining period of the concession granted to the companies.

2) Deferred charges

Trademarks and deferred charges in respect of geological surveys are amortized in equal annual installments, mainly over 5 years, commencing in the year in which the expense was incurred.

Debenture issuance expenses are deferred and depreciated over the expected life of the debentures.

j. Pension plans:

1) The subsidiary, Cleveland Potash Ltd. (hereafter - CPL) has a liability in respect of employee pension payments. Below are the measurement principles employed by the company. (As to the pension plans and pension fund assets, see also note 18c(2) below).

a) The net pension expenses for each accounting period consist of the following components:

(1) Current service costs - the actuarial increase in the pension liability relating to employee pension benefits in respect of the reporting period;

(2) Current interest costs - the increase in the pension liability due to the passage of time;

(3) The expected return on the fund's assets;

(4) Actuarial losses (profits) recognized during the period, as described in (c) below.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

b) The net pension liability (or the net pension fund assets), included in the balance sheet, reflects the difference between the following two components, computed as below:

(1) The liability for pension payments - computed on the basis of the liability at the beginning of the period, plus the current service costs and the current interest costs (as referred to in (a) above), net of pension payments made during the period;

(2) The pension fund assets - computed on the basis of the assets at the beginning of the period, plus the expected return on the fund's assets (as referred to in (a) above) and deposits made with the fund during the period, net of pension payments made during the period.

c) The difference, at the balance sheet date, between the net pension liability, computed as stated in (b) above, and the actuarial liability net of the fair value of the pension fund assets at the same date reflects the balance of actuarial gains or losses which are deferred and are not immediately recognized in the financial statements.

These deferred actuarial gains or losses (deriving both from the difference between the amounts of the liabilities and the difference between the amounts of the assets, as stated above) are calculated on an annual basis at the end of each year and are recorded in the statements of income partially in the following year, if - and only if - at the end of the current reporting year, they amount to more than 10% of the greater of the following: (1) the actuarial liability for pension payments; or (2) the fair value of the pension fund assets.

The amount in excess of 10%, as stated above, will be recorded in the statements of income, commencing from the following year, in equal annual installments over the anticipated period of employment (15 years) of the CPL employees, who are members of the plan.

2) Full provision was made for the rest of the Groups' pension liability, based on actuarial calculations at balance sheet date.

k. Convertible debentures

Debentures convertible into shares are classified based on the probability of their conversion, as provided in Opinion No. 53 of the Israeli Institute. Debentures that are not expected to be converted are recorded as a liability based on their liability value. Debentures that are expected to be converted are reported between the long-term liabilities and the shareholders' equity at the greater of their liability value or their equity value.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

l. Deferred taxes:

1) Deferred taxes are computed in respect of differences between the amounts presented in these statements and those taken into account for tax purposes. As to the main factors in respect of which deferred taxes have been included - see note 17c.

   Deferred tax balances are computed at the average tax rate expected to be in effect at the time of release to income from the deferred tax balances. The amount of deferred taxes presented in the income statements reflects changes in the above balances during the reported year.

2) Taxes which would apply in the event of disposal of investments in investee companies have not been taken into account in computing the deferred taxes, as it is the Company's policy to hold these investments, not to realize them.

3) As stated in note 17a(1), some of the enterprises of subsidiaries have been granted "approved enterprise" status and, accordingly, dividends distributed from those "approved enterprises" to ICL are likely to be subject to tax. No account was taken of this additional tax, since it is the Group's policy not to cause distribution of a dividend which would involve additional tax liability to the Group in the foreseeable future.

m. Revenue recognition:

1) Revenue from sales of products, net of discounts, is recognized upon the later of the shipment of the products or the passing of title to the customer.

2) As to the recognition of revenue from concession agreements for the supply of desalination services, see y. below.

n. Research and development expenses

Research and development expenses, net of grants received from the State of Israel, are charged to income as incurred.

o. Transportation expenses

Transportation expenses are included in selling, transportation and marketing expenses.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

p. Environmental costs

Ongoing costs of operating and maintaining installations for prevention of environmental pollution, and anticipated provisions for clean-up costs in respect of ongoing or past operations are charged to the statement of income. Costs of construction of installations for prevention of environmental pollution, which extend the life of, or efficiency of, the installation, or reduce or prevent environmental pollution, are charged to the cost of the assets and amortized according to the Group's amortization policy.

q. Allowance for doubtful accounts

The allowance is determined for specific debts doubtful of collection. Management determines the allowance, among others, based on an evaluation of the credit risk in view of available information regarding the financial position of the debtors, the volume of their activities and an evaluation of the collateral received from them. In addition, the financial statements also include specific allowances for doubtful accounts, as above, with respect to trade receivables included under the subordinated note received as part of the securitization transaction (see note 4b).

r. Sale of trade receivables

The Company recognizes the transfer of trade receivables to third parties as a sale when the control, risks and royalties relating to the financial debts have been transferred to the buyer. Losses from the sale of trade receivables are charged to income at the date of the sale.

s. Derivative financial instruments

Gains and losses on derivatives that are hedging existing assets or liabilities are recognized in income commensurate with the results from those assets or liabilities. Gains and losses related to derivatives that are hedging firm payment or sales commitments are deferred and included as part of the measurement of the results from the underlying hedged transactions at the time of recognition of said results or carried to financing income or expenses when the transaction is no longer expected to take place. The net premiums paid for currency options are charged to financing expenses over the term of the options.

Derivative financial instruments that do not derive from hedging transactions, as above, are presented in the balance sheet at their fair value. Changes in the fair value are recorded in the statement of income in the period in which they occur. The fair value of derivative financial instruments is determined based on their market value, and in the absence of such a price, the fair value is determined based on a valuation model (see also note 23).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

t. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the years reported. Actual results could differ from those estimates.

u. Cash equivalents

The Group considers all highly liquid investments, which include short-term bank deposits (up to three months from date of deposit) that are not restricted as to withdrawal or use, to be cash equivalents.

v. Net income per NIS 1 of par value of shares

The earnings per share data is calculated in accordance with opinion No. 55 of the Israeli Institute, taking into consideration the likelihood of the exercise of options and convertible debentures issued by the Company and net of shares held by a subsidiary.

w. Acquisition of Company shares by a subsidiary

The cost of Company shares acquired by a subsidiary is presented as a deduction from the Company's shareholders' equity, under "cost of Company shares held by a subsidiary". Gains from such sales, net of losses and related taxes, are carried directly to a capital reserve. The excess of losses over the net gains from the sale of shares carried to a capital reserve, as above, is setoff directly against retained earnings.

x. Balances in foreign currency and linked balances

Balances in or linked to foreign currency are included in the financial statements at the representative exchange rate on balance sheet date. Balances linked to the consumer price index (hereafter - the CPI) are included on the basis of the index relating to each linked asset or liability.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

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

	CPI	**Exchange rate of the US dollar**	**Exchange rate of the US dollar relative**
	(Points)	**(In NIS)**	**to the Euro**
December 31, 2004	107.44	4.308	0.733
December 31, 2003	106.16	4.379	0.791
Changes during the year ended:			
December 31, 2004	1.2%	(1.6%)	(7.3%)
December 31, 2003	(1.9%)	(7.5%)	(16.9%)
December 31, 2002	6.5%	7.3%	(15.9%)

y. Concession agreements for the supply of desalination services

As described in note 19a(9), a proportionately consolidated company has entered into concession agreements for the supply of water desalination services under the BOT (Build, Operate and Transfer) method. According to said agreements, the Company is to construct water desalination facilities, subsequent to which the other parties to the agreements are committed to purchase fixed volumes of water produced from such facilities, over a predefined period, at the end of which the facilities would be transferred to the other parties to the agreements.

The review of said agreements shows that the party that benefits the most from the constructed facilities and that bears most of the related risks is the party with which the investee companies have signed the aforementioned agreements.

Accordingly, commencing with the financial statements for 2004, with retroactive effect, the financial statements include a financial asset representing the debt of the ordering clients to the proportionately consolidated company for the construction of the facility. The balance of the debt accrues financial income on the basis of the specific rate of return on the project, and is repayable out of the future anticipated consideration receivable from the clients. The balance of future payments receivable (the excess amount of the payment for the principal of the debt with the addition of interest) is to be carried to the income statements on a current basis under operating income against the recording of operating costs.

The facility's operating and maintenance costs are charged to income as incurred. Income from the operation of the facility is computed on the basis of the expenses carried to the income statement with the addition of a fixed margin of 7%.

This accounting treatment is in conformity with an exposure draft discussing this issue, which has been formulated by the IASB. Upon publication of the final format of the standard, the proportionately consolidated company will consider the necessary adjustments, if any.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

Prior to the financial statements for 2003, the project was presented under property, plant and equipment and the income from the construction of the desalination facility was deferred. The financial statements for the years 2002 and 2003 have been reclassified in order to reflect the new accounting treatment, with retroactive effect. The effect of the change in the accounting treatment on the results for previous years is immaterial.

z. Recently issued accounting pronouncement

In July 2004, the IASB issued Israel Accounting Standard No. 19 - “Taxes on Income”, which is based on International Accounting Standard No. 12, that prescribes the accounting treatment (recognition criteria, measurement, presentation and disclosure) required for taxes on income. This accounting standard is to be applied to financial statements covering periods commencing on, or after, January 1, 2005.

For the most part, the provisions of this standard are the same as the accounting principles that are customarily applied at present (see l. above). The adoption of the standard is not expected to have a material effect on the Company’s financial statements in the forthcoming periods.

NOTE 3 - SHORT-TERM INVESTMENTS, DEPOSITS AND LOANS:

	December 31	
	2004	**2003**
	US$ in thousands	
Marketable securities *	1,855	1,704
Deposits in banks and financial institutions and short-term loans	141,719	52,342
Current maturities of long-term deposits and receivables	6,753	6,046
	150,327	60,092

* Mainly represents government debentures and mutual funds that invest mainly in government debentures.

NOTE 4 - TRADE RECEIVABLES:

a. Composition:

	December 31	
	2004	2003
	US$ in thousands	
Trade - open accounts:		
Outside Israel*	226,647	84,673
Domestic (Israel)	69,460	60,571
Subordinated note and receivables related to sale of trade receivables in securitization transaction (see b. below)	112,400	127,475
	408,507	272,719
L e s s - allowances for doubtful debts	11,307	10,276
	397,200	262,443
* Including discounted notes (see c. below)	11,203	10,218

b. Sale of trade receivables under a securitization transaction:

	December 31	
	2004	2003
	US$ in thousands	
Trade receivables included as part of the securitization transaction as at the balance sheet date	317,626	356,182
L e s s - consideration in respect of said trade receivables, net*	216,846	238,205
Subordinated note	100,780	117,977
Trade receivables sold where the consideration in respect thereof was received subsequent to the balance sheet date, net	11,620	9,498
Subordinated note and receivables in respect of sale of trade receivables	112,400	127,475

* As of balance sheet date, cash proceeds in the amount of US$ 205.1 million were received in respect of the sale of trade receivables in a securitization transaction (December 31, 2003 - US$ 228.7 million).

In December 2002, the Company and certain subsidiaries (hereafter - "the Companies") entered into a securitization agreement, under which the Companies sold all their trade receivables to a foreign company which was set up specially for this purpose and which was neither owned nor controlled by the ICL Group (hereafter - "the Acquiring Company").

The Acquiring Company financed the acquisition of the debts by means of a loan received from a financial institution, which was not related to ICL, that financed the loan out of the proceeds from the issuance of commercial paper on the U.S. commercial paper market. The repayment of both the commercial paper and the loan were backed by credit lines from a banking consortium organized by Bank of America Securities.

NOTE 4 - TRADE RECEIVABLES (continued):

On July 26, 2004, the Companies entered into an agreement with Rabobank International for the sale of trade receivables (“the new securitization transaction”), under terms similar to those applicable to the transaction in force until said date. At the same time, the Group entered into an agreement with the Bank of America Securities for the termination of the securitization transaction arranged by the latter (“the previous securitization transaction”). The terms of the new securitization transaction are similar to those of the previous securitization transaction, with the following principal changes: (1) The cost of the new securitization transaction is less than the cost of the previous securitization transaction; and (2) The total amount of cash receivable for the sale of the trade receivables under the new securitization transaction is up to \$ 220 million, instead of \$ 250 million in the previous securitization transaction.

The acquisition is on an ongoing basis, which enable the Acquiring Company to utilize the proceeds received from customers whose debts were sold, to acquire new trade receivables.

The Companies will be entitled to sell their trade receivables to the Acquiring Company within a period of one year from the closing date of the transaction. This period may be extended, subject to the approval of all parties, for a maximum of four additional one-year periods. Each of the parties may terminate the period subject to the terms stipulated in the various agreements.

The selling price of the trade receivables is based on the balance of the related debt, discounted by an amount based on the anticipated period from the sale until repayment.

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

The Companies bear all losses incurred, if any, by the Acquiring Company as a result of trade receivables sold under the securitization transaction and not repaid, all up to the aggregate balance of the debt not yet paid, which is included in the subordinated liability.

The sale is final. The Acquiring Company has no right of recourse to the Companies in respect of amounts paid, with the exception of debts in respect of which a commercial dispute arises between the Companies and their customers (i.e., a dispute involving a claim concerning the failure of the seller to fulfill the terms of the product supply agreement, such as: supply of the wrong product, supply of a defective product, delay in supply, etc.).

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

NOTE 4 - TRADE RECEIVABLES (continued):

The accounting treatment for the sale of trade receivables under a securitization transaction provides mainly for the recognition of only that part of the sale in respect of which the control and risks have irrevocably passed to the buyer. Accordingly, the balances of trade receivables sold and for which the consideration has been received in cash and/or by way of an irrevocable undertaking, have been eliminated. In respect of that part of the trade receivables included in the securitization transaction and not recognized as a sale, a subordinated note has been recorded for the amount of the difference between the balance of the trade receivables included in the securitization transaction and the aforesaid consideration, and record was made of the list of debtors in respect of trade receivables sold, the consideration in respect of which was received subsequent to balance sheet date.

The loss from the sale of the trade receivables is carried to the statements of income under financing expenses at the time of the sale.

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

c. Factoring

The subsidiaries regularly factor a portion of their trade receivables with banks and enter into agreements to secure payment of the trade receivables. The proceeds in respect of that portion of the notes factored, with respect to which the bank does not have right to recourse, are offset against the balance of the trade receivables.

The balance of the factored notes, for which the bank has right to recourse, are presented under "trade receivables" at the same time as the related credit received from the bank is included under "short-term credit from banks".

NOTE 5 - OTHER RECEIVABLES:

	December 31	
	2004	**2003**
	US$ in thousands	
Claims from the Government of Israel:		
Excess of payments over provisions for income taxes, net (including accrued interest and linkage differences)	93	44,449
Investment grants receivable	6,773	9,473
Other - mainly value added tax	12,139	8,877
Prepaid expenses	25,898	27,310
Deferred taxes	23,437	22,196
Other	39,519	43,448
	107,859	155,753

NOTE 6 - INVENTORIES:

	December 31	
	2004	2003
	US$ in thousands	
Raw materials and supplies	87,870	85,392
Work in process	109,870	67,247
Finished products	277,672	339,125
Spare parts and maintenance supplies	78,797	80,796
Payments on account and materials in transit	773	3,032
	554,982	575,592
Less - non-current spare parts and facilities inventory (presented in property, plant and equipment)	13,756	20,887
Less - non-current inventory	31,415	26,380
	509,811	528,325

NOTE 7 - INVESTMENTS IN INVESTEE COMPANIES:

a. Composition:

	December 31	
	2004	2003
	US$ thousands	
Shares:		
Cost of shares - including undistributed earnings until January 1, 1992*	5,138	6,315
Share in profits, accumulated since January 1, 1992, less dividend received	1,145	807
Differences from translation of financial statements of investees	157	39
	6,440	7,161
Capital notes, loans and long-term receivables (see c. below)	7,710	2,745
	14,150	9,906
* Includes - goodwill and original differences attributed to subsidiaries:		
Original amount	3,348	3,348
Amount after accumulated amortization	2,009	2,345

NOTE 7 - INVESTMENTS IN INVESTEE COMPANIES (continued):

b. Movement during the year:

	US$ in thousands
Balance as of January 1, 2004	9,906
Changes during 2004:	
Increase in long-term loans and capital notes	3,926
Share in profits, net	338
Translation differences	118
Sale of associated company, net	(138)
Balance as of December 31, 2004	14,150

c. Loans and capital notes:

	Repayment date	**Weighted interest rate as of December 31, 2004**	**December 31 2004**	**December 31 2003**
		%	**US$ in thousands**	
In euro	Not yet determined	4.5	1,640	
In dollars	Not yet determined	4.5	28	988
Linked to the CPI	Not yet determined	4.5	6,042	1,757
			7,710	2,745

d. Other information:

1) In February 2004, the Company entered into an agreement for the sale of shares in the subsidiary, Negev Industrial Minerals Ltd., in exchange for cash and the payment of liabilities, in the total amount of $ 19.6 million. The Company recorded a capital gain of $ 4.4 million from the sale.

