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

Israel Chemicals Ltd.

Financial Statements

As st December 31, 2006

Financial Statements as at December 31, 2006

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Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006 Israel

Telephone 972 3 684 8000
Fax 972 3 684 8444
Internet www.kpmg.co.il

Auditors' Report to the Shareholders of Israel Chemicals Limited

We have audited the accompanying consolidated balance sheet of Israel Chemicals Limited (hereinafter – "the Company") and its subsidiaries as at December 31, 2006, and the consolidated statement of income, the statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended. These consolidated statements are the responsibility of the Company's Board of Directors and its management. Our responsibility is to express an opinion on these statements based on our audit.

The consolidated financial statements as at December 31, 2005 and for the year then ended were jointly audited by us and by other auditors. Furthermore, the financial statements of the Company for the year ended December 31, 2004, were audited by other auditors, whose report thereon dated March 28, 2005, was unqualified.

We conducted our audit in accordance with generally accepted auditing standards, including Standards prescribed by the Auditors Regulations (Manner of Auditor's Performance) – 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance that 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 by its Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as at December 31, 2006, and the consolidated results of operations, the changes in shareholders' equity and the consolidated cash flows for the year then ended, 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 Regulations (Preparation of Annual Financial Statements), 1993.

As explained in Note 2(A), the abovementioned financial statements are presented in U.S. dollars.

(----)

Somekh Chaikin
Certified Public Accountants (Isr.)

March 27, 2007

Somekh Chaikin, a partnership registered under the Israeli Partnership Ordinance, is the Israeli member firm of KPMG International, a Swiss cooperative.

Consolidated Balance Sheets as at December 31

	Note	2006 US$ thousands	2005 US$ thousands
Current assets			
Cash and cash equivalents		**50,085**	57,236
Short-term investments, deposits and loans	3	**120,820**	58,767
Trade receivables	4	**470,569**	503,446
Other receivables	5	**195,059**	115,382
Inventories	6	**799,007**	652,521
		1,635,540	1,387,352
Investments and long-term receivables			
Associated companies	7	**31,149**	24,775
Long-term deposits and receivables	9	**27,798**	22,622
Inventories – non-current		**33,865**	28,840
Deferred taxes, net	16	**6,539**	5,541
Receivables from the minority interest		**17,011**	7,519
		116,362	89,297
Property, plant and equipment	10		
Cost		**4,679,331**	4,519,957
Less – accumulated depreciation		**2,997,370**	2,858,021
		1,681,961	1,661,936
Other assets and deferred expenses less accumulated amortization	11	**181,828**	185,357
		3,615,691	3,323,942

Approval date of the financial statements : March 27, 2007

	Note	2006 US$ thousands	2005 US$ thousands
Current liabilities			
Credit from banks and others	12	**266,973**	239,284
Trade payables	13	**315,945**	288,772
Other payables	14	**371,348**	369,074
		954,266	897,130
Long-term liabilities			
Loans from banks and others	15	**358,391**	376,147
Debentures	15	**125,000**	125,000
Provision for reclamation of mines and disposal of waste		**24,989**	21,375
Deferred income taxes, net	16	**168,391**	169,351
Liability for employee severance and other post-employment benefits, net	17	**241,252**	234,448
		918,023	926,321
Minority interests		**9,476**	7,747
Commitments, concessions and contingent liabilities	18		
Shareholders' equity	19	**1,733,926**	1,492,744
		3,615,691	3,323,942

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

The notes and the appendix to the financial statements are an integral part thereof.

Consolidated Statements of Income for the Year Ended December 31

	Note	2006	2005	2004
		US$ thousands	US$ thousands	US$ thousands
Sales	25	**3,258,161**	2,986,001	2,714,955
Cost of sales	21(A)	**2,086,507**	1,845,348	1,777,905
Gross profit		**1,171,654**	1,140,653	937,050
Expenses				
Research and development, net	21(B)	**35,093**	30,277	32,115
Selling, transportation and marketing	21(C)	**475,116**	443,294	444,911
General and administrative	21(D)	**125,000**	105,753	105,656
		635,209	579,324	582,682
Operating income		**536,445**	561,329	354,368
Financing expenses, net	21(E)	**39,250**	10,237	38,215
Income before other expenses, net		**497,195**	551,092	316,153
Other expenses, net	21(F)	**2,294**	36,820	6,698
Income before taxes on income		**494,901**	514,272	309,455
Taxes on income	16	**136,686**	101,838	59,216
Income after taxes on income		**358,215**	412,434	250,239
Share in profits of associated companies, net	7(B)	**3,843**	605	338
Minority interest in losses (income) of subsidiaries, net		**11,845**	9,134	(74)
Net income		**373,903**	422,173	250,503
Earnings per share:	23			
		U.S. dollar	U.S. dollar	U.S. dollar
Basic earnings per ordinary share		**0.291**	* 0.336	* 0.206
Fully diluted earnings per ordinary share		**0.291**	* 0.331	* 0.202

* Restated – see Note 2(Y)

The notes and the appendix to the financial statements are an integral part thereof.