2) Dead Sea Magnesium Ltd.

The Company holds an interest in Dead Sea Magnesium Ltd. (hereafter - "DSM") conferring 65% of the ownership and 67% of the control therein. The remaining ownership and voting rights are held by Volkswagen.

Under an agreement between ICL and Volkswagen, ICL has a right of first refusal should Volkswagen choose to sell its shares in DSM. In addition, should Volkswagen choose to sell all or part of its shares in DSM, and does not find a bona fide purchaser, it must notify ICL. In such a case, ICL is obligated to purchase those shares at a price to be determined on the basis of 75% of the equity in net assets (shareholders' equity) of DSM.

NOTE 7 - INVESTMENTS IN INVESTEE COMPANIES (continued):

As of December 31, 2004 and 2003, the financial statements include minority debts of approximately $ 24 million and $ 22 million, respectively. These balances are net of the balance of the capital notes payable to Volkswagen, amounting to $ 22 million and $ 15 million, respectively, in accordance with the terms of the capital notes.

3) Special State share

Certain subsidiaries, DSW, Rotem Amfert Negev Ltd. (hereafter - Rotem), DSB, Bromine Compounds Ltd. (hereafter - “Bromine Compounds”), DSM and Tami (IMI) Institute for Research and Development Ltd. (hereafter - “Tami”), issued a special State share. As to the rights conferred upon the State as a result of holding the special State share, see note 20b.

NOTE 8 - INVESTMENTS IN OTHER COMPANIES:

Composition:

	December 31	
	2004	2003
	US$ in thousands	
Investment in SQM (1)		53,292
Investment in Mekoroth (2)	*	*
	*	53,292

* Represents an amount less than $ 1,000.

1) The shares of SQM are held by a foreign subsidiary and are traded on the stock exchange in Chile and on the New York Stock Exchange in the United States.

As of December 31, 2003, the subsidiary’s percentage of holdings in the shares of SQM conferred 8.3% of the rights to profits and 13.4% of the voting rights.

In December 2004, the ICL Group sold all of its holdings in SQM shares to a company in the PCS group (Potash Corporation of Saskatchewan Inc.), which is an interested party, for consideration of $ 100.4 million. ICL recorded a capital gain of approximately $ 43.6 million in respect of this sale.

2) The investment in shares of “Mekoroth” Israel National Water Company Ltd. (hereafter - “Mekoroth”), is held by Rotem and is presented at token value.

NOTE 8 - INVESTMENTS IN OTHER COMPANIES (continued):

The shares in Mekoroth were allotted to Rotem in respect of investments made by Rotem in the past for water infrastructures. Rotem has joined a claim against Mekoroth, which was recognized in part as a class action. The class action includes, among others, Rotem's claim for allotment of additional shares of Mekoroth in respect of its investments made by Rotem in water infrastructures and its claim that the State make a tender offer for the acquisition of both its present holding and its claimed holdings in Mekoroth. On January 28, 2004, the District Court issued a ruling, which rejected the application for the allotment of additional shares in Mekoroth, yet the Court recognized the Company's right to initiate a class action for the remedial refund of amounts paid by the Company. The parties have appealed the District Court's decision to the Supreme Court. The parties have agreed to enter compromise negotiations under the supervision of a lawyer of the Ministry of Justice. In addition, joint efforts are made with the Ministry of Finance to resolve the disagreements.

NOTE 9 - LONG-TERM DEPOSITS AND DEBTS:

a. **Composition:**

	December 31	
	2004	**2003**
	US$ in thousands	
Deposits in banks	10,151	10,308
Long-term debts*	30,309	** 30,450
	40,460	40,758
Less - current maturities	6,753	6,046
	33,707	34,712

* Relating mainly to a financial asset in respect of the construction of a desalination facility. The financial asset includes costs accumulated during the construction of the property, including financing costs. The financial asset is to be paid for over the term of the concession, based on the proceeds from the asset. See note 2y.

** Reclassified.

b. **Classified by currency and interest rates:**

	Weighted interest rate as of December 31, 2004	December 31	
		2004	**2003**
	%	**US$ in thousands**	
In Israeli currency	3.1	18,132	15,008
In foreign currency - mainly Cypriot pounds	6.2	22,328	25,750
		40,460	40,758

NOTE 9 - LONG-TERM DEPOSITS AND RECEIVABLES (continued):

c. **The deposits and debts (net of current maturities) mature in the following years after each balance sheet date:**

	December 31	
	2004	2003
	US$ in thousands	
Second year	5,799	6,045
Third year	4,926	4,932
Fourth year	4,276	3,656
Fifth year	3,868	3,620
Sixth year and thereafter (through 2018)	9,626	14,287
Not yet determined	5,212	2,172
	33,707	34,712

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT:

a. Composition:

	Land, land development, roads and buildings (see b. below)	Installations, machinery and equipment	Dikes and evaporating ponds	Heavy mechanical equipment, railroad cars and containers	Furniture, office equipment vehicles, computer equipment and other plant and equipment	Plants under construction	Spare parts for installations - non-current	Total
	U S $ in thousands							
Cost:								
Balance as of January 1, 2004	476,298	*2,989,114	402,051	117,731	175,770	112,708	20,887	4,294,559
Additions	8,065	119,948	18,792	5,207	14,802			166,814
Disposals	2,766	44,266		3,520	6,079	50,234	7,131	113,996
Others, net	10,251	20,180	16,686	(990)	3,231	1,661		51,019
Balance as of December 31, 2004	491,848	3,084,976	437,529	118,428	187,724	64,135	13,756	4,398,396
Accumulated depreciation:								
Balance as of January 1, 2004	227,847	*1,877,300	286,423	93,329	136,282			2,621,181
Additions	9,430	113,131	13,444	2,814	15,884			154,703
Disposals	2,627	22,817		3,159	5,034			33,637
Others, net	7,220	18,982	8,580	(865)	1,992			35,909
Balance as of December 31, 2004	241,870	1,986,596	308,447	92,119	149,124			2,778,156
Depreciated balance as of December 31, 2004	249,978	1,098,380	129,082	26,309	38,600	64,135	13,756	1,620,240
Depreciated balance as of December 31, 2003	248,451	*1,111,814	115,628	24,402	39,488	112,708	20,887	1,673,378

* Reclassified.

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (continued):

1) Property, plant and equipment includes assets that have been fully depreciated and which are still in use. The original cost of those assets as of December 31, 2004 is over $ 1.2 billion.

2) The other changes (net) during the year arise from:

	US$ in millions
Translation differences	27,057
Property, plant and equipment of a subsidiary consolidated in previous years	(11,947)
	15,110

3) Investment grants

Property, plant and equipment are net of the following investment grants (see note 21d):

	December 31	
	2004	2003
	US$ in thousands	
Amount of grants	965,211	943,753
L e s s - accumulated depreciation	531,771	513,145
	433,440	430,608

4) As to capitalized expenses, see note 22a and 22e.

5) Plants under construction - the changes represent purchases during the year, net of transfers to property, plant and equipment, net.

b. Leasehold land:

1) The Group leases most of the land on which the Israeli operations are conducted from the Israel Lands Administration under long-term leases (for periods ending mainly between 2017-2049), with options to renew in some cases. Part of the property and long-term leasehold rights have not yet been registered in the name of the Group in the Israel Land Registry.

2) A subsidiary in Spain has rights in real estate designated for the future development of new potash mines in the amount of approximately $ 46.4 million. These rights can be utilized until 2063. Development of the new mines has not yet commenced and accordingly no amortization of the real estate rights has yet been recorded.

c. As to pledges on the assets - see note 21.

NOTE 11 - OTHER ASSETS AND DEFERRED CHARGES:

	Original amount		Amortized balance	
	December 31		December 31	
	2004	2003	2004	2003
	US$ in thousands		US$ in thousands	
Goodwill	83,769	83,138	38,031	43,338
Concession - see note 19b	96,567	96,567	81,987	85,218
Deferred charges	25,213	23,894	9,029	9,481
	205,549	203,599	129,047	138,037

NOTE 12 - SHORT-TERM CREDIT FROM BANKS AND OTHERS:

a. Composition:

	December 31	
	2004	2003
	US$ in thousands	
Short-term credit:		
From banks and financial institutions	113,105	379,597
From others	1,717	9,856
	114,822	389,453
Current maturities of long-term loans and other long-term liabilities:		
Loans from banks	223,528	167,497
Loans from others	2,135	1,995
	225,663	169,492
	340,485	558,945

NOTE 12 - SHORT-TERM CREDIT FROM BANKS AND OTHERS (continued):

b. Classification by currency and interest rates:

	Weighted interest rate as of December 31	**December 31**	
	2004	**2004**	**2003**
	%	**US$ in thousands**	
Short-term credit from banks and financial institutions:			
In dollars *	3.1	76,022	314,982
In other foreign currencies (mainly the euro)	2.8	34,769	36,058
In Israeli currency - unlinked	5.6	2,314	28,557
Short-term credit from others:			
In Israeli currency - unlinked	4.8	286	
In euro	7.0	1,431	9,856
		114,822	389,453

* The interest in respect of most of these liabilities is determined on the basis of Libor +0.6%.

c. As to liens to secure the credit and restrictions imposed in respect thereof - see note 21c.

NOTE 13 - DEBENTURES CONVERTIBLE INTO SHARES:

On October 10, 2001, the Company raised funds by means of a private placement of two series of non-registered debentures convertible into Company shares for the total amount of $ 60 million par value (hereafter - "the Dollar Debentures") and NIS 63.5 million par value (hereafter - "the Shekel Debentures") (together - "the Debentures"), for an aggregate consideration of $ 75 million, net of issuance expenses.

The outstanding principal of the debentures bears interest at an annual rate of 1.5%, which is payable on October 10 of each year.

The principal of the debentures is due on October 10, 2007 in a lump sum payment. Any balance of the principal of the debentures not converted or redeemed by the Company shall be repaid with the addition of a redemption premium of 17.3% of the principal.

The principal of the Debentures, the redemption premium and the interest are linked to the exchange rate of the dollar or are denominated in dollars, as applicable.

The debentures may be converted, on any business day from October 10, 2002 to October 3, 2007, into ordinary shares of the Company ranking pari passu with the existing ordinary shares of NIS 1 par value. Accordingly, each NIS 5 par value of the Shekel Debentures would be convertible into one ordinary share of NIS 1 par value, and each $ 1.1473 par value of the Dollar Debentures would be convertible into one ordinary share of NIS 1 par value. In the event that all the debentures are converted into shares, the Company's share capital would increase by NIS 59,038 thousand par value.

The Company has an option, exercisable from October 22, 2005, subject to advance notice of 30 to 60 days, to redeem, under certain conditions, the Debentures - in whole or in part - at a redemption price that reflects an annual dollar yield of 4.1% up to the redemption date (taking into consideration the interest paid and the interest accumulated, in respect of the redeemed debentures, during the period preceding the early redemption).

The Debenture holders have an option to demand, prior to redemption date, that the Company redeem the debentures they hold, at a redemption price that reflects the annual dollar yield for early redemption, and to pay the annual accumulated interest up to the redemption date. This option may be exercised on October 10, 2003 and October 10, 2005, subject to a written advance notice of 30 to 60 days.

In 2003, Shekel Debentures with a par value of NIS 8,000,000 were converted into 1,600,000 ordinary shares of NIS 1 par value each. In addition, $ 5,000,000 par value of Dollar Debentures were converted into 4,358,000 ordinary shares of NIS 1 par value each. Following the aforementioned conversions, the Company's shareholders' equity increased by $ 7,225 thousand (including accrued interest not paid as of the date of conversion).

NOTE 13 - DEBENTURES CONVERTIBLE INTO SHARES (continued):

In 2004, NIS 54,200,000 par value of Shekel Debentures were converted into 10,840,000 ordinary shares of NIS 1 par value of the Company. In addition, $ 20,000,000 par value of Dollar Debentures were converted into 17,432,000 ordinary shares of NIS 1 par value each. Following the conversions, the Company's shareholders' equity increased by $ 35,123 thousand (including accrued interest not paid as of the date of conversion).

As of December 31, 2004, the conversion of debentures is probable therefore, the balance of the debentures is presented as a separate item on the balance sheet between long-term liabilities and shareholders' equity, at its liability value (which is higher than its equity value).

After balance-sheet date, Dollar Debentures with a par value of $ 35,000,000 were converted into 30,506,000 ordinary shares of NIS 1 par value. As of the approval date of these financial statements, all the Dollar Debentures were converted into Company shares, NIS 1.36 million of the Shekel Debentures were not converted as of that date.

As to liens to secure liabilities and limitations imposed with respect thereto - see note 21c.

NOTE 14 - TRADE PAYABLES:

	December 31	
	2004	2003
	US$ in thousands	
Open accounts	266,440	242,704
Checks payable	1,052	1,346
	267,492	244,050

NOTE 15 - OTHER PAYABLES:

	December 31	
	2004	2003
	US$ in thousands	
Israeli Government - mainly in respect of royalties	19,088	14,324
Employees and provisions for employee benefits	143,001	133,035
Accrued expenses	37,336	34,630
Income taxes payable	32,956	10,826
Other	86,930	74,199
	319,311	267,014

NOTE 16 - LONG-TERM LOANS FROM BANKS AND OTHERS:

a. Composition:

	December 31	
	2004	2003
	US$ in thousands	
Bank loans *	654,213	609,720
Other loans	21,045	19,989
	675,258	629,709
L e s s - current maturities in respect of:		
Bank loans	223,528	167,497
Other loans	2,135	1,995
	225,663	169,492
	449,595	460,217

* The Group has the right to make early repayment of the bank loans.

b. Classification by currency and interest rates (taking into account interest rate swaps), see also notes 2s and 23):

	Weighted interest rate as of December 31	December 31	
	2004	2004	2003
	%	US$ in thousands	
Bank loans:			
In U.S. dollars (1)	3.5	579,744	505,070
In other non-Israeli currencies - mainly the euro (2)	3.5	74,469	104,650
		654,213	609,720
Other loans:			
In Israeli currency - linked	4.0	3,723	*799
In foreign currency - mainly pounds sterling	6.5	17,322	19,190
		21,045	19,989
		675,258	629,709
Unutilized credit lines		141,000	142,000

(1) Interest in respect of most of the dollar debt is determined based on Libor + 1%.

(2) Interest in respect of most of the euro debt is determined based on Euro Libor + 1%.

* Reclassified.

NOTE 16 - LONG-TERM LOANS FROM BANKS AND OTHERS (continued):

c. **The liabilities (net of current maturities) mature in the following years after each balance sheet date:**

	December 31	
	2004	2003
	US$ in thousands	
Second year	155,588	190,503
Third year	238,415	98,784
Fourth year	9,414	59,493
Fifth year	36,152	8,728
Sixth year and thereafter	6,300	102,010
Repayment date has not yet been determined	3,726	699
	449,595	460,217

d. As to the liens made to secure liabilities and restrictions imposed with respect to these pledges - see note 21c.

NOTE 17 - TAXES ON INCOME:

a. **Taxation of Israeli companies (hereafter - "the Companies"):**

1) Tax benefits under the Law for the Encouragement of Capital Investments ,1959 ("the Encouragement Law").

Production facilities of some of the Israeli subsidiaries have been granted "approved enterprise" status under the Encouragement Law. Income derived from the approved enterprises of these subsidiaries is subject to a reduced corporate tax rate of 25% (instead of the regular tax rate - see (4) below) for a period of seven years (in respect of the magnesium plant - since the magnesium company is a Foreign Investment Company - for a period of ten years), commencing in the year in which the specific approved enterprise first generates taxable income (limited to twelve years from commencement of production or fourteen years from the date of approval, whichever is earlier). Approved enterprises in nationally preferred Zone A, approved after January 1, 1997 are exempt from tax on undistributed profits for the first two years of operations and are taxed at the rate of 25% for the subsequent five years. In addition, these companies are entitled to claim accelerated depreciation on the fixed assets of the approved enterprise.

The taxable income to be attributed to an approved enterprise in any given tax year is generally computed as the ratio of the "real" (net of inflation) increase - linked to the Industrial Output Index or to the dollar - in the subsidiary's turnover in that year to its turnover in the year before the approved enterprise commenced its manufacturing activities.

NOTE 17 - TAXES ON INCOME (continued):

The entitlement to the above benefits is conditional upon the companies' fulfilling certain conditions. In the event of failure to comply with these conditions, the benefits may be cancelled and the companies may be required to refund the amount of the benefits (including the investment grants received, see notes 10a(3) and 21d) with the addition of interest and linkage differences. In the opinion of the companies' management, the companies are in compliance with said conditions.

2) Measurement of results for tax purposes under the Income Tax (Inflationary Adjustments) Law, 1985 (hereafter - "the Inflationary Adjustments Law"):

   a) Under the Inflationary Adjustments Law, results for tax purposes are measured in real terms, having regard to the changes in the Israeli CPI. As explained in note 2a, the financial statements are presented in dollars. The difference between the change in the Israeli CPI and in the exchange rate of the dollar relative to Israeli currency- both on annual and cumulative bases - affects the difference between the amount of the actual tax and the amount of reported income.

   b) Under the Inflationary Adjustments Law, the Israeli industrial subsidiaries, see (3) below, are entitled to claim accelerated depreciation on property, plant and equipment.

3) The Law for the Encouragement of Industry (Taxation), 1969(hereafter - "the Law for the Encouragement of Industry"):

   a) ICL and some of its Israeli subsidiaries are "industrial companies" as defined by this law. As such, these companies are entitled to claim depreciation at increased rates for equipment used in industrial activity as stipulated by regulations published under the inflationary adjustments law.

   b) The industrial enterprises held by ICL and some of its Israeli subsidiaries have a common line of production and are therefore entitled to file consolidated tax returns in accordance with section 23 of the Law for the Encouragement of Industry. Accordingly, each company is entitled to set off its tax losses against the taxable income of the other in the framework of the consolidated tax return.

4) The income of the Company and its Israeli subsidiaries (other than income from "approved enterprises", see (a)(1) above) is taxed at the regular rate. Through to December 31, 2003, the corporate tax rate was 36%. In July 2004, an amendment to the Income Tax Ordinance was enacted. One of the provisions of this amendment is that the corporate tax rate is to be gradually reduced from 36% to 30%, in the following manner: the rate for 2004 will be 35%, in 2005 - 34%, in 2006 - 32%, and in 2007 and thereafter - 30%. The effect of the change in the tax rates in the coming years, on the deferred tax balances of the amendment to the law, is included under the item "taxes on income" in the statements of income - see d. below.

NOTE 17 - TAXES ON INCOME (continued):

5) Benefits to development areas:

The Income Tax (Tax Reductions for Specific Settlements and Nachal Settlements) ("Nachal deduction") Regulations, 1978, apply to the Company and its Israeli subsidiaries. Under these Regulations, the Company and the subsidiaries are entitled to an additional deduction in respect of the facilities constructed and operated in certain areas, as stipulated in the above Regulations.

The Regulations were effective through to December 31, 2003. As of January 1, 2004, the aforementioned benefit has been cancelled.

6) Losses carried forward to future years

The carryforward losses of subsidiaries that do not file a consolidated tax return with ICL - in respect of which deferred taxes were created - amount to approximately $ 136 million as of December 31, 2004; approximately $ 71 million as of December 31, 2003.

The balances of carryforward losses of subsidiaries that do not file a consolidated tax return with ICL, in respect of which deferred taxes were not created, amount to approximately $ 165 million as of December 31, 2004; December 31, 2003 - approximately $ 195 million.

Capital losses for tax purposes carried forward to future years aggregate to approximately $ 46.3 million as of December 31, 2004. These losses may only be utilized against capital gains. No deferred taxes were created in respect of these capital losses.

Under the Inflationary Adjustments Law, carryforward losses are linked to the Israeli CPI and can be utilized indefinitely.

7) Tax assessments

ICL and most of its subsidiaries for tax purposes have received final tax assessments up to and including the 1998 tax year. ICL and its subsidiaries for tax purposes, has received tax assessments for the years 1999 – 2000 from the tax authorities. ICL is disputing the assessments. The Company has included a provision in the financial statements it believes is sufficient to cover the tax exposure. The rest of the companies have final tax assessments from 1999 through to 2001.

b. Non-Israeli subsidiaries:

1) Tax laws

Non-Israeli subsidiaries are taxed under tax laws in their countries of residence.

2) Tax assessments

Principal subsidiaries overseas have received final assessments for tax years 1995 through to 2001.

NOTE 17 - TAXES ON INCOME (continued):

c. **Deferred income taxes:**

1) The composition of the deferred taxes, and the changes therein, are as follows:

	In respect of balance sheet items				In respect of carryforward tax losses (see a(6)) above	Total
	Depreciable property, plant and equipment	Inventories	Employee related obligations	Other		
	US $ in thousands					
Balance as of January 1, 2002	280,143	3,499	(34,408)	(658)	(64,129)	184,447
Changes in 2002:						
Translation differences	559			16		575
Addition of deferred taxes in respect of a company consolidated for the first time					(11,872)	(11,872)
Amounts carried to income	24,778	(6,303)	5,190	(18,265)	24,115	29,515
Balance as of December 31, 2002	305,480	(2,804)	(29,218)	(18,907)	(51,886)	202,665
Changes in 2003:						
Translation differences	(254)			(230)		(484)
Amounts carried to income	(28,150)	(4,992)	(13,752)	(3,236)	35,141	(14,989)
Balance as of December 31, 2003	277,076	(7,796)	(42,970)	(22,373)	(16,745)	187,192
Changes in 2004:						
Translation differences	(1,275)	(98)	(28)	299	687	(415)
Elimination of deferred taxes in respect of a subsidiary excluded from consolidation	1,804		65	28	30	1,927
Amounts carried to income	(24,260)	2,053	(10,561)	8,809	(25,369)	(49,328)
Balance as of December 31, 2004	253,345	(5,841)	(53,494)	(13,237)	(41,397)	139,376

NOTE 17 - TAXES ON INCOME (continued):

2) Deferred taxes are presented in the balance sheets as follows:

	December 31	
	2004	2003
	US$ in thousands	
Among current assets	(23,437)	(22,196)
Among short-term liabilities	206	321
Among long-term receivables	(29,773)	(24,526)
Among long-term liabilities	192,380	233,593
	139,376	187,192

3) For companies in Israel - the deferred taxes as of December 31, 2004 are computed mainly at the weighted-average tax rate of 30% (December 31, 2003 - 30%-33%). As to companies outside of Israel - see b. above.

d. Taxes on income included in the statement of income:

1) As follows:

	Year ended December 31		
	2004	2003	2002
	US$ in thousands		
For the reported year:			
Current	97,757	39,354	12,176
Deferred:			
In respect of changes to tax rates, see a. above	(13,780)		
In respect of the reporting period	(35,548)	(14,989)	29,515
In respect of prior years	10,787	2,122	
	59,216	26,487	41,691

NOTE 17 - TAXES ON INCOME (continued):

2) Following is a reconciliation of the theoretical tax expense, assuming all income is taxed at the regular tax rates applicable to companies in Israel (see a(4) above) and the tax expense presented in the consolidated statements of income:

	Year ended December 31		
	2004	**2003**	**2002**
	US$ in thousands		
Income before taxes on income, as reported in the statements of income	309,455	126,971	131,303
Theoretical tax expense	108,309	45,710	47,269
Less - tax benefit arising from reduced tax rate applicable for an approved enterprise	18,302	2,785	5,004
	90,007	42,925	42,265
Add (less) - the tax effect of:			
Differences between the basis of measurement for tax purposes (the Israeli CPI) and for financial reporting purposes (the dollar), see also a(2) above	(3,140)	(9,046)	(2,831)
Difference in respect of foreign subsidiaries	(154)	160	(1,731)
Increase in taxes resulting from tax losses of subsidiaries not consolidated for tax purposes, in respect of which no deferred taxes were created	970	7,125	9,224
Utilization of tax losses for which deferred taxes were not created	(12,053)	(25,392)	(4,206)
Increase in taxes resulting from permanent differences - disallowed deductions, net of exempt income	5,807	8,542	7,050
Tax saving - “Nachal” deduction		(1,563)	(8,080)
Capital gains on disposal of subsidiaries, net	(16,881)		
Decrease in taxes resulting from adjustment to deferred tax balances due to changes in tax rates, see a. above	(13,780)		
Taxes in respect of prior years	10,787	2,122	
Other differences	(2,347)	1,614	
Taxes on income included in the statements of income	59,216	26,487	41,691

NOTE 18 - EMPLOYEE RELATED OBLIGATIONS:

a. Composition:

	December 31	
	2004	**2003**
	US$ in thousands	
Liabilities for severance pay	153,833	133,271
Liabilities for pension and early retirement*	253,865	214,951
	407,698	348,222
Less - amount funded	167,477	161,164
Balance - unfunded	240,221	187,058
* Including in respect of non-Israeli subsidiaries	109,571	85,640

b. Severance pay:

1) Israeli subsidiaries

Pursuant to Israeli labor laws and valid labor contracts, ICL and its Israeli subsidiaries are required to pay severance pay to dismissed employees and employees leaving their employment in certain other circumstances. Severance pay is computed based on length of service and generally according to latest monthly salary and one month's salary for each year worked.

The liabilities relating to employee rights upon retirement are covered as follows:

a) Under collective labor agreements, the Group companies in Israel make current deposits in outside pension plans for some of the employees. These plans generally provide full severance pay coverage and, in some cases, 72% of the severance pay liability.

The severance pay liabilities covered by these plans are not reflected in the financial statements, since all the risks relating to the payment of the severance pay, as described above, have been transferred to the pension funds.

b) The Group companies in Israel make current deposits in Manager's Insurance policies in respect of managerial personnel. These policies provide coverage for the severance pay liability in respect of said personnel. Under employment agreements, these insurance policies are, subject to certain limitations, the property of the employees. The amounts funded in respect of these policies are not reflected in the balance sheets since they are not under the control and management of the companies.

c) As to the balance of the liabilities, which are not funded as above, full provision is made in the financial statements.

NOTE 18 - EMPLOYEE RELATED OBLIGATIONS (continued):

2) Certain subsidiaries outside Israel

Since the countries where these subsidiaries operate have no law requiring payment of severance pay, it is not customary to include a provision in their financial statements for eventual future severance payments to employees, except in cases where part of the activities of the enterprise is discontinued and, as a result, the employees are dismissed.

c. **Pension and early retirement:**

1) Some of the Group's employees in and outside of Israel (some of whom have already left the Group) have defined benefit pension plans (within the company) for their retirement. Generally, the terms of the plans provide that the employees are entitled to receive pension payments based on, among other things, their number of years of service (in certain cases up to 70% of their last base salary) or computed, in certain cases, based on a fixed salary.

2) CPL's pension plan:

a) CPL has a liability for pension payments to its employees in respect of which it established a defined benefit plan into which amounts are paid by the employees and the employer. The main characteristics of the pension liability and pension fund are as follows:

(i) The pension plan is subject to the UK trust laws, and the assets of the pension fund are managed by the trustees, who are not answerable to CPL. CPL is entitled to appoint some of the pension fund trustees and may also replace those trustees that it has appointed. However, the trustees are obligated to act according to the interests of the fund beneficiaries, even in the event of a conflict of interests, should such arise, between CPL and the pension fund.

(ii) CPL is responsible for making payments to the pension fund and, in the event of the pension fund having an assets shortfall, CPL is required to make up the shortage in accordance with the local rules, see also (v) below. CPL has no right to withdraw monies from the funds, even if the balance of the fund exceeds the pension liability, although it may, in such circumstances, reduce its current payments to the fund. In addition, CPL may not dissolve the pension fund.

(iii) Payments to the pension fund are allowable for tax purposes.

(iv) The pension fund assets are invested in marketable securities, as is the custom among similar pension funds in the UK.

(v) Under UK law, CPL is required to maintain a minimum amount of assets in the pension fund against its liability for pension payments to its employees.

NOTE 18 - EMPLOYEE RELATED OBLIGATIONS (continued):

b) The net pension expenses recorded in the consolidated statements of income in respect of CPL's pension plan, are composed as follows:

	Year ended December 31,	
	2004	**2003**
	US$ in thousands	
Current service costs	6,409	5,790
Current interest costs	12,269	10,980
Expected return on the pension fund assets	(13,368)	(10,919)
Actuarial losses, net, recognized in the period	1,516	1,830
Pension expenses, net, for the period	6,826	7,681

NOTE 18 - EMPLOYEE RELATED OBLIGATIONS (continued):

c) The movements in the liability for pension payments and the pension fund assets included in the 2003 and 2004 financial statements, are as follows:

	Year ended December 31,	
	2004	2003
	US$ in thousands	
Actuarial liability for pension payments at the beginning of the year	(225,643)	(171,854)
Current service costs	(6,409)	(5,790)
Current interest costs	(12,269)	(10,980)
Benefits paid	7,220	*4,763
Actuarial gains (losses) for the period in respect of the pension liability	(1,584)	*(15,299)
Translation differences	(17,792)	(26,483)
Actuarial liability for pension payments at the end of the year (1)	(256,477)	(225,643)
Fair value of pension fund assets at the beginning of the year	185,897	134,083
Expected return on pension fund assets	13,368	10,919
Employer deposits in the pension fund	6,400	6,347
Benefits paid	(7,220)	*(4,763)
Actuarial gains for the period in respect of pension fund assets	7,952	*18,992
Translation differences	15,176	20,319
Fair value of pension fund assets at the end of the year (2)	221,573	185,897
Actuarial pension liability, net of fair value of pension fund assets at the end of the year [(1)–(2)]	(34,904)	(39,746)
Deferred actuarial losses at the end of the year	35,014	40,099
Pension fund assets, net, included in the financial statements at the end of the year	110	353

* Reclassified.

The actuarial valuation of the liability for pension payments is performed once a year, close to the balance sheet date.

NOTE 18 - EMPLOYEE RELATED OBLIGATIONS (continued):

d) The following assumptions were applied in the measurement of the pension plan components:

(i) Annual capitalization rate of 5.5%, 5.4% and 5.5% as of December 31, 2004, 2003 and 2002, respectively – based on the nominal yield rate of corporate debentures, which are traded in the UK and which are rated AA;
(ii) Annual expected return on pension fund assets of 7% as of December 31, 2004, 2003 and 2002 – which reflects the anticipated, long-term expected return on pension fund assets; and
(iii) Annual nominal increase in the salaries of CPL employees of 3.8%, 3.7% and 3.85% as of December 31, 2004, 2003 and 2002, respectively based on CPL's experience (that takes into account annual inflation at an assumed rate of 2.8%, 2.7% and 2.35% as of December 31, 2004, 2003 and 2002, respectively).

3) In addition, some Group companies have entered into an agreement with a provident fund - and with a pension fund for some of the employees – under which such companies make current deposits with those funds, which releases them from their liability for pension payment under the labor agreements to all of their employees upon their retirement at the age of retirement. The amounts funded are not reflected in the balance sheets since they are not under the control and management of the companies.

Pursuant to a collective agreement signed in 1978 with employees of a subsidiary, Sdom employees take early retirement upon reaching the age of 58, provided they have worked at Sdom for 25 years, or at the age of 60, provided they have worked at Sdom for 20 years.

On September 16, 2001, a judgment was handed down by the District Labor Court in Beer Sheba with respect to the claim of an employee of a subsidiary which held that the "early retirement" clause in the collective agreement between the subsidiary and its employees should be viewed as conveying to the employees a right to retire and not as imposing on them an obligation to retire. The subsidiary appealed the District Labor Court's decision to the National Labor Court. On March 18, 2004, the decision on the appeal was rendered. The National Labor Court accepted the subsidiary's appeal in part and reversed the District Labor Court's determination pursuant to which the subsidiary's employees have a right to take early retirement in place of an obligation to retire. The decision ruled that the existing early retirement arrangement is null and void, however it held that this ruling will become effective 6 months after the date the decision was rendered in order to allow the parties to determine during such period a new and detailed arrangement covering early retirement of the Sdom employees.
Since the six-month period has elapsed and the parties have not yet reached a new detailed agreement that is in conformity with the requirements of the law and the Court decision, it was agreed to extend the period for six additional months that ended on March 17, 2005. The parties are continuing negotiations.