Statements of Changes in Shareholders' Equity

	Share capital	Premium on shares	Capital reserve	Differences from translation of finanical statements of subsidiaries	Retained earnings	Dividend declared after balance sheet date	Cost of company shares held by a subsidiary	Total
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Balance as at December 31, 2003	522,773	5,854	1,110	11,059	392,760	25,469	(10,926)	948,099
Changes during 2004								
Net income	-	-	-	-	250,503	-	-	250,503
Dividend paid	-	-	-	-	(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 subsidiaries	-	-	-	32,611	-	-	-	32,611
Balance as at December 31, 2004	529,031	34,719	1,110	43,670	538,330	35,712	(5,550)	1,177,022
Changes during 2005								
Net income	-	-	-	-	422,173	-	-	422,173
Dividend paid	-	-	-	-	(59,712)	(35,712)	-	(95,424)
Dividend declared after balance sheet date	-	-	-	-	(89,816)	89,816	-	
Exercise of options granted to employees	-	-	-	-	(1,155)	-	1,223	68
Conversion of debentures into shares	7,050	31,607	-	-	-	-	-	38,657
Differences from translation of foreign currency financial statements of subsidiaries	-	-	-	(49,752)	-	-	-	(49,752)
Balance as at December 31, 2005	536,081	66,326	1,110	(6,082)	809,820	89,816	(4,327)	1,492,744
Changes during 2006								
Net income	**-**	**-**	**-**	**-**	**373,903**	**-**	**-**	**373,903**
Dividend paid	**-**	**-**	**-**	**-**	**(89,845)**	**(89,816)**	**-**	**(179,661)**
Erosion of dividend	**-**	**-**	**-**	**-**	**(785)**	**-**	**-**	**(785)**
Dividend declared after balance sheet date	**-**	**-**	**-**	**-**	**(283,411)**	**283,411**	**-**	**-**
Exercise of options granted to employees	**4,545**	**12,552**	**-**	**-**	**-**	**-**	**2,130**	**19,227**
Allotment of shares to employees	**153**	**2,518**	**-**	**-**	**-**	**-**	**-**	**2,671**
Tax benefits in respect of options and shares to employees	**-**	**-**	**1,017**	**-**	**-**	**-**	**-**	**1,017**
Differences from translation of foreign currency financial statements of subsidiaries	**-**	**-**	**-**	**24,810**	**-**	**-**	**-**	**24,810**
Balance as at December 31, 2006	**540,779**	**81,396**	**2,127**	**18,728**	**809,682**	**283,411**	**(2,197)**	**1,733,926**

The notes and the appendix to the financial statements are an integral part thereof.

Consolidated Statements of Cash Flows

	For the year ended December 31		
	2006	2005	2004
	US$ thousands	US$ thousands	US$ thosuands
Cash flows from operating activities			
Net income for the year	**373,903**	422,173	250,503
Adjustments to reconcile net income to net cash flows from operating activities (A)	**(26,467)**	68,746	179,416
Net cash inflow generated by operating activities	**347,436**	490,919	429,919
Cash flows generated by investing activities			
Acquisition of property, plant and equipment	**(138,338)**	(155,424)	(124,551)
Investment grants received, net	**3,070**	7,664	3,711
Acquisition of newly consolidated companies and activities (B)	**(2,100)**	(273,283)	-
Proceeds from disposal of previously consolidated subsidiaries (C)	**4,768**	-	19,370
Acquisition of minority interests in subsidiary	**-**	(130)	-
Other long-term investments	**(996)**	(4,439)	(4,428)
Proceeds from disposal of an associated company	**-**	-	447
Proceeds from disposal of investments in another company (SQM)	**-**	-	100,369
Acquisition of marketable securities and long-term deposits	**(1,096)**	(2,302)	(5,099)
Short-term deposits and loans, net	**(64,525)**	71,571	(87,027)
Acquisition of other assets and deferred expenses	**(8,670)**	(3,321)	(3,268)
Proceeds from disposal of property, plant and equipment	**9,442**	4,557	7,806
Proceeds from realization of marketable securities and long-term deposits	**4,732**	6,267	6,240
Net cash outflow generated by investing activities	**(193,713)**	(348,840)	(86,430)
Cash flows generated by financing activities			
Proceeds from exercise of options granted to employees	**20,242**	992	817
Receipt of long-term loans and other long-term liabilities	**51,466**	460,655	252,220
Repayment of long-term loans and other long-term liabilities	**(164,205)**	(450,288)	(216,891)
Dividends to shareholders	**(180,446)**	(95,424)	(88,940)
Short-term credit from banks and others, net	**111,635**	(37,055)	(281,062)
Net cash outflow generated by financing activities	**(161,308)**	(121,120)	(333,856)
Translation differences on cash balances of subsidiaries operating independently	**434**	(925)	246
Increase (decrease) in cash and cash equivalents	**(7,151)**	20,034	9,879
Cash and cash equivalents at beginning of the year	**57,236**	37,202	27,323
Cash and cash equivalents at end of the year	**50,085**	57,236	37,202

The notes and the appendix to the financial statements are an integral part thereof.

Consolidated Statements of Cash Flows (cont'd)

	For the year ended December 31		
	2006	2005	2004
	US$ thousands	US$ thousands	US$ thosuands
Appendix A - Adjustments to reconcile net income to net cash inflow from operating activities			
Revenues and expenses not affecting operating cash flows			
Minority interest in income (losses) of subsidiaries, net	**(11,845)**	(9,134)	74
Share in the undistributed earnings of associated companies, net	**(2,791)**	(585)	(338)
Depreciation and amortization	**169,226**	166,010	166,261
Write down of production facilities	**-**	24,000	22,316
Deferred income taxes, net	**(21,281)**	(997)	(49,328)
Increase (decrease) in liability for employee severance and other post-employment benefits, net	**(3,360)**	7,224	59,955
Capital gains on disposal of property, plant and equipment, net	**(5,347)**	(966)	(4,430)
Capital loss (gain) from realization of investment in subsidiaries (C)	**3,249**	-	(4,347)
Capital gain on disposal of investment in another company (SQM)	**-**	-	(43,623)
Capital loss (gain) on disposal of investment in associated companies	**-**	-	(309)
Exchange and linkage differences on (erosion of) principal of long-term loans and other liabilities, net	**217**	(2,388)	13,986
Erosion of principal (interest, exchange and linkage differences) of long-term deposits and receivables, net	**(2,981)**	965	(265)
Loss (gain) from marketable securities, net	**(280)**	27	(162)
Payroll expenses regarding allotment of shares to employees	**2,671**	-	-
	127,478	184,156	159,790
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	**42,144**	(77,519)	(133,329)
Decrease (increase) in other receivables	**(62,961)**	(4,052)	47,903
Decrease (increase) in inventories	**(137,573)**	(89,001)	28,464
Increase in trade payables	**8,382**	12,120	24,125
Increase (decrease) in other payables	**(5,792)**	48,235	47,684
Increase (decrease) in provision for reclamation of mines and disposal of waste	**1,855**	(5,193)	4,779
	(153,945)	(115,410)	19,626
	(26,467)	68,746	179,416