NOTE 18 - EMPLOYEE RELATED OBLIGATIONS (continued):

4) The liabilities described above, apart from those noted with regard to CPL, are fully provided for in the financial statements, based on the present value of the amounts due, as computed by actuaries on the basis of current actuarial tables used in Israel (by the National Insurance Institute) and in Europe. The discount rates used in computation of the present value were: for Israeli companies - mainly 3.5% linked to the Israeli CPI and the balance - 4.8%; for non-Israeli companies - mainly 4.75% (for 2003 - 5.5%). The liabilities have been computed by the companies on the basis of the assumption that employee salaries will increase as follows: for Israeli companies - mainly 2% per annum (linked to the Israeli CPI); for European companies - 2%-2.5% per annum.

5) In January 2004, the Israeli Parliament (the "Knesset") passed the Retirement Age Law, 2004, one of the consequences of which is that pension fund rules have been changed to allow the retirement age for men and women to be raised, in stages, from 65 to 67 and from 60 to 64, respectively.

   In December 2004, an agreement was signed between the Minister of Finance and the Chairman of the Federation of Israeli Economic Organizations, pursuant to which the Government of Israel has undertaken to finance the additional cost involved in the aforesaid raising of the retirement age, in respect of employees that took early retirement through December 31, 2003, with the employers financing the retirement cost on a current basis. In accordance with the agreement, the government will finance the additional cost involved in changing the status of the retirees to pensioners of the pension fund, which already covers them on reaching the age of 65 (for men) or 60 (for women).

   With regard to employees who have not yet retired, the Company has included an appropriate provision in the financial statements.

d. General fundings

The Group, at its discretion, makes deposits in funds, which are earmarked to cover the liabilities referred to in b. and c., above, which are not covered by current deposits. These amounts are deposited in recognized pension and severance pay funds that are managed by major Israeli banks or by ICL itself. These funds are managed as stipulated by law and their assets are composed mainly of Israeli Government bonds.

NOTE 19 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES:

a. Commitments:

1) Certain subsidiaries have entered into agreements with suppliers in Israel and abroad for the purchase of raw materials in the regular course of business, for various periods ending within 9 years after December 31, 2004. The scope of the commitment for the period of the agreements is approximately $ 110 million.

2) Certain subsidiaries have entered into agreements with suppliers for acquisition of property, plant and equipment. As of December 31, 2004, the subsidiaries had commitments for investment in property, plant and equipment of approximately $ 62 million.

3) CPL's mining concession is based on approximately 113 mining leases and concessions for extracting various minerals, in addition to numerous easements and rights of way received from private owners of lands under which CPL operates or, in the case of mining underneath the North Sea, granted by the Crown Estate. The terms of all leases, concessions, easements and rights of way extend until 2015-2038.

4) In September 2003, a long-term (20 year) supply agreement was signed with the Great Lakes Chemical Corporation, commencing from January 2004, for the supply of bromine and its related compounds.

5) Certain subsidiaries are committed to pay royalties to the Government – computed at rates of 2% to 4% of proceeds received on the sale of products, regarding which the Government participated, by way of grants, in the research and development thereof. The commitments are to the extent of 100% – 150% of the dollar amounts of the grants received (for products produced in Israel).

   At the time the participations from the Government of Israel were received, successful development of the related projects was not assured. In the case of failure of a project that was partly financed by royalty-bearing Government participations, the Group is not obligated to pay any such royalties to the Government.

   The maximum amount of royalties payable by the Group as of December 31, 2004 is $ 13 million.

6) In respect of the securitization transaction - see note 4b.

7) In accordance with a resolution of the Company's Board of Directors, the annual management fees payable to the Israel Corporation Ltd. (the parent company) will be $ 2.5 million.

NOTE 19 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued)**:**

8) The Articles of Association of the Company and its subsidiaries include provisions that permit exemption, indemnification and insurance of the liability of officers, all in accordance with the provisions of the Companies Law.

   In December 2001, a letter of undertaking for insurance and indemnification of Company officers was approved as well as an exemption from liability on the part of the officers. This letter does not apply to those cases specified in Section 263 of the Companies Law. The exemption is for damage caused and/or to be caused by such officers, due to a breach of the duty of care to the Company. The amount of the indemnification payable by the Company under the letter of indemnification, in addition to amounts received from an insurance company, if any, for all of the officers on a cumulative basis, for one or more of the events detailed therein, was limited to \$220 million. The said letter of indemnification does not detract from the letters of indemnification previously provided, which stipulate a maximum indemnification of \$350 million.

9) Desalination commitments of a proportionately consolidated company (hereafter - "Desalination"):

   a) Desalination has entered into a BOT agreement for the financing, design, construction, operation and transfer to the State of Israel of a seawater desalination facility in Ashkelon with a capacity of 100 million cubic meters per year. The agreement expires in 2027.

   b) Desalination has entered into a 10-year BOT agreement with the Cypriot Water Administration. The building of the project was completed during 2001. Under the agreement, the partnership sells a daily volume of 46,500 cubic meters of water on the "Take or Pay" basis. The agreement expires in 2011.

b. Concessions:

1) DSW

   Pursuant to the Israeli Dead Sea Concession Law, 1961 (hereafter - "the Concession Law"), as amended in 1986, DSW was granted an exclusive concession to exploit the natural resources of the Dead Sea and to lease the land needed for its plants, for a period ending on March 31, 2030, with right of first refusal for a period after the concession's expiration. DSW pays the Government royalties at the rate of 5% of the value of the products at factory gate, net of certain expenses and lease fees.

NOTE 19 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued)**:**

In a letter from the Government to DSW, dated January 11, 1995, if Section 17 of the concession deed (which addresses the Government's commitment to pave roads, lay railroad tracks and install port facilities enabling transport of the concession product and its shipment by sea) is not activated and its fulfillment is not demanded, the Government would not demand any renegotiation of the level of royalties payable for quantities over 1 million tons of potash produced during the period prior to the date of the above letter, and the period from the date of that letter to the end of the concession period, as amended or as it will be amended. However, the Government has reserved the right, commencing from 2010, to demand renegotiations regarding the level of royalties, this with respect to the quantity of potash that exceeds 3 million metric tons in any year, without granting DSW any rights in respect of Section 17 of the concession deed. By virtue of the concession and the concession deed.
On the basis of the Concession Law and the concession agreement, DSW granted a sub-concession to the Bromine Company to produce bromine and bromine compounds from the Dead Sea, whose term also extends until 2030.

Total royalties paid to the State of Israel amounted to \$ 21 million, \$ 18 million and \$ 18 million in 2004, 2003 and 2002, respectively.

DSM operates under a sublease from DSW and is liable for royalties to the Government of Israel. Those royalties are computed on the basis of the raw material (carnallite), which is used in producing metallic magnesium. As from 2006, the Government would be entitled to reexamine the basis of computation of the royalties payable by DSM.

In 2004, 2003 and 2002, DSM paid royalties of \$ 221 thousand, \$ 215 thousand and \$ 257 thousand, respectively, to the State of Israel.

2) Rotem

Rotem has mined phosphate in the Negev for over 50 years. This mining is done through concessions and permits granted from time to time (sometimes retroactively) by the State of Israel by virtue of the Mining Ordinance. In June 2002, Rotem was granted three concessions, signed by the Minister of National Infrastructures at the time, in respect of the Rotem field (with effect from the beginning of 2002 through to 2021), the Zafir field (with effect through to 2021) and the Effa field (with effect through to 2013). These concessions supersede the previous concession that was received in 1995, which also included a permit from the Israel Lands Administration in respect of the Rotem and Zafir fields, effective through April 2005, with minor boundary alterations as compared to the 2002 concessions. Rotem is required to pay royalties to the State on the mining of phosphates, based on the rate stipulated in the Mining Ordinance.
The validity of the new concessions is subject to the signing of mining permit agreements (hereafter - permits) between Rotem and the Israel Lands Administration for the areas covered by the concessions. Rotem has signed a final and agreed draft of the permits, and in September 2003 made a payment to the Administration, at its demand and in accordance with the terms of the permits.

NOTE 19 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued)**:**

It should be noted that the Administration has so far refrained from sending Rotem copies of the signed permits, this at the order of the Ministry of Finance, in view of the disagreement with respect to the amount of royalties payable by Rotem, but is acting in accordance with their letter and spirit, and in Rotem's view, according to a legal opinion of Rotem's legal counsel, is obligated to the terms of the Permits

In 2004, 2003 and 2002, Rotem paid royalties of $ 1,251 thousand, $ 272 thousand and $ 284 thousand, respectively, to the State of Israel.

3) As to real estate rights of a subsidiary in Spain - see note 10b.

c. Contingent liabilities:

1) As of December 31, 2004, the guarantees provided amount to $ 38.1 million. The guarantees provided by the Company in respect of loans taken out by the subsidiaries amount to $ 405.4 million.

2) Since 1994, DSB, Bromine Compounds Ltd. (hereafter - “Compounds”) and Ameribrom, Inc. (together - “the Bromine Group”) have been impleaded into several cases brought against American companies in courts in the United States (including two class actions) by approximately 30,000 plaintiffs (hereinafter - the “Plaintiffs”) claiming that they had worked on banana plantations, mainly in Central America, the Caribbean Islands, Africa and the Philippines. The Plaintiffs allege that they sustained physical injury as a result of their exposure to a certain chemical. The chemical in question, which was produced by a number of companies, including large chemical companies, was supplied to companies engaged in banana cultivation (collectively - the “Defendants”) and was allegedly in use over a period of approximately thirty years (1960 to 1990).

NOTE 19 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued)**:**

A major part of the above legal proceedings has been transferred by the U.S. courts to the courts in the Plaintiffs' countries of residence. In most of those cases, the Bromine Companies have been directly named as defendants.

As part of the abovementioned hearings, which are being held in various levels of the U.S. courts, the U.S. Supreme Court recently ruled that, since DSB is not a first level subsidiary of the State of Israel, it is not entitled to federal jurisdiction. At this stage, DSB and its legal counsel are unable to estimate the impact of this decision on the continuation of the proceedings or on other proceedings deriving from possible claims with respect to this matter.

During the period in which these proceedings have been carried on, most of the Plaintiffs have reached compromise agreements with most of the Defendants. The Bromine Companies are included in the waiver agreements signed by the Plaintiffs. The effect of the abovementioned agreements on the claims for indemnification and participation that were filed against the Bromine Companies cannot be estimated at this stage. It should be noted that claims have been filed by 5,000 plaintiffs (possibly even more), who are not parties to the said compromise agreements. The Bromine Group Companies claim absence of liability and lack of jurisdiction with respect to them.

The Bromine Group believes that at the relevant date the Bromine Group had certain insurance coverage in respect of the events that are the subject of the claims. However, there is a dispute, with at least some of the insurers, as to the amount and scope of the coverage. Should the plaintiffs succeed in their claims against any or all of the defendants, and should these parties succeed in their claims against the Bromine Group, the amount the Bromine Group may be required to pay could exceed the amount of the coverage which will be recognized by the insurers.

The Bromine Group Companies estimate that the quantities of chemicals supplied by them to the relevant countries and in the relevant period was, if at all, small as compared to the quantity supplied by the other producers.

At this stage, the Company is unable to estimate if and to what extent it is exposed to liability in these proceedings, this being due to the uncertainty involved in the aforementioned legal proceedings. Therefore, no provision has been made in the financial statements in respect of the possible outcome of these claims.

NOTE 19 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued)**:**

3) Contrack Line Ltd. (hereafter - "Contrack") has filed a claim with the Tel-Aviv District Court against DSW and others for infringement of a patent registered by Contrack in respect of a dredge for crushing salt mushrooms in the Dead Sea and in respect of breach of other alleged rights that Contrack claims with respect to the dredge. The Court ruled that DSW infringed the patent. An appeal was submitted to the Supreme Court with respect to this ruling. Mediation proceedings between the parties were unsuccessful and the case is awaiting the Supreme Court's decision.

   Concurrent with the appeal and based on said ruling, Contrack filed a financial claim against DSW with the Tel-Aviv District Court, in respect of damages/losses caused to it, in the amount of approximately $ 52 million. Contrack has applied to the Court to be exempted from fees in respect of its claim. The Court approved the payment of a minimum fee of NIS 10,000 by Contrack in respect of a claim amount of $ 20 million. This ruling was appealed by both sides. The ruling on these appeals has been deferred until a ruling is issued regarding the appeals pending before the Supreme Court.

   DSW has included a provision in its financial statements, which, based on the opinion of its legal counsel and taking into account developments in the aforementioned proceedings, it believes will be sufficient to cover any exposure arising from such proceedings.

4) In October 2004, the Kiryat Ata Municipality submitted a municipal tax assessment in the amount of U.S.$ 9.7 million to a subsidiary. Until the end of 2003, as part of an agreement with the Kiryat Ata Municipality, the subsidiary has paid municipal taxes in the annual amount of U.S.$ 2.3 million. The Company has contested the aforementioned assessment, and at this stage recorded a provision in an amount equal to that which had been paid in previous years, based on the opinion of its legal counsel.

5) The Israeli Document Stamp Duty Law, 1961 (hereafter - the Law) requires the payment of stamp duty on various documents, at rates that vary based on the type of the document and/or the amount stated therein. In June 2003, Section 15a of the Law, which specifies the types of documents that are liable to stamp duty, was amended.
   As from June 2003, the Israeli tax authorities have placed an emphasis on the enforcement of the Law. The amendment to the Law and the enforcement activities undertaken by the tax authorities have been appealed in the Supreme Court, which has yet to issue a ruling in the matter. In addition, as part of ongoing changes in legislation, the Law is expected to be gradually limited, until its final cancellation in 2008.
   In the opinion of the Company's management, the Company has no material exposure in connection with the Law.

NOTE 19 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued)**:**

6) Ecological damage:

a) The Bromine Group manufactures, stores and sells dangerous chemical products. Accordingly, it is exposed to risks resulting from environmental damage. The Bromine Group invests substantial amounts in order to meet the environmental directives and regulations. The financial statements include a provision amounting to approximately $ 11.4 million, which, in the opinion of the management of the Bromine Group, based on the information available to it at the date of approval of the financial statements, is sufficient to cover possible liabilities in respect of environmental damage in which the Bromine Group is involved.

b) In May 2004, plants in Ramat Hovav, including an ICL Industrial Products plant, received notice regarding changes in their business licenses, according to which the plants are required: (a) to erect, as of July 1, 2006, facilities for the biological treatment of effluents on the plant's premises, and by that date to stop discharging effluents to the central treatment facility operated by the Ramat Hovav Industrial Council; (b) to stop discharging treated wastewater into the Council's evaporation ponds by January 1, 2008, and that by that date those wastewaters will be discharged into the plant's pond as a brine with a salt concentration of 15%; and (c) the Ministry of Environment requires that the plants submit a pilot plan, by June 30, 2007, for treatment of wastewater via crystallization and by December 31, 2008, submit a plan for treatment of wastewater via evaporation and crystallization based on the pilot tests.
On October 10, 2004, all of the plants in Ramat Hovav, along with the Manufacturers' Association, filed an administrative appeal in the district court in Be'er Sheva against the Ministry of Environment to void the abovementioned requirements. In their appeal the appellants claim that the conditions were imposed illegally and unreasonably, in that they require a solution that is not feasible (or that is not known to be feasible from a technological or economic perspective), and thus the ministry abandoned the feasible and existing solution of pumping the wastewater after treatment into the Mediterranean Sea through an undersea pipe.

On March 3, 2005, the District Court in Be'er Sheva approved a settlement agreement between the Ministry of Environment, the Manufacturers' Association, and the plants, pursuant to which the dispute will be transferred to a mediation proceeding and the lawsuit will be suspended for 180 days. The issues agreed to be decided at mediation are the type of ultimate solution, the timetable for its implementation and the parameters required by this type of solution. The appellant plants agreed to withdraw the portion of their appeal dealing with the solution for the treatment of wastewater on the premises of each plant separately, instead of the joint treatment that has been done until now, and they agreed that each plant will assume responsibility for its own wastewater treatment. The mediation proceeding does not delay the deadlines imposed by the new business license conditions. At this point there is no way to know for certain what the significance of the plant's adoption of these conditions will be if the mediation proceeding is unsuccessful and the appeal is rejected; as the technology that is required to implement the conditions is not readily available at this time and requires research and development.

NOTE 19 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued)**:**

c) In previous years, soil contamination was found on a certain part of the land leased in the Netherlands by a subsidiary in the Rotem Group (hereafter - "the Dutch Company"). Management of the Dutch Company is of the opinion, based on the policy currently in practice with respect to enforcement of environmental protection laws, and taking into account the fact that the authorities approved construction of a warehouse on the contaminated land, that the likelihood that the ecological authorities of the Dutch Government will require that the contaminated land be cleaned up is low. Upon granting the permit for construction of the warehouse, the authorities related to the contamination as being severe, but decided that, at that stage, there was no need to clean it up. Consequently, the management of the Dutch Company does not intend to initiate the cleaning up of the contamination, as it may be very costly. However, the question may become relevant only if and when the plant will be closed and the land will revert to the Port Authority. At present, the Dutch Company incurs insignificant costs with respect to monitoring of the contamination.

In the opinion of the management of the Dutch Company, the previous owner of the ground is responsible for the contamination, since it was not brought to the attention of the Dutch Company prior to the acquisition.

The question of responsibility for any damages to third parties is being litigated and has not yet been resolved.

d) The production site of Fertilizers and Chemical Materials Ltd., a company in the ICL Fertilizers segment (hereinafter "FCM") borders the Kishon River For decades. FCM, along with many other entities, municipalities and plants, has diverted wastewater to the Kishon River.

On May 29, 2001, a class action was filed against FCM and other defendants, in Magistrates Court in Haifa under the Prevention of Environmental Nuisances Law (Civil Actions) (1992). The State of Israel and dozens of plants were joined to the action as third-party defendants. The action claims that the defendants polluted the Kishon River. The plaintiffs asked the court to order the defendants to cease the pollution of the Kishon River and to restore the Kishon River to the state it was in prior to the discharge of the waste.

NOTE 19 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued)**:**

FCM, other defendants and the State of Israel filed a motion for dismissal of the action, on the grounds, among other things, that the State and other defendants have taken, and presently take, steps to remove and prevent environmental hazards, that the currently diverted wastewater is not polluted, and that on these grounds there is no basis for a class action under the abovementioned law. These motions to dismiss have been heard but no ruling has yet been issued.

The vast majority of the causes of action raised in the claim have not yet been brought before the Supreme Court for resolution. Nevertheless, with regard to the abovementioned action, the Company believes, based on the opinion of its legal counsel, that it has good defenses to these claims and therefore it has not included a reserve in its financial statements.

Between 2001 and 2004, six lawsuits were filed against FCM and eight additional defendants (including the State of Israel) in Haifa District Court by 49 individuals (or their heirs or dependants), most of them fishermen who had worked, according to the claims, in the Kishon's fishing harbor. The plaintiffs claim that the diversion of wastewater into the Kishon caused them to suffer from cancer (and other diseases). Dozens of plants and government entities were also joined as third-party defendants to these lawsuits. Because these claims are for physical injury, the plaintiffs are not required to quantify the amounts sought as damages. The plaintiffs estimate that their damages total NIS 153 million (approximately $35 million) as of the date the claims were filed, and seek punitive damages as well. After the claim was filed two plaintiffs withdrew, and their claims were removed (the total amount of damages they sought was NIS 3.6 million).

These cases are in their initial stages and witness testimony has not yet commenced (excluding testimony provided in preliminary hearings). Consequently, FCM does not have all of the factual information regarding the plaintiffs and the nature of their alleged exposure. These actions involve highly complex fact patterns spanning decades and involving over one hundred parties (plaintiffs, defendants and third parties), and constitute a precedent-setting case, both in terms of the nature of the claim and the division of responsibility among the defendants and third parties.

It can be said, with the necessary caution and subject to the abovementioned information, that FCM has good defenses to these claims, based on expert opinions presented by FCM and other defendants. These defenses include: (a) a higher cancer rate is not apparent among the fishermen, (b) most of their ailments can be attributed to personal risk factors (primarily the fact that over 90% of the plaintiffs are smokers) as well as natural illness, and (c) the circumstances of the claimed exposure are not known to cause the plaintiffs' diseases.

Notwithstanding the foregoing, in accordance with the evaluation of its legal advisors, and in light of the factual and legal complexity of these proceedings, the initial stage in which they are pending, and the multitude of parties involved, the Company cannot estimate its exposure with regard to these claims and no reserve has been included in the financial statements.

NOTE 19 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued)**:**

In April, June and July 2004, three lawsuits were filed against four defendants in Haifa District Court by approximately 180 plaintiffs – 94 former soldiers, bereaved families, heirs and dependants (combined with an earlier claim by a former soldier and his wife), claiming that contact with toxic substances in the Kishon River caused them severe physical injury. The soldiers claim total damages of approximately NIS 266.6 million (approximately $62 million) as quantifiable special/general damages, approximately NIS 84.2 million in dependant damages (some of which overlap with the special damages), and NIS 141 million in punitive damages (the amounts as of the lawsuit's filing date), in addition to other primary damages not quantified in the claims (including loss of future livelihood, medical expenses, in some cases loss of salary for years lost from work, etc.). The defendants joined third parties including FCM as well as dozens of plants and government entities, including the State of Israel.

These cases are in the initial pre-hearing stages. Consequently, the factual information regarding the plaintiffs and the nature of their alleged exposure is mostly not known to the defendants and third-party defendants, including FCM. In addition, as of the date of this report the report of FCM's expert had not yet been presented. These actions involve highly complex fact patterns spanning decades and involving hundreds of parties (plaintiffs, defendants and third parties), and constitute a precedent-setting proceeding, both in terms of the nature of the claim and the division of responsibility among the defendants and third parties. It is likely, with the necessary caution and subject to the abovementioned information, that some of FCM's defenses to the claims described in section 3 above will also serve to defend FCM with regard to these claims. Notwithstanding the foregoing, in accordance with the evaluation of its legal advisors, and in light of the factual and legal complexity of these proceedings, the initial stage in which they are pending, and the multitude of parties involved, the Company cannot estimate its exposure with regard to these claims and no reserve has been included in the financial statements.

Between 2001 and 2004, two lawsuits were filed against FCM and eleven other defendants (including State agencies), in Haifa District Court, by 71 boat and ship owners seeking compensation for equipment damage from corrosion allegedly caused by the vessels' contact with the waters of the Kishon River. Another lawsuit was filed against defendants including FCM by Israel Shipyards claiming that corrosion damage to its drydock and its locks was caused from the Kishon River's waters. In these claims notices of third-party defendants were served on additional parties. For purposes of calculating fees, the damages claimed were estimated to total approximately NIS 30.2 million as of the date of the lawsuits' filing (approximately $7 million), in addition to punitive and future damages.

NOTE 19 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued)**:**

These cases are in the initial pre-hearing stages. In the ship damage action, preliminary investigation regarding the amount of damage was conducted, after which the court decided that it would first consider the issue of establishing a causal connection between the wastewater diverted by the defendants and its ability to cause corrosion as a general principle (without hearing plaintiffs' testimony). In addition, the court was authorized by some of the parties to achieve a settlement on the issue of damages (at this stage FCM has not joined this arrangement). FCM claims that it acted in accordance with appropriate permits issued by the authorized agencies and that the substances it diverted into the Kishon did not cause the alleged damage. The Company believes, based on the opinion of its legal counsel, that it has good defenses to these claims. Notwithstanding the foregoing, in light of the initial stage in which these claims are pending, and the numerous parties involved, the Company cannot estimate its exposure with regard to these claims and no reserve has been included in the financial statements.

e) In February 2002, the Israel Union for Environmental Defense (hereafter - "the IUED") submitted a Water Appeal to the Water Tribunal in Haifa, wherein it requests that the Water Commissioner be required to issue orders against two subsidiaries of the Company, obligating them, inter alia, to redress and/or to reinstate the salinity of the "Havurat Yehuda" aquifer (in which, inter alia, the "Effa 13" bore is located) to its original levels and/or take all necessary actions in order to prevent the recurrence of pollution, as stated. The appeal further requests that the orders obligate the said subsidiaries to immediately stop the permeation of industrial effluents into the sub-terrain and to pump the polluted water from the "Effa 13" as well as other bores - this in order to minimize the spreading of the pollution and to control the rising salinity levels, while utilizing the polluted water instead of unpolluted water extracted from other sources.

NOTE 19 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued)**:**

The managements of those subsidiaries believe that they have good arguments as to why such orders must not be issued and that the pollution was not caused by the subsidiaries. In addition, the subsidiaries' managements claim that the Water Tribunal is not authorized to issue a ruling in this case and that IUED has no standing in this proceeding. Furthermore, another subsidiary of the Company has expressed its willingness to purchase the water from the "Effa 13" bore. The Water Commissioner has notified the Court that he does not believe that the remedies are in order, since if there was any contamination, it was terminated, and since practical solutions for the use of the aquifer water are being examined, under which a solution for the alleged contamination would be reached in any event. The appeal is pending before the court and a hearing of the substantive arguments of the appeal has not yet been held.

As the remedies requested in relation to the measures that the subsidiaries will be obliged to take with regard to the pollution, are very general and cannot be quantified, it is impractical to estimate, at this stage, the potential cost of the actions, if any, that the subsidiaries may be required to take.

f) In February 2004, a subsidiary became aware that the Prosecutor of Environmental Crimes of Catalonia, Spain, initiated a criminal proceeding, in the framework of which a claim was filed with the Magistrate's Court in Messarat, Spain, against a company in ICL's fertilizers sector, which operates mines in Spain, as well as against former and present managers of the said company, wherein it is alleged that managers of the company in Spain violated the local law and caused contamination of subterranean water due to permeation of salt compounds from salt mounds, which are a by-product of the potash production, during the course of many years, partly prior to the Company's acquisition of ICL Fertilizers. The Court was also requested to issue an order forbidding the continued dumping of the salt. As of the date of the financial statements, no order was issued as above. ICL Fertilizers estimates, based on the opinion of its legal counsel, that the probability of such an order, as aforesaid, being issued as this stage, is low. If such order is issued and is not changed under the legal proceedings- such matter will have a material effect on the mining activities in the site.

7) On October 29, 2004, flash floods in river beds flooded extensive areas in some of the Company's facilities in Sdom and resulted in a substantial spillage of water and silt into the evaporating ponds in the Dead Sea. As a result of the floods, the power station and the production in some of the Company's facilities in Sdom were shut down for several days. Due to the floods, the Company incurred property damages and loss of profits.

At this stage, the Company is unable to estimate the full extent of the damages. Nevertheless, in the opinion of the Company's management, there is insurance coverage for the damages, subject to the payment of a deductible in the net amount of approximately $ 12.5 million, for which the Company has included a provision in the financial statements.

NOTE 19 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued)**:**

8) In addition to the contingencies referred to in sections (2) to (7) above, a number of claims are pending against the Company and various subsidiaries (including lawsuits). In respect of claims for an amount up to $ 10 million as of December 31, 2004, the Company and the subsidiaries have recorded provisions at that date of $ 5 million; in addition, $ 4 million of the above claims are covered by insurance. In the opinion of the managements of the companies, based on the opinions of their legal counsel, these amounts are sufficient to cover any liabilities that might arise. As to claims in an amount up to $ 2 million at December 31, 2004, in the opinion of the managements of the companies involved, based on the opinions of their legal counsel, the chances of the claims cannot be estimated at this stage. Accordingly, no provision has been included in the financial statements in respect thereof.

NOTE 20 - SHARE CAPITAL:

a. The share capital is comprised as follows as of December 31, 2004 and 2003:

	2004		2003	
	Authorized	**Issued and paid**	**Authorized**	**Issued and paid**
Ordinary shares of NIS 1 par value	1,484,999,999	1,234,229,999	1,484,999,999	1,205,957,999
Special State share of NIS 1 par value	1	1	1	1

b. Rights conferred by the shares

The ordinary shares confer upon their holders voting rights (including appointment of directors by a simple majority at shareholders' meetings), the right to participate in shareholders' meetings, the right to receive profits and the right to a share in excess assets upon liquidation of ICL.

The Special State share, held by the State in order to safeguard matters of vital interest to the State, confers upon it special rights to make decisions among other things on the following matters:

– Sale or transfer of assets of the Company, which are "vital" to the State not in the ordinary course of business.
– Voluntary liquidation, change or reorganization of the organizational structure of ICL or merger (excluding mergers of entities controlled by ICL that would not impair the rights or power of the Government, as holder of the Special State share).
– Any acquisition or holding of 14% or more of the issued share capital of ICL.

NOTE 20 - SHARE CAPITAL (continued)**:**

- The acquisition or holding of 25% or more of the issued share capital of ICL (including augmentation of an existing holding up to 25%), even if there was previously an understanding regarding a holding of less than 25%.
- Any percentage of holding of the Company's shares, which confers upon their holder the right, ability or actual possibility to appoint, directly or indirectly, such number of the Company's directors equal to half, or more than half, of the Company's directors actually appointed.

c. Company shares held by a subsidiary

As of December 31, 2004, a subsidiary holds 5,131,142 ordinary shares of NIS 1 par value of ICL (December 31, 2003 - 9,796,501 shares), which are intended, inter alia, to be sold to employees in the event the options mentioned in d(i) below are exercised.

During 2003, the subsidiary acquired an additional 2,196,632 ordinary shares of NIS 1 par value of ICL for consideration of $ 2,164 thousand. In addition, during the period, the subsidiary transferred 1,568,303 ordinary shares of NIS 1 par value to employees of the Company, in respect of options exercised by them for a consideration of $ 724 thousand.

During 2004, the subsidiary transferred 4,665,359 ordinary shares of NIS 1 par value to employees of the Company, in respect of options exercised by them for a consideration of $ 817 thousand.

In determining the amount of retained earnings available for distribution as a dividend, the Companies Law stipulates that the cost of the Company’s shares acquired by a subsidiary (that are presented as a separate item within the framework of the Company's shareholders’ equity) must be deducted from the amount of retained earnings available for distribution presented within the framework of the Company’s shareholders’ equity.

d. Employee options plans:

(i) On August 16, 1999, an extraordinary general meeting of the shareholders approved the resolution of ICL’s Board of Directors on July 21, 1999 regarding a plan for the grant of 4.2 million options to the Company's Chief Executive Officer (allotted on October 5, 1999) and of 3 million options to the Chairman of the Board of Directors (allotted on January 26, 2000), at no cost. Each option is convertible into one ordinary share of NIS 1 par value of ICL. Immediately upon allotment, the ordinary shares allotted upon exercising the options will have all the rights of ICL's ordinary shares. ICL allocated an additional 7.8 million options to a trustee, under the same terms and conditions. At the meetings of the Board of Directors on March 22, 2000 and May 28, 2000, it was resolved to allot all future options held by the trustee to employees of the Company and its subsidiaries. The allotment of the options will be carried out in accordance with Section 102 of the Income Tax Ordinance.

NOTE 20 - SHARE CAPITAL (continued)**:**

The exercise price for all of the options granted until December 31, 2000 is NIS 3.7 per share, linked to the last Israeli CPI published prior to June 21, 1999, subject to adjustments as determined by the plan. The theoretical economic value of each option, computed using the Black-Scholes option-pricing model as prescribed by the Directives of the Stock Exchange, was NIS 2.24 as of that date, based on the quoted price of one ordinary share of NIS 1 par value close to the date of the Board of Directors' resolution to offer options (the determining date for implementation of the abovementioned grant) - NIS 4.76. The exercise price of the next increments will be set at the average quoted price of one ordinary share of NIS 1 par value over the four months preceding the date of entitlement for each increment, at a discount of 15% linked to the Israeli CPI, but not more than NIS 3.7 linked to the Israeli CPI, subject to adjustments as determined by the plan.

The Tel-Aviv Stock Exchange has approved the listing of the shares issuable under this plan.

On January 30, 2003, the Company's Board of Directors approved the amendment of the terms of the stock option plan, such that upon exercise of the options, employees would be allotted shares in the amount of the benefit to which they are entitled. On February 24, 2003, the general meeting of the Company's shareholders approved such amendment in connection with options allotted to the Chairman of the Board of Directors and the Company's Chief Executive Officer.