The notes and the appendix to the financial statements are an integral part thereof.

Consolidated Statements of Cash Flows (cont'd)

	For the year ended December 31		
	2006	**2005**	**2004**
	US$ thousands	**US$ thousands**	**US$ thosuands**
Appendix B - Acquisition of newly consolidated companies and activities			
Working capital (excluding cash and cash equivalents)	**-**	(70,436)	-
Payables in respect of the acquisition	**(2,100)**	2,100	-
Investment in associated company	**-**	(6,922)	-
Property, plant and equipment	**3,080**	(131,409)	-
Other assets	**-**	(57,676)	-
Long-term liabilities	**-**	44	-
Goodwill	**(3,080)**	(8,984)	-
	(2,100)	(273,283)	-
Appendix C - Disposal of investment in previously consolidated subsidiaries			
Working capital (excluding cash and cash equivalents)	**3,022**	-	2,202
Property, plant and equipment, net	**3,757**	-	11,947
Deferred taxes	**-**	-	1,927
Other assets	**1,238**	-	125
Long-term liabilities	**-**	-	(1,178)
Capital gain (loss) on realization of investment in subsidiary	**(3,249)**	-	4,347
	4,768	-	19,370
Appendix D - Non-cash activity			
Conversion of debentures into shares	**-**	38,657	35,123

The notes and the appendix to the financial statements are an integral part thereof.

Note 1 - General

A. Operations

Israel Chemicals Limited (hereafter - “ICL” or “the Company”) and its subsidiaries and associated companies (hereafter - “the Group”) - form 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 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 18(B)). Other operations include the mining of potash and salt in the UK, see Note 18A(3) and Spain, see Note 10B(2), under leases and concessions received from the relevant authorities in 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, the Netherlands, Spain, the 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 - see Note 25.

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 its vital State interests (see Note 19(B)).

Note 1 - General (cont'd)

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) The Group - the Company and its investee companies.

6) Goodwill - the difference between the cost of the investment in the investee company or the activity purchased, and the Company's share in the fair value of the underlying assets (including intangible assets), net of the fair value of its underlying liabilities (after the allocation of taxes) at time of acquisition.

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

8) Related party – as defined in Opinion No 29 of the Institute of Certified Public Accountants in Israel.

9) Controlling shareholders – as defined in the Securities Regulations (Financial Statement Presentation of Transactions between a Company and its Controlling Shareholders) – 1996.

10) CPI – the Consumer Price Index as published by the Central Bureau of Statistics.

Note 2 - Significant Accounting Policies

The financial statements are prepared in conformity with accounting principles generally accepted in Israel and in accordance with the Israeli Securities Regulations (Preparation of Annual Financial Statements), 1993.
The significant accounting policies, which were applied on a consistent basis, are as follows:

A. Financial statements in dollars

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

Up 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), 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").

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 January 1, 2004. 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 Sandard, 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:

1) Investee companies operating independently

As from January 1, 2004, 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 subsidiaries"). 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.

Up to 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. 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).

Note 2 - Significant Accounting Policies (cont'd)

B. Translation of financial statements of investee companies prepared in foreign currency (cont'd)

1) Investee companies operating independently (cont'd)

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.

Adjustments resulting from the above treatment are included in the statements of income under financing expenses, net.

C. Principles of consolidation

1) The consolidated financial statements include the financial statements of the Company and of companies over which the Company has control. Jointly controlled companies are consolidated by the proportionate consolidation method.

2) A list of the companies included in the consolidation and the rates of holding of shares that convey voting rights and the rates of holding of shares that convey a share in earnings is shown in an appendix to the financial statements.
See Note 7(D) regarding companies consolidated for the first time.

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

4) The excess of cost that was attributed to assets and liabilities is allocated to the relevant balance sheet items.

5) Goodwill is presented in the consolidated balance sheets under "other assets and deferred charges" and was amortized until December 31, 2005, 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. Since In the opinion of the Company's management, the amortization of goodwill over this 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.

Note 2 - Significant Accounting Policies (cont'd)

C. Principles of consolidation (cont'd)

6) As from January 1, 2006 the Company implements the provisions of Accounting Standard No. 20 (Revised), "The Accounting Treatment of Goodwill and Intangible Assets when Purchasing an Investee Company" (hereinafter – the Standard).
Pursuant to the Standard, goodwill and intangible assets with an unlimited useful life are not systematically amortized. Instead, the Company examines whether there has been an impairment in the value of the goodwill and intangible assets deriving from the acquisition of a subsidiary, once a year (and no later than December 31, 2006) or more frequently if events or changes in circumstances indicate that there may have been an impairment in the value of the assets. Amortization in respect of identified goodwill, including goodwill that is included in the investment in an investee company that is not a subsidiary (see Note 1(C)(6), the amortization of which was discontinued as of January 1, 2006, amounts to $ 4 million and $ 4 million for the years ended December 31, 2005 and 2004, respectively. The financial statements for periods prior to the implementation of the Standard were not restated.