(ii) During 2002, the Company's Chief Executive Officer and the Chairman of its Board of Directors exercised options for 1.4 million and 1 million Company shares, respectively. In addition, a further 3,431,866 options were exercised by other employees into Company shares during 2002.
During 2003, other employees exercised 2,532,815 options into Company shares.
During 2004, the Company's Chief Executive Officer and the Chairman of its Board of Directors exercised 2.8 million and 2 million options, respectively, into 1,638,811 and 1,170,579 Company shares, respectively. In addition, a further 1,835,242 options were exercised by other employees into 1,055,933 Company shares during 2004.
As of December 31, 2004, all the options under the above option plan, had been exercised into Company shares.

(iii) On January 23, 2003 (hereinafter – "the Effective Date"), the Company's Board of Directors approved a plan for the grant of 25 million options for the purchase of Company shares to a group of officers in the Company and in companies controlled by the Company, including 4.8 million options to the Company's CEO and 3.4 million options to the Chairman of the Board of Directors, at no cost. The private allotment to the Chairman of the Board of Directors was approved by the General Meeting on February 24, 2003. Upon exercise, each option may be converted into one ordinary share of NIS 1 par value of the Company. Immediately upon grant, the ordinary shares issued as a result of exercise of the options shall have all of the same rights as the Company's ordinary shares. The issuance was executed in 2003, in accordance with Section 102 of the Income Tax Ordinance (not including foreign employees of the Company and its subsidiaries), under the capital gains tax track. The options may not be exercised prior to January 1, 2006.

NOTE 20 - SHARE CAPITAL (continued)**:**

The options vest as follows: one third after 12 months from the Effective Date, one third after 21 months from the Effective Date and one third after 30 months from the Effective Date. The expiration date of the options is the end of 48 months from the Effective Date. In addition, rules have been established to govern the event of termination of service or employment of the option holders. The exercise price was set at NIS 4.25 per share. The theoretical economic value of each option, computed using the Black-Scholes option-pricing model as prescribed by the Directives of the Stock Exchange, was NIS 1.62 at the above date, based on the quoted price of one ordinary share of NIS 1 par value close to the date of the Board of Directors' resolution to issue the options (NIS 4.56).
During 2004, foreign employees of the Company exercised 800,036 options into Company shares.

(iv) The closing price per share on the Tel-Aviv Stock Exchange on December 31, 2004, was NIS 10.19.

e. Dividends

On March 28, 2004, the Company's Board of Directors decided to distribute a dividend to its shareholders in the amount of $ 25,675 thousand (the net dividend, less the share of a subsidiary, amounts to $ 25,469 thousand). The dividend was paid in April 2004.

On August 15, 2004, the Company's Board of Directors decided to distribute a dividend to its shareholders in the amount of $ 64,148 thousand (the net dividend, less the share of a subsidiary, amounts to $ 63,866 thousand). The dividend was paid in September 2004.

On March 28, 2005, the Company's Board of Directors decided to distribute a dividend to its shareholders in the amount of $ 35,850 thousand (the net dividend, less the share of a subsidiary, amounts to $ 35,712 thousand). The dividend will be paid on April 2005.

NOTE 21 - PLEDGES AND RESTRICTIONS PLACED IN RESPECT OF LIABILITIES:

a. Some of the Group companies have made a "negative pledge" to certain Israeli and non-Israeli banks (see also C., below) in respect of loans and credit received from them. Under the negative pledge, those companies are not to pledge their assets.

The lenders are entitled to request early repayment if the State ceases to hold the Special State shares issued to it by ICL, DSW, Rotem, Bromine Company, Compounds and IMI (see also Note 7D(3).

b. As security for liabilities (other than those referred to in a above), floating charges have been registered on the assets of Group companies and a fixed charge has been registered on IP's shares, as follows:

	December 31	
	2004	**2003**
	US$ thousands	
Long-term loans and other long-term liabilities (including current maturities)	154,910	120,234

NOTE 21 - PLEDGES AND RESTRICTIONS PLACED IN RESPECT OF LIABILITIES (continued)**:**

c. ICL has undertaken various obligations in respect of loans and credit received from non-Israeli banks (mentioned in a. above). Among others, it has undertaken to restrict guarantees and indemnities to third parties (other than the guarantees specified in the agreements with the banks) up to an agreed amount. ICL has also undertaken to grant loans only to subsidiaries and to associated companies in which it holds at least 25% of the voting rights – up to the amount stipulated by the agreement with the banks. ICL has also undertaken not to grant any credit, other than in the ordinary course of business, and not to register any charges, including rights of lien, except those defined in the agreement as "liens permitted to be registered" on its present or future assets or income.

ICL has also undertaken to hold at least 67%–70% of the control in its main subsidiaries (DSB, DSW, Rotem).

In respect of the convertible debentures, ICL has undertaken not to register pledges on any of its assets in favor of a third party, for the purpose of securing debentures, promissory notes or other securities that may be registered for trade on a stock exchange, unless it also grants, on the same date, pari passu, identical collateral to the holders of those debentures.

d. Under the Law for the Encouragement of Capital Investments, certain subsidiaries have received investment grants from the State of Israel. In the event of failure to comply with the terms attached to the receipt of the grants, the companies may be required to refund the amount of the grants, in whole or in part, with interest from the date of receipt (see Note 17a(1)).

The above companies have registered floating charges on all their assets in favor of the State of Israel as security for compliance with the terms attaching to the grants.

e. The Company has registered a general assignment of all its trade receivables in favor of the company which purchased the receivables, which are to be included in the securitization transaction from time to time, as well as all rights, documents or collateral arising from such debts or that are related to them.

NOTE 22 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION:

	Year ended December 31		
	2004	2003	2002
	US$ thousands		
a. Cost of sales (1):			
Materials	591,368	530,098	426,555
Power and energy	189,077	173,369	145,088
Labor and related expenses	438,360	410,507	329,537
Subcontracted work	168,184	172,307	156,375
Depreciation and amortization	139,766	143,439	136,820
Other production expenses	181,300	145,719	137,795
Transportation and port expenses	29,675	26,073	20,392
	1,737,730	1,601,512	1,352,562
Decrease (increase) in inventories of finished products and work in process	40,175	(35,698)	(82)
	1,777,905	1,565,814	1,352,480
(1) Net of amounts capitalized to property, plant and equipment under construction	4,406	12,345	13,324
b. Research and development expenses, net:			
Amount of expenses	33,287	30,384	28,871
Less – grants and participations, see note 19a(5)	1,172	1,236	410
	32,115	29,148	28,461
c. Selling, transportation and marketing expenses:			
Transportation and insurance	328,220	270,159	220,514
Salaries and related expenses	54,771	52,120	43,709
Agents' commissions	17,537	15,855	16,931
Other	44,383	38,616	36,651
	444,911	376,750	317,805
d. General and administrative expenses:			
Salaries and related expenses	61,823	59,207	49,103
Other*	43,833	36,964	34,421
	105,656	96,171	83,524
* Including in respect of doubtful debts	1,142	(230)	2,210

NOTE 22 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):

	Year ended December 31		
	2004	2003	2002
	US$ in thousands		
e. Financing expenses, net (1):			
Expenses (income) in respect of:			
Long-term loans and other liabilities	24,377	19,106	45,549
Sales of trade receivables as part of securitization transaction	9,402	7,866	3,879
Short-term credit from banks and others	10,379	15,042	4,816
Long-term deposits and receivables	(845)	987	453
Short-term deposits and loans	(4,996)	(10,112)	(6,460)
Short-term investments, net	(102)	(575)	466
	38,215	32,314	48,703
(1) Net of amounts capitalized to property, plant and equipment under construction	313	446	840
f. Other income (expenses), net:			
Capital gains (losses) (1)	52,709	(1,749)	2,934
Expenses in respect of early retirement of employees (2) (4)	(12,420)	(7,972)	(6,866)
Write-down of production plants and others (2)	(22,316)	(21,540)	(9,448)
Write-off of long-term investments			(811)
Amortization of goodwill	(3,934)	(3,998)	(3,863)
Expenses related to damages caused to property, plant and equipment (3)		(8,071)	
Expenses related to changes in actuarial assumptions for a non-Israeli subsidiary's pension plan	(12,899)		
Dividend received from SQM	1,896	1,680	1,211
Expenses relating to damage caused by forces of nature	(12,500)		
Other, net	2,766	(2,088)	(1,788)
	(6,698)	(43,738)	(18,631)

(1) During December 2004 one of the ICL Group companies sold all its holdings in the shares of SQM for $ 100.4 million. ICL has recorded a capital gain of approximately $ 43.6 million from this sale.
In February 2004, the Company signed an agreement for the sale of shares in a subsidiary - Negev Mineral Industries Ltd. (as well as a sister company that was connected to it). The Company has recorded a capital gain of approximately $ 4.4 million from this sale. See note 7d(1).
On December 22, 2002, a subsidiary signed an agreement for the sale of real estate rights in Be'er Sheva for approximately $ 5.2 million. Pursuant to this agreement, possession in the real estate was transferred two years after signing the agreement. In 2004, the Company recognized a capital gain of approximately $ 5.2 million from this sale.

NOTE 22 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued)

(2) Following the continued decrease in the selling prices of fused magnesia products, which led to the reduced manufacture and sale of such products, the management of Periclase decided to idle some of the manufacturing facilities of such products. As a result, in 2002 Periclase made a provision of approximately $ 1.9 million for the decline in value of the facilities that were idled or are expected to be idled in the near future. In 2003, the provision was updated by approximately $ 400 thousand due to reevaluation of the amount of the write down.

In 2002, Fertilizers wrote down production facilities, whose depreciated cost aggregated approximately $ 4.8 million. The facilities were written down partly in view of the decision to terminate the production of TCCA and partly due to obsolescence. In addition, the production facility of a German subsidiary used in the production of phosphoric acids was written down due to obsolescence. The depreciated balance of this facility aggregated to approximately $ 3.2 million.

In 2003, the management of a subsidiary of Bromine made an evaluation of the marketing and sales of monomers and on the basis thereof it was decided to discontinue the marketing and selling of these products due to a decline in prices. In light of the aforesaid, the Company wrote-down $ 13 million of the depreciated balance of the monomers production facility.
In light of the discontinuance of certain parts of a manufacturing facility, the management of a subsidiary of Bromine in the Netherlands decided to write-down $ 4.6 million of the depreciated balance of the manufacturing facility. In addition, during 2003, Fertilizers recorded a provision for the impairment of facilities, machinery and equipment in the amount of approximately $ 3 million.

In December 2004, the Board of Directors of Rotem approved a strategic plan for the transition to new phosphate sources in the fertilizers segment, entailing significant changes in phosphate sources and in the betterment and production processes, as well as improved profitability. As part of the implementation of the strategic plan, the phosphate toasting facility in Zin, at a cost of approximately $ 13.4 million, will be shut down in 2005. Accordingly, the Company has written off the full cost of the phosphate roasting facility. In addition, as part of the plan, the Company's board of directors approved an efficiency program, under which employees are to take early retirement at a total cost of approximately $ 12.4 million.

(3) The item includes expenses in respect of various damages caused to production facilities and property, plant and equipment of subsidiaries in the year 2003.

(4) Within the framework of the cost-savings plans of certain subsidiaries, a number of employees from these companies took early retirement during 2003. The retirement cost in respect of these employees in 2003 amounted to approximately $ 8 million.

(5) As to the damage caused by floods to the Company's facilities at Sdom, see note 19c(7).

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

a. General

The Group operates in a large number of currencies, giving rise to exposure to risks from changes in foreign exchange rates. In addition, the Group has loans bearing interest at variable rates thus exposing the Group to changes in the interest rate. Financial instruments, including derivative financial instruments, (hereinafter – "derivatives") are utilized by the Group to reduce those risks, as explained in this note. The Group does not hold or issue financial instruments for trading purposes.

As the counterparties to these derivatives are major banks in Israel and abroad, the Group considers that there are no inherent credit risks. The Group does not require or provide collateral for these derivatives.

b. Interest rate risk management

The Group enters into interest rate swaps and interest options, mainly to reduce its interest rate exposure.

As of December 31, 2004, the Group has "cap" options to secure a ceiling of LIBOR interest rates of 3% and 4%, which cover, as at December 31, 2004, a notional amount of $30 million and $ 100 million, respectively. The Group has also purchased and has written interest options, which serve to fix the LIBOR interest rate within the range of 2% to 6.25% (collar). The notional amount covered by such collars is $ 326 million as of December 31, 2004.

Part of these transactions are combined with options written by the Group, according to which, if the variable interest, based on LIBOR, reaches 6%-7%, the transactions will not be effective in that period.

c. Foreign exchange risk management

The Group enters into foreign currency derivatives – forward exchange and option contracts – almost all in order to protect the Group from the risk that the eventual dollar net cash flows, resulting from existing assets and liabilities, and sales and purchases of goods and services within the framework of firm or anticipated commitments (based on a budget for up to one year), will be affected by changes in the exchange rates.

These transactions are principally for the exchange of euros and Japanese yen into dollars and British pounds, and vice versa.

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The amounts relating to foreign currency derivatives are as follows:

	Notional amounts as of December 31, 2004
	US$ in millions
Forward contracts - for exchange of:	
Japanese yen into dollars	6.3
Euros into British pounds	50.7
Dollars into British pounds	4.0
Options purchased and written (cylinder options):	
Euros for dollars	111.2
Japanese yen for dollars	15.3
British pounds for dollars	2.2
Options written for exchange of euros into dollars	5.0

d. Linkage terms of monetary balances that are not in dollars or linked thereto:

Composed, as of December 31, 2004, as follows:

	In non-dollar currencies or linked thereto*	In Israeli currency	
		Linked to the Israeli CPI	Unlinked
	US$ in thousands		
Assets:			
Current assets (including current maturities)	297,333	21,056	52,423
Non-current assets	21,323	13,099	5,632
	318,656	34,155	58,055
Liabilities:			
Current liabilities (including current maturities)	346,212		241,591
Long-term loans and other long-term liabilities	147,869	3,723	123,414
	494,081	3,723	365,005

* Of which $ 270,512 thousand and $ 396,097 thousand relate to assets and liabilities, respectively, in respect of companies operating independently.

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

e. Concentration of credit risks

Most of the Group's cash and cash equivalents and short-term marketable securities at December 31, 2004 and 2003 were deposited with Israeli and European banks. The Company's marketable securities represent mainly Israeli Government bonds and mutual funds that invest primarily in such bonds. The Group is of the opinion that the credit risk in respect of these balances is remote.

Most of the Group's sales are made to a large number of customers. Consequently, the exposure to credit risks relating to trade receivables is limited. The Group performs ongoing credit evaluations of its customers. An appropriate allowance for doubtful accounts is included in the financial statements. A part of the trade receivables is also insured by foreign trade risk insurance.

f. Fair value of financial instruments

The financial instruments of the Group consist mainly of non-derivative assets: cash and cash equivalents, short-term investments, deposits and loans, accounts receivable, and long-term investments and receivables, and of non-derivative liabilities: short-term credit, accounts payable and accruals, long-term loans and other long-term liabilities; the Group also has derivatives.

In view of their nature, the fair value of the financial instruments included in working capital of the Group is usually identical or close to their carrying value. The fair value of long-term deposits and receivables and long-term loans and other long-term liabilities also approximates the carrying value, since they bear interest at rates close to the prevailing market rates.

The fair value of derivatives at December 31, 2004, is generally identical or close to their carrying value. The fair value of these instruments generally reflects the estimated amounts that the Group would receive, net, in order to terminate the contracts at the reporting dates.

NOTE 24 - INTERESTED PARTIES:

a. Remuneration and benefits to interested parties:

	Year ended December 31		
	2004	2003	2002
	US$ in thousands		
Remuneration and benefits:			
To interested parties employed by ICL	1,483	996	842
To interested parties not employed by ICL – directors	559	525	407
Number of people to whom these benefits related:			
Interested parties employed by ICL	1	1	1
Interested parties not employed by ICL – directors	16	26	21

On March 28, 2005, the Company's board of directors approved a compensation plan for senior management, as part of which the private issuance of Company shares to a group of senior managers in the Company and in companies controlled by the Company was approved, of which shares, 175,000 are to be issued to the Company's CEO. In accordance with Section 102 of the Income Tax Ordinance (New Version) and the regulations published thereunder, the shares are to be allotted, for no consideration, to a trustee and shall be blocked until the beginning of 2007. The issuance of the shares is subject to the Stock Exchange's approval of their listing.

As to management fees to the parent company, see note 19a(7).

As to indemnification and insurance of directors, see note 19a(8).

As to the sale of SQM, see note 8.

b. Balances with interested parties:

	2004	2003
	US$ in thousands	
Long-term deposits, net of current maturities	5,994	8,165
Current maturities of long-term deposits	2,203	2,050
Other current assets	4,155	5,005
Long-term loans, net of current maturities	110,740	162,978
Current maturities of long-term liabilities to interested parties	23,734	7,210
Current liabilities (excluding current maturities of long-term liabilities, see also note 12)	15,729	108,982

NOTE 24 - INTERESTED PARTIES:

c. Data regarding transactions carried out in the ordinary course of business with entities, which are, or are likely to be, included within the definition of "interested parties" including banks, are not presented separately, as identification thereof is impracticable. Management believes that such transactions were carried out under normal market conditions.

d. The Israeli Securities Authority has granted ICL an exemption from the requirement to describe transactions with related parties in the Company and with companies held by such related parties, in the annual financial statements. Management is of the opinion that such transactions are generally carried out under normal market conditions.

NOTE 25 - BUSINESS AND GEOGRAPHICAL SEGMENTS:

a. Business segment data:

	Fertilizers									
	Potash	Phosphate	Eliminations	Total	Industrial Products*	Performance products	Metallurgy	Other operations	Eliminations	Consolidated
	2004									
	U.S. $ in thousands									
Income statement data:										
Sales and other operating revenues - net:										
Unaffiliated customers	829,238	479,546		1,308,784	696,582	576,143	70,209	63,237		2,714,955
Inter-segment	103,063	70,805	(26,773)	147,095	9,940	6,311	18,009	34,265	(215,620)	
Total revenues	932,301	550,351	(26,773)	1,455,879	706,522	582,454	88,218	97,502	(215,620)	2,714,955
Operating income (loss)	230,988	12,892	(403)	243,477	62,952	47,043	(3,261)	5,541		355,752
Unallocated corporate expenses										(1,384)
Operating income										354,368
Financing expense, net										(38,215)
Goodwill amortization, net	(2,886)	(256)		(3,142)	(720)		(72)			(3,934)
Other expenses (excluding goodwill amortization)										(2,764)
Taxes on income										(59,216)
Share in losses of associated companies										338
Minority interest										(74)
Net income										250,503
Other data:										
Segment assets	946,380	583,592	(11,458)	1,518,514	748,429	362,600	136,474	56,556	(66,161)	2,756,412
Unallocated assets										305,860
Consolidated total assets										3,062,272
Segment liabilities	216,404	179,208	(12,120)	383,492	208,982	188,244	24,414	45,491	(77,225)	773,398
Unallocated liabilities										1,064,466
Consolidated total liabilities										1,837,864
Capital expenditures	54,311	17,084		71,395	19,364	23,187	4,139	2,370		120,455
Unallocated capital expenditures										361
Total capital expenditures										120,816
Depreciation and amortization**	55,480	51,941		107,421	51,055	21,948	5,268	2,278		187,970
Unallocated depreciation and amortization										607
Total depreciation and amortization										188,577

* See note 25b(1)(b)

** Including amortization that was included under other expenses.

NOTE 25 - BUSINESS AND GEOGRAPHICAL SEGMENTS (continued):

	Fertilizers									
	Potash	Phosphate	Eliminations	Total	Industrial Products*	Performance products	Metallurgy	Other operations	Eliminations	Consolidated
	2003									
	U.S. $ in thousands									
Income statement data:										
Sales and other operating revenues -net:										
Unaffiliated customers	679,590	431,355		1,110,945	551,863	511,444	60,039	36,615		2,270,906
Inter-segment	85,837	65,683	(28,312)	123,208	8,980	5,165	13,770	30,958	(182,081)	
Total revenues	765,427	497,038	(28,312)	1,234,153	560,843	516,609	73,809	67,573	(182,081)	2,270,906
Operating income (loss)	151,348	3,080	1,065	155,493	16,638	35,622	(11,873)	4,655		200,535
Unallocated corporate expenses										2,488
Operating income										203,023
Financing expense										(32,314)
Goodwill amortization	(2,867)	(254)		(3,121)	(805)		(72)			(3,998)
Other expenses (excluding goodwill amortization)										(39,740)
Taxes on income										(26,487)
Share in losses of associated companies										(555)
Minority interest										3,148
Net income										103,077
Other data:										
Segment assets	890,490	609,945	(39,832)	1,460,603	794,639	329,272	127,628	63,922	(6,500)	2,769,564
Unallocated assets										231,424
Consolidated total assets										3,000,988
Segment liabilities	233,997	132,138	(38,196)	327,939	174,648	153,288	22,053	25,542	(6,934)	696,536
Unallocated liabilities										1,276,976
Consolidated total liabilities										1,973,512
Capital expenditures	67,921	15,459		83,380	19,447	20,563	857	3,461		127,708
Unallocated capital expenditures										215
Total capital expenditures										127,923
Depreciation and amortization**	53,592	36,660		90,252	68,906	20,439	5,068	2,151		186,816
Unallocated depreciation and amortization										1,141
Total depreciation and amortization										187,957

* See note 25b(1)(b)

** Including amortization that was included under other expenses.

NOTE 25 - BUSINESS AND GEOGRAPHICAL SEGMENTS (continued):

a. Business segment data (continued):

	Fertilizers									
	Potash	Phosphate	Eliminations	Total	Industrial Products*	Performance products	Metallurgy	Other operations	Eliminations	Consolidated
	2002									
	U.S. $ in thousands									
Income statement data:										
Sales and other operating revenues - net:										
Unaffiliated customers	498,466	379,850		878,316	568,528	444,237	63,063	26,763		1,980,907
Inter-segment	79,882	47,730	(21,241)	106,371	10,380	3,898	14,317	25,520	(160,486)	
Total revenues	578,348	427,580	(21,241)	984,687	578,908	448,135	77,380	52,283	(160,486)	1,980,907
Operating income (loss)	120,745	6,182	(85)	126,842	35,831	42,765	(13,343)	3,355		195,450
Unallocated corporate expenses										3,187
Operating income										198,637
Financing expense										(48,703)
Goodwill amortization	(2,732)	(254)		(2,986)	(805)		(72)			(3,863)
Other expenses (excluding goodwill amortization)										(14,768)
Taxes on income										(41,691)
Share in losses of associated companies										(150)
Minority interest										2,849
Net income										92,311
Other data:										
Segment assets	858,207	652,858	(24,661)	1,486,404	833,636	338,195	124,653	52,649	(37,595)	2,797,942
Unallocated assets										201,762
Consolidated total assets										**2,999,704
Segment liabilities	185,591	106,652	(23,333)	268,910	163,590	157,105	18,467	13,287	(36,936)	584,423
Unallocated liabilities										1,540,700
Consolidated total liabilities										**2,125,123
Capital expenditures	109,900	12,913		122,813	38,032	21,631	1,374	2,212		186,062
Unallocated capital expenditures										97
Total capital expenditures										186,159
Depreciation and amortization**	44,536	40,673		85,209	51,729	19,961	5,026	4,536		166,461
Unallocated depreciation and amortization										1,099
Total depreciation and amortization										167,560

* See note 25b(1)(b).

** Including amortization that was included under other expenses.

NOTE 25 - BUSINESS AND GEOGRAPHICAL SEGMENTS (continued):

b. Additional information on business and geographical segments:

1) Business segments:

a) The Group is a multi-national enterprise, which operates mainly in the fields of fertilizers and specialty chemicals, in four principal reporting segments - fertilizers, performance products, industrial products, and metallurgy. The segments are described below:

ICL Fertilizers - ICL Fertilizers mines and processes potash, mines and processes phosphate rock, and produces agricultural phosphoric acid, phosphate fertilizers, compound fertilizers, based mainly on potash and phosphate, and specialty fertilizers. ICL Fertilizers markets these products worldwide, mainly to Europe, Brazil, India, China and Israel. This segment is comprised of two sub-segments: potash and phosphate. ICL Fertilizers extracts potash from the Dead Sea and mines potash from subterranean mines in the UK and in Spain. ICL Fertilizers mines phosphate rock from open-air mines in the Negev, and also produces sulphuric and phosphoric acid in Israel and fertilizers in Israel, the Netherlands and Germany.

ICL Industrial Products - ICL Industrial Products produces bromine out of a solution that is created as a by-product of the potash production process in Sdom, as well as bromine-based compounds. ICL Industrial Products uses most of the bromine it produces for self-production of bromine compounds on production sites in Israel, the Netherlands and China. In addition, ICL Industrial Products extracts salt, magnesium and chlorine from Dead Sea brine, and produces chlorine based products in Israel and the United States.

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

ICL Metallurgy - ICL Metallurgy produces and markets pure magnesium and magnesium alloys. Magnesium production is carried out in Sdom out of carnallite that is extracted (during the potash production process) from the Dead Sea. ICL Metallurgy's products are mainly used in foundries that manufacture automotive parts, and as a component in the aluminum alloying process in the aluminum industry.

In addition to the segments described above, ICL is also engaged in other activities, including water desalination (through a proportionately consolidated company) and overland transport.

NOTE 25 - BUSINESS AND GEOGRAPHICAL SEGMENTS (continued):

b) There is a series of multilateral international agreements designed to reduce the depletion of the ozone layer by various chemical substances, in accordance therewith the consumption and supervised use of methyl bromide produced by the Bromine Companies, which are included in the industrial products segment (whose annual turnover in the 3 years ended December 31, 2004 constituted 4% of the Group's total consolidated turnover), is to be reduced in countries that are party to the agreements, as follows:

(1) In developed countries - from 1999 - by 25% relative to the amount produced in 1991; from 2002 - by 50%; from 2003 - by 70%; and in 2005 and thereafter - complete cessation, with the exception of "critical uses" to be approved by the parties to the treaty from time to time.

(2) In developing countries - in 2002-2004, levels are to be maintained at the average production and consumption levels recorded between 1995-1998; in 2005 - a reduction of 20%; and in 2015 and thereafter - complete cessation.

After cessation of production, consumption and usage of methyl bromide as above, additional production will be permitted only for exceptional uses, and only after reasonable steps have been taken to reduce its usage and discharged into the atmosphere.

Anticipated sales of methyl bromide of the Bromine Group and profits thereon are expected to decrease as a result of the reduction in production and sales.

The Bromine Group is seeking alternatives to methyl bromide.

2) Geographical segments

Following are data regarding the distribution of the Group's consolidated sales by geographical market, based on customers' location:

	Year ended December 31		
	2004	**2003**	**2002**
	U.S. $ in thousands		
Europe	1,186,470	1,105,050	898,815
Asia	549,862	402,279	383,896
North America	312,592	231,102	238,635
South America	332,159	273,525	218,976
Other	124,823	90,794	85,362
	2,505,906	2,102,750	1,825,684
Israel	209,049	168,156	155,223
	2,714,955	2,270,906	1,980,907

NOTE 25 - BUSINESS AND GEOGRAPHICAL SEGMENTS (continued):

Following are data regarding the distribution of the Group's consolidated sales by geographical market, based on asset location:

	Year ended December 31		
	2004	2003	2002
	U.S. $ in thousands		
Israel	1,608,712	1,255,309	1,246,210
Europe	1,001,194	1,020,870	712,253
United States	112,597	56,027	66,822
Other	116,647	39,512	37,178
	2,839,150	2,371,718	2,062,463
Transfers - mainly from Israel	(124,195)	(100,812)	(81,556)
	2,714,955	2,270,906	1,980,907

Following are data regarding the operating income by geographical market location:

	Year ended December 31		
	2004	2003	2002
	U.S. $ in thousands		
Israel	270,984	152,679	184,594
Europe	61,675	45,444	12,893
United States	(1,637)	(2,060)	618
Other	23,346	6,960	532
	354,368	203,023	198,637

Following are data reflecting the carrying value of segment operating assets and additions to property, plant and equipment and intangible assets by geographical area in which the assets are located:

	Carrying value of segment assets		Additions to property, plant and equipment and intangible assets	
	December 31		December 31	
	2004	*2003	2004	2003
	U.S. $ in thousands		U.S. $ in thousands	
Israel	1,879,656	1,872,226	67,288	68,967
Europe	794,777	721,041	49,044	54,206
United States	124,290	153,221	1,001	3,399
Other	100,519	80,821	3,483	1,351
Eliminations	(142,830)	(57,745)		
	2,756,412	2,769,564	120,816	127,923

* Reclassified.

NOTE 25 - BUSINESS AND GEOGRAPHICAL SEGMENTS (continued):

Following are data for depreciation and amortization by geographical area:

	Year ended December 31		
	2004	**2003**	**2002**
	U.S. $ in thousands		
Depreciation and amortization:			
Israel	125,099	128,299	118,879
Europe	47,735	51,641	41,058
United States	12,760	7,179	7,075
Other	2,983	838	548
	188,577	187,957	167,560

3) Segment assets and liabilities

Segment assets include all the operating assets used by a segment and consist principally of cash and cash equivalents, receivables, inventories and property, plant and equipment, net of allowances and provisions. While most such assets can be directly attributed to individual segments, the carrying value of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities include all the operating liabilities and consist principally of trade payables and wages, which are scheduled for current repayment, as well as accrued liabilities (including those in respect of severance pay).

4) Inter-segment transfers

Segment revenue, segment expenses and segment results include transfers between business segments and between geographical segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. Those transfers are eliminated in the consolidation.

Appendix

Israel Chemicals Limited
Details of Investees
At December 31, 2004

HOLDING COMPANY	SUBSIDIARY	Percentage of holding in	
		Shares to profits	Voting
Israel Chemicals Ltd.	Dead Sea Works Ltd., Israel	100.00	100.00
Israel Chemicals Ltd.	Dead Sea Bromine Company Ltd., Israel	100.00	100.00
Israel Chemicals Ltd.	Rotem Amfert Negev Ltd., Israel	100.00	100.00
Israel Chemicals Ltd.	Dead Sea Periclase ltd., Israel	100.00	100.00
Israel Chemicals Ltd.	Mifalei Tovala Ltd., Israel	100.00	100.00
Israel Chemicals Ltd.	Rotem Amfert Negev B.V., The Netherlands	32.60	32.60
Israel Chemicals Ltd.	I.D.E. Technologies Ltd. , Israel	50.00	50.00
Israel Chemicals Ltd.	ICL Financing and Issuing Ltd., Israel	100.00	100.00
Israel Chemicals Ltd.	"Ferson" Chemicals Ltd. , Israel	100.00	100.00
Israel Chemicals Ltd.	ICL Fine Chemicals Ltd, Israel.	100.00	100.00
Israel Chemicals Ltd.	P.A.M.A (Energy Resources Development) Ltd., Israel	25.00	25.00
Israel Chemicals Ltd.	Dead Sea Magnesium Ltd., Israel	65.00	66.67
Israel Chemicals Ltd.	ICL Finance B.V, The Netherlands	100.00	100.00
Dead Sea Works Ltd.	ICL FERTILIZERS, Israel	50.00	50.00
Dead Sea Works Ltd.	Ashli Chemicals Ltd. , UK	100.00	100.00
Dead Sea Works Ltd.	Potash Technology Industries Ltd., Israel	100.00	100.00
Dead Sea Works Ltd.	Ashli Chemicals (Holland) B.V., Holland	100.00	100.00
Dead Sea Works Ltd.	Cleveland Potash ltd (CPL), U.K	100.00	100.00
Ashli Chemicals (Holland) B.V., Holland	Potash Technology Industries B.V, Holland	92.50	92.50
Ashli Chemicals (Holland) B.V., Holland	Iberpotash S.A. , Spain	100.00	54.50[1]
Iberpotash S.A. , Spain	Trafico de Mercancias S.A.,Spain	100.00	100.00
Potash Technology Industries B.V, Holland	Sino Israel Qinqhai Potash Company Ltd.China	33.33	33.33
Ashli Chemicals Ltd. , England	Y.H.M.S. Investment Establishment, Liechtenstein	100.00	100.00
Y.H.M.S. Investment Establishment, Liechtenstein	Cogepotasse, Ltd. Belgium	8.83	8.80
Cleveland Potash ltd (CPL), U.K	Constantine & Company (Export)lLimited, UK	50.00	50.00
Dead Sea Bromine Company Ltd.	Bromine Compounds Ltd., Israel	100.00	100.00
Dead Sea Bromine Company Ltd.	Eurobrom B.V . ,The Netherlands	100.00	100.00
Dead Sea Bromine Company Ltd.	Tami (IMI) Institute for R&D Ltd., Israel	100.00	100.00

[1] DSW holds 45.5% of the voting shares.