D. 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.

E. Inventories

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

- Raw materials and supplies - mainly on the moving average basis.
- Maintenance materials - on the moving average basis, see also i. below.
- Finished products and work in process - on the basis of the moving average of periodic production costs, including the cost of overburden removal.

Some of the raw materials, finished products and work in process are stored 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 (cont'd)

F. 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.

G. Investments in associated companies

1) Investments in these companies are accounted for under the equity method. In determining the net asset value of the investments in these companies the amounts taken itno consideration are the amounts appearing in the financial statements of those companies, after adjustments required by the application of generally accepted accounting principles.

2) As to the Goodwill amortization, see Note 2(C)(5) and 2(C)(6).

H. Investments in marketable securities and in other companies

1) Marketable securities

Marketable securities 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 financing expenses.

2) Other companies

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

I. Property, plant and equipment

1) Property, plant and equipment is stated at cost, net of related investment grants, net of a provision for impairment in the 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.

Note 2 - Significant Accounting Policies (cont'd)

I. Property, plant and equipment (cont'd)

2) (cont'd)

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 being the weighted average rate of all the borrowing costs, net of those relating to specific credit.
In the year 2006 – 6.3% (2005 – 4.8%).

3) For capitalization of costs for constructing facilities for prevention of environmental pollution, see R. below.

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
Dams and 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

5) Fixed assets under a capital lease of the subsidiaries are stated as assets of the subsidiaries on the basis of ordinary purchase prices (without the component of financing).

J. Other assets and deferred expenses

Other assets and deferred expenses are amortized in equal annual rates over the estimated period of economic benefit, as follows:

1) Other assets:

a) Goodwill - see C above.

b) Concessions are amortized over the remaining period of the concession granted to the companies – see Note 18(B).

2) Deferred expenses:

a) Trademarks and deferred expenses in respect of geological surveys are mainly amortized, in equal annual installments, over 5 years.

b) Agreements with customers and suppliers - amortized over 15 years and five years, respectively.

c) Patents - amortized over 15 years.

d) Non-competition agreement - amortized over five years.

Note 2 - Significant Accounting Policies (cont'd)

K. Impairment of assets

The Company reviews - 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 the property, plant and equipment and identifiable intangible assets, including goodwill.

When such indicators of impairment are present, the Company evaluates whether the carrying value of the asset in the Company's financial statements 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.

When it is not possible to assess whether an impairment provision is required for a particular asset on its own, the need for such a provision is assessed in relation to the recoverable value of the cash-generating unit to which that asset belongs. A cash-generating unit includes goodwill allocated to that unit, and any impairment loss relating to that unit is initially allocated to the goodwill and then to the other assets.

Pursuant to Israel Accounting Standard No. 20 (Revised), which was issued in March 2006, the Company is required to test impairment of goodwill and intangible assets with an unlimited life, at least once a year – see Note 2(C)(6).

L. 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 (For pension plans and pension fund assets, see also Note 17(C)(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 (cont'd)

L. Pension plans (cont'd)

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 (13 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, see Note 17(C)(1).

3) As to the pension plan of some of the Group companies, pursuant to which the companies make regular deposits with the pension funds, which releases the companies from their obligation for the payment of pensions – see Note 17(C)(3).

Note 2 - Significant Accounting Policies (cont'd)

M. Share-based payments

As from January 1, 2006 the Company implements Accounting Standard No. 24, "Share-Based Payments" (hereinafter – the Standard). In accordance with the provisions of the Standard, the Company recognizes share-based payment transactions in the financial statements, including transactions with employees or other parties that are settled by equity instruments, cash or other assets. Share-based payment transactions in which goods or services are received are recognized at their fair value.

With respect to transactions settled by equity instruments, the Standard applies to grants executed after March 15, 2005 that had not yet vested by January 1, 2006. Similarly, the Standard applies to changes in the terms of share-based payment transactions being settled by means of equity instruments that were executed after March 15, 2005, even if the changes in terms relate to grants that were executed before that date. Furthermore, the Standard applies to liabilities deriving from share-based payment transactions existing on January 1, 2006.

The Company records as a salary expense, with a parallel increase in its shareholders' equity, the benefit that is created when it grants options to employees, in accordance with the fair value of the options on the grant date, using the Black & Scholes model. The benefit created is spread over the vesting period of the options on the basis of the Company's evaluations regarding the number of options that will vest, with the exclusion of forfeitures resulting from non-compliance with market terms.

N. Taxes on income

1) Commencing January 1, 2005, the Company applies the IASB's Accounting Standard No. 19 – "Taxes on Income" that prescribes the accounting treatment (recognition criteria, measurement, presentation and disclosure) required for taxes on income.

   For the most part, the provisions of this standard are the same as the accounting principles that the Company applied prior to implementing the new standard.

2) In accordance with the standard and with prior years' policy, the Company recognizes deferred taxes in respect of temporary differences between the amounts of assets and liabilities as reported in the financial statements and those taken into account for income tax purposes; the standard requires that full recognition be given to deferred taxes in respect of all taxable temporary differences, except for the temporary difference resulting from the initial recognition of goodwill and the temporary difference resulting from the initial recognition of an asset or a liability that has no effect on the profit or loss, whether for accounting or tax purposes, at that time (unless the temporary difference results from the initial recognition of a business combination).

   Deferred tax assets are recognized for all temporary differences that are tax deductible, up to the amount of the differences that are expected to be utilized in the future, against taxable income.

   As to the main types of differences, in respect of which deferred taxes have been recorded - see Note 16(F).

3) Deferred tax balances are computed at the tax rate expected to be in effect at the time of release to income from the deferred tax balances.