HOLDING COMPANY	SUBSIDIARY	Percentage of holding in	
		Shares to profits	Voting
Dead Sea Bromine Company Ltd.	Ameribrom Inc. U.S.A.	100.00	100.00
Dead Sea Bromine Company Ltd.	Bromokem (Far East) Ltd. , Japan	100.00	100.00
Dead Sea Bromine Company Ltd.	Landchem Ltd. ,South Africa	100.00	100.00
Dead Sea Bromine Company Ltd.	Bromine and Chemicals Ltd., UK	100.00	100.00
Dead Sea Bromine Company Ltd.	Euro Clearon Netherlands B.V, The Netherlands	100.00	100.00
Dead Sea Bromine Company Ltd.	Dead Sea Periclase Fused products Co., Israel	99.00	99.00
Dead Sea Bromine Company Ltd.	Dead Sea M.F.R. (1993) - Registered Partnership, Israel	50.00	50.00
Bromine Compounds Ltd.	Tetrabrom Technologies Ltd., Israel	50.00	50.00
Bromine Compounds Ltd.	Dead Sea M.F.R. (1993) - Registered Partnership, Israel	50.00	50.00
Bromine Compounds Ltd.	Chemada Fine Chemicals Ltd., Israel	26.00	26.00
Bromine Compounds Ltd.	L.B Compounds Ltd., Israel	50.00	50.00
Bromine Compounds Ltd.	Bromine Compounds Marketing (2002) ltd., Israel	100.00	100.00
Bromine Compounds Ltd.	Dead Sea Periclase Fused products Co., Israel	1.00	1.00
Eurobrom B.V . ,The Netherlands	Broomchemie B.V., The Netherlands	100.00	100.00
Eurobrom B.V . ,The Netherlands	Traital S.A. , France	100.00	100.00
Eurobrom B.V . ,The Netherlands	Broomchemie Holdings B.V., The Netherlands	100.00	100.00
Eurobrom B.V . ,The Netherlands	Bromisia Ltd. , Brazil	100.00	100.00
Eurobrom B.V . ,The Netherlands	L.Y.G.D.S.B. ,China	60.00	60.00
Eurobrom B.V . ,The Netherlands	Transbrom (Europe) B.V., The Netherlands	100.00	100.00
Eurobrom B.V . ,The Netherlands	D.S.B. Co. Bejing ,China	100.00	100.00
Eurobrom B.V . ,The Netherlands	Sinobrom compounds Co. Ltd, China	50.00	50.00
Eurobrom B.V . ,The Netherlands	Rotem Amfert Negev B.V.	67.40	67.40
Ameribrom Inc. U.S.A.	Hy-Yield Inc. ,U.S.A.	100.00	100.00
Ameribrom Inc. U.S.A.	Hy-Yield Bromine Inc. ,U.S.A.	80.00	80.00
Ameribrom Inc. U.S.A.	Rotem B.K.G LLC, USA	100.00	100.00
Tami IMI Institute for R&D Ltd.	Potassium Nitrate Ltd., Israel	50.00	50.00
Tami IMI Institute for R&D Ltd.	Novetide Ltd. Israel	50.00	50.00
IMI Tami Institute for R&D Ltd.	Aqwise Water Technologies Ltd. Israel	7.00	7.00
IMI Tami Institute for R&D Ltd.	Magsens Ltd., Israel	5.53	5.53
Rotem Amfert Negev Ltd.	ICL Fertilizers, Israel	50.00	50.00
Rotem Amfert Negev Ltd.	Eurocil Holding B.V., The Netherlands	100.00	50.10[2]
Rotem Amfert Negev Ltd.	Negev Star Ltd., Israel	51.00	51.00

[2] Rotem Amfert Holland hold 49.9% of the voting shares.

HOLDING COMPANY	SUBSIDIARY	Percentage of holding in	
		Shares to profits	Voting
Rotem Amfert Negev Ltd.	Edom Mining and Development Ltd., Israel	100.00	100.00
Rotem Amfert Negev Ltd.	Agro-Vant, Israel	25.25	25.25
Rotem Amfert Negev Ltd.	Fertilizers and Chemicals Ltd., Israel	100.00	100.00
Edom Mining and Development Ltd.	Keter Tovala Ltd., Israel	100.00	100.00
Eurocil Holding B.V., The Netherlands	Rotem Holding G.M.B.H. , Germany	100.00	100.00
Eurocil Holding B.V., The Netherlands	Nutrisi Holding NV , Belgium	50.00	50.00
Eurocil Holding B.V., The Netherlands	Amsterdam Fertilizers B.V., The Netherlands	100.00	100.00
Eurocil Holding B.V., The Netherlands	Rotem Kimyevi Maddeler Sanayi ve Ticaret A.S, Turkey	98.90	98.90
Eurocil Holding B.V., The Netherlands	Incap B.V, Holland	100.00	100.00
Eurocil Holding B.V., The Netherlands	P.M. Chemicals Srl, Italy	100.00	100.00
Eurocil Holding B.V., The Netherlands	Intracil Chemicals B.V., The Netherlands	100.00	100.00
Eurocil Holding B.V., The Netherlands	Pekafert B.V., The Netherlands	100.00	100.00
Pekafert B.V., The Netherlands	Eurocil Luxembourg S.A, Luxembourg	100.00	100.00
Eurocil Luxembourg S.A	Eurocil Luxembourg S.A - Swiss finance branch, Switzerland	100	100.00
Eurocil Luxembourg S.A	Gerhard Ruff G.M.B.H. Germany	100.00	100.00
Eurocil Luxembourg S.A	Osterrichische Anti Germ Gerhard Ruff & Co. G.M.B.H., Austria	100.00	100.00
Eurocil Luxembourg S.A	Penngar S.A, France	100.00	100.00
Eurocil Luxembourg S.A	Speciality Technologies Europe B.V., The Netherlands	100.00	100.00
Eurocil Luxembourg S.A	Euro Clearon B.V, The Netherlands	100.00	100.00
Euro Clearon B.V., The Netherlands	Clearon Holdings Inc. , U.S.A.	100.00	100.00
Clearon Holdings Inc. , U.S.A.	Clearon Corp. , U.S.A.	100.00	100.00
Clearon Holdings Inc. , U.S.A.	Clearon Technologies, U.S.A.	100.00	100.00
Penngar S.A, France	Penngar Hispania SL, Spain	100.00	100.00
Osterrichische Anti Germ Gerhard Ruff & Co. G.M.B.H., Austria	Anti-Germ CZ s.r.o; Czech Republic	100.00	100.00
Osterrichische Anti Germ Gerhard Ruff & Co. G.M.B.H., Austria	OAG Hungary Kft., Hungary	100.00	100.00
Speciality Technologies Europe B.V. The Netherlands	Scora S.A, France	100.00	100.00
Rotem Holding G.M.B.H. , Germany	BK Giulini Chemie GmbH , Germany	100.00	100.00
Rotem Holding G.M.B.H. , Germany	Fibrisol Service Ltd. , Great Briteain	100.00	100.00
Rotem Holding G.M.B.H. , Germany	B.K. Giulini Corporation Simi Vally, U.S.A.	100.00	100.00
Rotem Holding G.M.B.H. , Germany	Fibrisol Australia Pty. Ltd., Australia	100.00	100.00
Rotem Holding G.M.B.H. , Germany	Sofima S.A, France	100.00	100.00
Rotem Holding G.M.B.H. , Germany	B.K Giulini Argentina S.A, Argentina	100.00	100.00
Rotem Holding G.M.B.H. , Germany	Shanghai Tari International Ltd., China	51.00	51.00

HOLDING COMPANY	SUBSIDIARY	Percentage of holding in	
		Shares to profits	Voting
Rotem Holding G.M.B.H. , Germany	Yunnan B.K Giulini Tianchuang Phosphate Co. Ltd., China	60.00	60.00
Rotem Holding G.M.B.H. , Germany	Fibrisol Muscalla GmbH, Germany	34.65	34.65
Rotem Holding G.M.B.H. , Germany	Private Fleischeerschule GmbH, Germany	73.00	73.00
Rotem Holding G.M.B.H. , Germany	Tari Service Polska Sp.z.o.o, Poland	95.00	95.00
Rotem Holding G.M.B.H. , Germany	BK Giulini Japan Ltd. , Japan	100.00	100.00
Rotem Holding G.M.B.H. , Germany	BK Giulini Leather Chemistry Co. Ltd. Hong Kong, China	51.00	51.00
Rotem Holding G.M.B.H. , Germany	Turris Assekuranz GmbH, Germany	100.00	100.00
Rotem Holding G.M.B.H. , Germany	BKG Puriphos B.V, The Netherlands	100.00	100.00
BKG Puriphos B.V, The Netherlands	Asiabrom Ltd , Hong Kong	100.00	100.00
Asiabrom Ltd , Hong Kong	Asiabrom Resources Management Ltd ,Hong Kong	100.00	100.00
Asiabrom Ltd , Hong Kong	Asiabrom Ltd Shanghai Representative office ,China	100.00	100.00
Asiabrom Ltd , Hong Kong	ICL Fertilizers (India) Private Ltd., India	100.00	100.00
AsiaBrom Resource Management Ltd ,Hong Kong	Bromine Compounds Trading Company Ltd, Hong Kong	100.00	100.00
AsiaBrom Resource Management Ltd ,Hong Kong	Bromine D.D.F.R Corporation Ltd , Hong Kong	50.00	50.00
AsiaBrom Resource Management Ltd ,Hong Kong	BK Giulini Hong Kong Limited, Hong Kong	100.00	100.00
AsiaBrom Resource Management Ltd ,Hong Kong	Asia Financial Resources Ltd., Hong Kong	100.00	100.00
AsiaBrom Resource Management Ltd ,Hong Kong	AUB Storing and Services (Hong Kong) Ltd., Hong Kong	55.00	55.00
Bromine Compounds Trading Company Ltd, Hong Kong	Bromine Compounds Trading Company Ltd, Shanghai Representative office ,China	100.00	100.00
Bromine Compounds Trading Company Ltd, Hong Kong	Bromine Compounds Trading Company Ltd, Beijing Representative office ,China	100.00	100.00
Fibrisol Muscalla GmbH, Germany	Private Fleischerschule GmbH, Germany	27.00	27.00
B.K. Giulini GmbH , Germany	Fibrisol Muscalla GmbH, Germany	65.35	65.35
B.K. Giulini GmbH , Germany	Philopharm GmbH , Germany	100.00	100.00
B.K. Giulini GmbH , Germany	Hoyermann Chemie GmbH , Germany	100.00	100.00
B.K. Giulini GmbH , Germany	B.K. Mercosur S.A. , Uruguay	100.00	100.00
B.K. Giulini GmbH , Germany	Rhenoflex GmbH , Germany	100.00	100.00
B.K. Giulini GmbH , Germany	B.K. Giulini Chemie GmbH & Co. OHG, represntative office, China	100.00	100.00
B.K. Giulini GmbH , Germany	Rotem do Brasil Ltd. , Brasil	100.00	100.00
B.K. Giulini GmbH , Germany	Tari International N.Z Ltd.,New Zealand	100.00	100.00
B.K. Giulini GmbH , Germany	Tari International S.A Ltd. , South Africa	100.00	100.00
B.K. Giulini GmbH , Germany	Rhenoflex Dreyer ,S.A.R.L., France	10.00	10.00
B.K. Giulini GmbH , Germany	Tari Service Polska Sp.z.o.o, Poland	5.00	5.00
Rotem do Brasil Ltd. , Brasil	B.K.G-Rotem Quimica do Brasil Ltd., Brasil	95.00	95.00
Rhenoflex GmbH , Germany	Gurit Worbla GmbH , Germany	100.00	100.00

HOLDING COMPANY	SUBSIDIARY	Percentage of holding in	
		Shares to profits	Voting
Rhenoflex GmbH , Germany	Flexotex GmbH , Germany	100.00	100.00
Rhenoflex GmbH , Germany	Rhenoflex Dreyer ,S.A.R.L., France	90.00	90.00
Rhenoflex GmbH , Germany	Rhenoflex Portogal Componentes Para Calcado Lda., Portugal	100.00	100.00
Rhenoflex Dreyer ,S.A.R.L., France	Rhenoflex U.K. Ltd. , Great Britain	100.00	100.00
Nutrisi Holding. , Belgium	Nutrichem NV, Benelux	100.00	100.00
Nutrisi Holding. , Belgium	Fertilizers Naturalis de Chili SA; Spain	50.00	50.00
Nutrisi Holding. , Belgium	NU3 NV, Belgium	50.00	50.00
NU3 NV, Belgium	G.N.V. SARL, France	50.00	50.00
NU3 NV, Belgium	NU3 B.V, The Netherlands	100.00	100.00
Amsterdam Fertilizers B.V., The Netherlands	Amsterdam Fertilizers B.V., France branch	100.00	100.00
Amsterdam Fertilizers B.V., The Netherlands	Amsterdam Fertilizers Deutschland O.H.G., Germany	95.00	95.00
Amsterdam Fertilizers B.V., The Netherlands	Finacil EEIG (European Economic Interest Grouping), The Netherlands[3]	12.50	12.50
Amsterdam Fertilizers Deutschland O.H.G. Germany	Stodiek Dunger GmbH ,Germany	100.00	100.00
Amsterdam Fertilizers Deutschland O.H.G. Germany	Palazia Dunger GmbH, Germany	100.00	100.00
Palazia Dunger GmbH Germany	Amsterdam Fertilizers Deutschland O.H.G. Germany	5.00	5.00
Incap B.V, The Netherlands	Intracap Insurance Ltd., Isle of Man	100.00	100.00
Fertilizers and Chemicals Ltd.	Industrial Chemical Equipment Ltd., Israel	100.00	100.00
Fertilizers and Chemicals Ltd.	Revivim In The Bay Water and Environment Ltd., Israel	100.00	100.00
Fertilizers and Chemicals Ltd.	F&C - Licorice Ltd., Israel	10.00	10.00
Fertilizers and Chemicals Ltd.	Agriphuzia, Israel	49.50	49.50
Industrial Chemical Equipment Ltd., Israel	Agripo Managment services Ltd., Israel	50.00	50.00
Agripo Managment services Ltd.	Agriphuzia, Israel	1.00	1.00
Mifalei Tovala Ltd.	Sherut Rail & Road Transportaion Services Registered Partnership, Israel	50.00	50.00
Mifalei Tovala Ltd.	M.T.T. Environmental Services Registered Partnership, Israel	50.00	50.00
Mifalei Tovala Ltd.	M.M.M. Company United Landfill Industries (1998) Ltd., Israel	33.33	33.33
I.D.E. Technologies Ltd.	Ambient Technologies Inc., USA	100.00	100.00
I.D.E. Technologies Ltd.	IDE Canaries S.A., Spain	100.00	100.00
I.D.E. Technologies Ltd.	Larnaca Water Partners, Cyprus	95.00	95.00
I.D.E. Technologies Ltd.	Pelagos Desalination Services, Cyprus	100.00	100.00
I.D.E. Technologies Ltd.	Detelca UTE, Spain	20.00	20.00
I.D.E. Technologies Ltd.	Indian Desalination Engineering PVT Ltd., India	50.00	50.00

[3] Finacil EEIG is held equally by 8 companies in the group.

HOLDING COMPANY	SUBSIDIARY	Percentage of holding in	
		Shares to profits	Voting
I.D.E. Technologies Ltd.	V.I.D Desalination Company LTD,Israel	49.998	49.998
I.D.E. Technologies Ltd.	OTID desalination partnership, Israel	50.00	50.00
I.D.E. Technologies Ltd.	West Galile Desalination Company Ltd, Israel	50.00	50.00
I.D.E. Technologies Ltd.	ADOM Ashkelon desalination Ltd. Israel	40.50	40.50
I.D.E. Technologies Ltd.	Inversora Del Noroeste S.A. DG.C.V, Mexico	20.00	20.00
Ambient Technologies Inc., USA	Larnaca Water Partners, Cyprus	5.00	5.00
Dead Sea Magnesium Ltd.	M.R.I. Research & Development Ltd.,Israel	99.00	77.78
Dead Sea Magnesium Ltd.	Magnesium Research Institute, Registered Amuta.,Israel	100.00	100.00
Dead Sea Magnesium Ltd.	Magnesium Die Casting Ltd.,Israel	100.00	100.00
Dead Sea Magnesium Ltd.	Dead Sea Magnesium Inc., USA	100.00	100.00