Note 2 - Significant Accounting Policies (cont'd)

N. Deferred taxes (cont'd)

4) The current taxes, as well as the changes in the deferred tax balances are included in the tax expenses or income in the reporting period, except for taxes derived from the initial recognition of business combinations and except for the tax in respect of transactions that are recognized directly in shareholders' equity (in such instances, the applicable tax is taken directly to shareholders' equity).

5) 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.

6) As stated in Note 16(C)(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 distribute a dividend which would involve additional tax liability to the Group in the foreseeable future.

7) In April 2005, the IASB issued Clarification No. 7 - "Accounting Treatment of the Tax Benefits, in Respect of Capital Instruments Granted to Employees, For Which No Compensation was Recognized". The provisions of this clarification apply to such tax benefits, which have not been allowed as a deduction through December 31, 2004. The clarification stipulates that, commencing on January 1, 2005, the tax benefit derived by the Company from the exercise of options granted to employees is to be carried to shareholders' equity, in the period in which the benefit to the employees is allowed as a deduction for tax purposes. Formerly, the aforesaid tax saving was credited to the statement of income, as part of taxes on income.

O. 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 Note 2(BB).

3) In order to decide whether to report revenues on a gross basis (as a principal supplier) or on a net basis (as an agent), the Company implements Clarification No. 8, "Reporting Revenues on a Gross or Net Basis" (hereinafter – "the Clarification").

The Clarification provides that an entity acting as an agent or intermediary without bearing the risks and enjoying the rewards arising from the transaction will present its revenues on a net basis. On the other hand, an entity acting as a principal supplier that bears the risks and enjoys the rewards arising from the transaction will present its revenues on a gross basis. The Clarification provides a list of indicators that the Company examines in order to determine whether the revenues should be reported on a gross or net basis.

Note 2 - Significant Accounting Policies (cont'd)

P. Research and development expenses

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

Q. Transportation expenses

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

R. 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. Cost 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.

S. Allowance for doubtful accounts

The allowance is determined for specific debts doubtful of collection. Management determines the allowance, 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, among other factors. 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.

T. 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.

U. Fair value of financial instruments

The fair value of financial instruments traded on active markets is based on quotations of financial institutions as at balance sheet date.

V. Derivative financial instruments

(1) The gains and losses on derivative financial instruments held for purposes of hedging existing assets and liabilities are recognized concurrently with the gains and losses on the hedged assets and liabilities.

Note 2 - Significant Accounting Policies (cont'd)

V. Derivative financial instruments (cont'd)

(2) The gains and losses on derivative financial instruments held as hedging instruments for firm commitments and anticipated transactions are deferred and are recognized in the same period in which the gains and losses from the hedged transactions are recognized.

(3) Derivative financial instruments, not held for hedging, are stated in the financial statements at their fair value. Changes in the fair value are recognized as incurred as part of financing expenses, net.

The fair value of derivative financial instruments is determined on the basis of their market values or the quotations of financial institutions. In the absence of a market value or financial institution quotation the fair value is determined on the basis of a valuation model.

W. Offsetting of financial instruments

Financial assets and financial liabilities are presented at a net amount in the balance sheet only when the Company has the legal right to enforce the offsetting and it intends to dispose of the asset and liability on a net basis or to realize the asset and settle the liability at the same time.

X. Dividend declared subsequent to the balance sheet date

Liabilities relating to dividends declared subsequent to the balance sheet date are included in the financial statements only in the period in which the declaration was made. However, the amount of the dividend declared subsequent to the balance sheet date is appropriated from retained earnings, and reported as a separate item in the statement of shareholders' equity.

Y. Earnings per share

As from January 1, 2006 the Company implements Accounting Standard No. 21, "Earnings per Share (hereinafter – the Standard) of the Israel Accounting Standards Board. In accordance with the provisions of the Standard, the Company calculates basic earnings per share with respect to earnings or loss, and basic earnings per share with respect to earnings or loss from continuing operations, which is attributable to the ordinary shareholders. The basic earnings per share is calculated by dividing the earnings or loss attributable to the ordinary shareholders with the weighted average number of ordinary shares outstanding during the period. In order to calculate the diluted earnings per share the Company adjusted the earnings or loss attributable to the ordinary shareholders, and the weighted average number of outstanding ordinary shares, in respect of the effects of all the dilutive potential ordinary shares (such as convertible debentures and options). The Company's share in the earnings of investee companies was calculated according to its portion in the earnings per share of such investee companies multiplied by the number of shares held by the Company.

Following the initial implementation of the Standard, the comparative data regarding the earnings per share for prior periods were restated. The effects of the initial implementation of the Standard amounted to an increase in the basic earnings per share in the amount of $ 0.007 and $ 0.009 for the year ended December 31, 2005 and December 31, 2004, respectively, and to an increase in the diluted earnings per share in the amount of $ 0.002 and $ 0.005 for the year ended December 31, 2005 and December 31, 2004, respectively, since the earnings per share were calculated according to the Standard on the basis of the Company's issued shares and not on the basis of NIS 1 par value of the Company's issued shares following the change in the method of calculating the dilutive potential ordinary shares, and also because of the initial implementation of Accounting Standard No. 24, "Share-Based Payments" (see Note 2(M)).

Note 2 - Significant Accounting Policies (cont'd)

Z. 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.

AA. 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.

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

	CPI (Points)	Exchange rate of the US dollar (In NIS)	Exchange rate of the US dollar relative to the Euro
December 31, 2006	**102.90**	**4.225**	**0.759**
December 31, 2005	103.00	4.603	0.845
Changes during the year ended:			
December 31, 2006	**(0.1%)**	**(8.2%)**	**(10.2%)**
December 31, 2005	2.4%	6.8%	15.3%
December 31, 2004	1.2%	(1.6%)	(7.3%)

BB. Concession agreements for the supply of desalination services

As described in Note 18(A)(10), 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 company has 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 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 was issued by the IASB in June 2005, relating to the arrangement for the private sector's construction and operation of a public property, which is intended to serve as a financial reporting guideline for similar arrangements until such time as a binding standard on this topic is adopted.

Note 2 - Significant Accounting Policies (cont'd)

BB. Concession agreements for the supply of desalination services (cont'd)

It is noted that in accordance with Accounting Standard No. 29 of the Israel Accounting Standards Board, upon adoption of the International Standards on the matter, the Company will have to adopt the International Interpretation to the Financial Reporting No. 12, "Service Concession Arrangement", which addresses the accounting treatment of this kind of transaction. Following this, the proportionately consolidated company is examining the adjustments that may be required, if at all, between the accounting treatment according to the position paper and the accounting treatment according to IFRIC 12.

CC. Disclosure of effect of new accounting standards in the period prior to their implementation

(1) In July 2006 the Israel Accounting Standards Board published Accounting Standard No. 29, "Adoption of International Financial Reporting Standards ("IFRS")" (hereinafter – the Standard). The Standard provides that entities subject to the Securities Law – 1968 that are required to report according to the regulations of this law, are to prepare their financial statements for periods beginning as from January 1, 2008 according to IFRS. The Standard permits early adoption as from financial statements published after July 31, 2006. The aforementioned does not apply to entities subject to Securities Regulations (Periodic and Immediate Reports of a Foreign Entity) – 2000, the financial statements of which are not prepared in accordance with Israeli GAAP. Furthermore, the Standard provides that entities that are not subject to the Securities Law – 1968 and not required to report according to the regulations of this law, are also permitted to prepare their financial statements according to IFRS as from financial statements published after July 31, 2006.

The initial implementation of IFRS will be effected along with the implementation of IFRS 1, "First Time Adoption of International Financial Reporting Standards", for purposes of the transition.

In accordance with the Standard, the Company is required to include in its annual financial statements for December 31, 2007, balance sheet data as at December 31, 2007 and statement of operations data for the year then ended, that have been prepared according to the recognition, measurement and presentation principles of IFRS.

The Company is examining the effects of the transition to IFRS, but at this point is unable to evaluate the effect on its financial statements of adopting IFRS.

(2) In August 2006 the Israel Accounting Standards Board published Accounting Standard No. 26, "Inventory" (hereinafter – the Standard). The Standard applies to all types of inventory, other than inventory of work in process that is subject to Accounting Standard No. 4, "Work Executed by Contract", inventory of buildings held for sale that is subject to Accounting Standard No. 2, "Construction of Buildings for Sale" and financial instruments.

The Standard provides that inventory is to be measured at the lower of cost or its net realizable value. The cost of the inventory is to be determined on the basis of the "First-In – First-Out" (FIFO) method or by using a weighted average of cost, while being consistent with respect to all inventory having a similar nature and use. It is not permitted to value inventory on the basis of the "Last-In – First-Out" method. The Standard also provides guidelines regarding the allocation of conversion costs to inventory and for determining impairment in value of inventory written down to net realizable value of the inventory.

Note 2 - Significant Accounting Policies (cont'd)

CC. Disclosure of effect of new accounting standards in the period prior to their implementation (cont'd)

(2) (cont'd)

The Standard will apply to financial statements for periods beginning on January 1, 2007 or thereafter. The Standard is to be implemented retroactively by restating the comparative data relating to prior periods.

In the opinion of the Company, implementation of the new standard is not anticipated to have a material effect on the Company's results of operations and financial position.

(3) In September 2006 the Israel Accounting Standards Board published Accounting Standard No. 27, "Fixed Assets" (hereinafter – the Standard). The Standard prescribes rules for the presentation, measurement and derecognition of fixed assets and for the disclosure required in respect thereto. The Standard provides, inter alia, that upon the initial recognition of a fixed asset, the entity shall estimate and include in the cost of the item all the costs it will incur in respect of a liability to dismantle and remove the item and to restore the site on which it was located. Furthermore, the Standard provides that a group of similar fixed asset items shall be measured at cost net of accumulated depreciation, and less impairment losses, or alternatively, at its revalued amount less accumulated depreciation, whereas an increase in the value of the asset to above its initial cost as a result of the revaluation will be directly included in the shareholders' equity under a revaluation reserve. Any part of a fixed asset item with a cost that is significant in relation to the total cost of the item shall be depreciated separately, including the costs of significant periodic examinations. The Standard also provides that a fixed asset that was purchased in consideration for another non-monetary item in a transaction having a commercial substance shall be measured at fair value.

The Standard shall apply to financial statements for periods beginning on January 1, 2007. An entity that on January 1, 2007 chooses for the first time to use the revaluation method for measuring fixed assets shall on this date recognize a revaluation reserve in the amount of the difference between the revalued amount of the asset on that date and its cost on the books. Furthermore, an entity that in the past, upon the initial recognition of a fixed asset, had not included in its cost the initial estimate of costs for dismantling and removing the asset and for restoring the site on which it is located, is required to do as follows:

(a) To measure the aforementioned liabilities as at January 1, 2007 in accordance with generally accepted accounting principles;
(b) To calculate the amount that would have been included in the cost of the relevant asset on the date on which the liability was initially incurred by capitalizing the amount of the liability mentioned in item (a) above to the date on which the liability was initially incurred (hereinafter – the capitalized amount). The liability is to be capitalized using the best estimate of the historical capitalization rates suitable to the risk that was relevant to that liability during the period that has passed; and,
(c) To calculate the accumulated depreciation on the capitalized amount as at January 1, 2007 on the basis of the useful life of the asset as at that date;
(d) The difference between the amount to be charged to the asset in accordance with items (b) and (c) above, and the amount of the liability in accordance with item (a) above, shall be included in retained earnings.

Note 2 - Significant Accounting Policies (cont’d)

CC. Disclosure of effect of new accounting standards in the period prior to their implementation (cont’d)

(3) (cont’d)

Other than the aforementioned, the Standard will be adopted on a retroactive basis.

The Company is examining the effect of the Standard on its financial statements, but is unable at this point to evaluate the effect of its initial implementation on the financial statements.

(4) In December 2006 the Israel Accounting Standards Board published Accounting Standard No. 23, “The Accounting Treatment of Transactions between an Entity and its Controlling Shareholder” (hereinafter – the Standard). The Standard replaces the Securities Regulations (Financial Statement Presentation of Transactions between a Company and its Controlling Shareholder) – 1996 and provides that assets and liabilities included in a transaction between the entity and its controlling shareholder shall be measured on the date of the transaction at fair value and that the difference between the fair value and the consideration from the transaction shall be included in shareholders’ equity. A debit difference is actually a dividend and accordingly reduces the retained earnings. A credit difference is actually an investment of the shareholder and shall therefore be presented under a separate item of shareholders’ equity called “capital reserve from transaction between an entity and its controlling shareholder”.

The Standard discusses three issues relating to transactions between an entity and its controlling shareholder, as follows: the transfer of an asset to the entity by the controlling shareholder, or conversely, transfer of an asset from the entity to the controlling shareholder; the controlling shareholder assuming upon itself a liability of the entity to a third party, all or part, indemnification of the entity by the controlling shareholder in respect of an expense, and the controlling shareholder waiving the entity’s debt to it, all or part; and loans that were granted to the controlling shareholder or loans that were received from the controlling shareholder. The Standard also provides the disclosure that is to be made in the financial statements regarding transactions between the entity and its controlling shareholder during the period.

The Standard shall apply to transactions between an entity and its controlling shareholder that are executed after January 1, 2007 and to a loan that was granted to a controlling shareholder or that was received from it before the date this Standard came into effect as from the date of it coming into effect.

In light of the date of effect of the Standard, its effects will be reflected in the forthcoming reporting periods and in the opinion of management of the Company are not anticipated to be material.

Note 2 - Significant Accounting Policies (cont'd)

CC. Disclosure of effect of new accounting standards in the period prior to their implementation (cont'd)

(5) In March 2007 the Israel Accounting Standards Board published Accounting Standard No. 30, "Intangible Assets" (hereinafter – "the Standard"). The Standard explains the accounting treatment of intangible assets and defines how to measure the book value of these assets, as well as the disclosures that are required. The Standard shall be initially implemented retroactively, except as described below. As regards business combinations, the Standard shall be implemented with respect to business combinations that took place on January 1, 2007 or thereafter, whereas in respect of a research and development project acquired in a business combination that took place before January 1, 2007 and which meets the definition of an intangible asset on the date of acquisition, and was recorded as an expense on the date of acquisition, the entity shall recognize the research and development project in process as an asset on January 1, 2007 and make an allocation of taxes.

A research and development asset shall be recognized in the amount of its value on the date of acquisition less the amortization that would have accumulated from the date of acquisition until December 31, 2006 on the basis of the useful life of the asset, and less any accrued impairment losses. The amount of the adjustment shall be included in the balance of retained earnings as at January 1, 2007.

The effect of the new standard on the Company's results of operations and financial position is not anticipated to be material.

Note 3 - Short-Term Investments, Deposits and Loans

	December 31 2006	December 31 2005
	US$ thousands	US$ thousands
Marketable securities*	**2,576**	1,828
Deposits in banks and financial institutions and short-term loans	**114,267**	46,464
Current maturities of long-term deposits and receivables	**3,977**	10,475
	120,820	58,767

* Includes mutual funds which invest, mainly, in government debentures.

Note 4 - Trade Receivables

A. Composition

	December 31 2006	December 31 2005
	US$ thousands	US$ thousands
Trade - open accounts:		
Outside Israel*	**366,119**	367,242
Domestic (Israel)	**10,773**	12,720
Subordinated capital note and receivables related to sale of trade receivables in securitization transaction (B)	**100,891**	133,037
	477,783	512,999
Less – allowance for doubtful debts	**7,214**	9,553
	470,569	503,446
* Including discounted notes (C)	**-**	5,400

B. Sale of trade receivables under a securitization transaction

	December 31 2006	December 31 2005
	US$ thousands	US$ thousands
Trade receivables included as part of the securitization transaction as at the balance sheet date	**319,268**	350,782
Less – consideration in respect of sales of trade receivables	**218,377**	217,745
Subordinated note and receivables in respect of sale of trade receivables	**100,891**	133,037

Note 4 - Trade Receivables (cont'd)

B. Sale of trade receivables under a securitization transaction (cont'd)

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

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

On July 26, 2004 the Group companies reached an agreement with Bank of America regarding the conclusion of the said securitization transaction. On the same day the Group companies entered into a number of agreements with Rabobank International for the sale of customer debts in the framework of a securitization transaction, that is similar to the previous securitization transaction, except that the amount of cash that will be received in respect of the initial sale of the customer debts in the new securitization transaction will be up to $ 220 million instead of $ 250 million as in the previous securitization transaction.

The acquisition is on an ongoing basis, which enables 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 the majority 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 handle collection of the trade receivables included in the securitization transaction, on behalf of the Acquiring Company.

Note 4 - Trade Receivables (cont'd)

B. Sale of trade receivables under a securitization transaction (cont'd)

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 the aforementioned covenants..

C. Sale of trade receivables to banks

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 2006	December 31 2005
	US$ thousands	US$ thousands
Government institutions in Israel	**16,231**	18,712
Governmental institutions outside Israel	**13,779**	4,194
Prepaid expenses	**43,605**	31,978
Deferred income taxes, see Note 16(F)	**44,046**	24,937
Income to be received from insurance	**41,496**	3,660
Other	**35,902**	31,901
	195,059	115,382

Note 6 – Inventories

	December 31 2006	December 31 2005
	US$ thousands	US$ thousands
Raw materials and supplies	**123,409**	101,906
Work in process	**158,904**	147,838
Finished products	**475,851**	361,647
Spare parts and maintenance supplies	**81,306**	79,293
Payments on account and materials in transit	**1,050**	291
	840,520	690,975
Less – non-current inventory (presented in property, plant and equipment)	**7,648**	9,614
Less – long-term inventory (presented in investments and long-term receivables).	**33,865**	28,840
	799,007	652,521

Note 7 - Associated Companies

A. Composition

	December 31 2006	December 31 2005
	US$ thousands	US$ thousands
Shares:		
Cost of shares, including undistributed earnings up to January 1, 1991*	**12,783**	12,437
Share in earnings, accumulated since January 1, 1992 less dividend received	**4,521**	1,730
Differences from translation of financial statements of investees	**3**	(1,092)
	17,307	13,075
Capital notes, loans and long-term receivables (C)	**13,842**	11,700
	31,149	24,775
* Includes – goodwill and original differences attributed to subsidiaries:		
Original amounts	**3,348**	3,348
Amount after accumulated amortization	**1,674**	1,674

Note 7 - Associated Companies (cont'd)

B. Movement during the year

	US$ thousands
Balance as at January 1, 2006	**24,775**
Changes during 2006:	
Acquisition of shares and increase (decrease) in capital notes, long-term loans and receivables	**2,488**
Share in profits, net	**3,843**
Dividend	**(1,052)**
Translation differences	**1,095**
Balance as at December 31, 2006	**31,149**

C. Loans and capital notes

	Repayment date	Weighted average interest rate as at December 31 2006	December 31 2006	December 31 2005
		%	US$ thousands	US$ thousands
In euro	Not yet determined	4.5	**1,583**	1,422
In dollars	Not yet determined	-	**337**	121
Linked to the CPI	Not yet determined	4	**11,922**	10,157
			13,842	11,700

D. Other information

1) On November 4, 2005, an ICL Group company completed an Asset Deal for the acquisition of substantially all the business operations and the assets of Astaris LLC, a U.S. entity which is a joint venture between, and shared equally by, Solutia Inc. and FMC Corporation (U.S. publicly-traded companies).
Astaris is a leading manufacturer and marketer in North and South America of phosphate salts, phosphoric acid and phosphorus based chemicals for industrial use. Astaris' products are included in the performance products segment, are used in the food, detergent, pharmaceutical, traditional chemicals, semiconductor and flat-screen industries.
The purchase price, including transaction costs, totaled $ 266 million, which has been allocated as follows: $ 68 million for working capital ($ 62 million of which was for inventories), $ 58 million was for other assets, $ 131 million was for fixed assets and $ 7 million was for an investment in an associated company. The balance, amounting to $ 2 million has been attributed to goodwill.

Note 7 - Associated Companies (cont'd)

D. Other information (cont'd)

1) (cont'd)

In 2006, an additional amount of 2.1 milion was paid as a final settlement regarding the working capital component as provided in the acquisition agreement. The additional payment was allocated to the goodwill.

Following are the operating details included in the 2005 consolidated financial statements:

	December 31 2005
	US$ in millions
Balance sheet:	
Current assets	115
Associated company	6
Fixed assets	131
Other assets	56
Goodwill arising from acquisition	2
Current liabilities	(34)
	276

	For the period from November 4 to December 31 2005
	US$ in millions
Income statement:	
Sales	56.8
Loss	(3.4)

2) The Company holds an interest in Dead Sea Magnesium Ltd (hereafter - "DSM"; "Magnesium") 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 - Associated Companies (cont'd)

D. Other information (cont'd)

2) (cont'd)

As of December 31, 2006 and 2005, the financial statements include minority debts of approximately $ 47 million and $ 33 million, respectively. These balances are net of the balance of the capital notes payable to Volkswagen, amounting to $ 30 million and $ 26 million, as of December 31, 2006 and 2005, respectively, in accordance with the terms of the capital notes.

In 2005, Magnesium examined the need to make an impairment allowance in respect of its property, plant and equipment.

The examination included making a comparison of the present value of the cash flows anticipated during the facility's remaining lifespan (assuming a 16-year period of operations) against the assets' carrying value in Magnesium's books. The calculation of the present value of anticipated cash flows has been made using an annual discount rate of 10% and is based on the Company's estimate of current magnesium prices on the world market and their expected future development, on expectations for the development of unique products and on forecasts of energy prices.

The aforementioned examination revealed the need to create a $ 24 million impairment allowance in respect of Magnesium's assets. The allowance is reflected in the financial statements for 2005 as follows:

	December 31 2005
	US$ in millions
Depreciated balance of the company's assets before the write-down	84
Write-down of assets (included in "other expenses")	24
Balance of assets after write-down	60

The effect of this on the Company's results in 2005, net of the share of Magnesium's minority interest and the related taxes, amounts to $ 11.7 million.

3) Special State share

Certain subsidiaries, DSW, Rotem Amfert Negev Ltd. (hereafter - Rotem), Dead Sea Bromine Company Ltd (hereafter - "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 19(B).

Note 8 - Investment in Other Companies

The investment in shares of “Mekoroth” Israel National Water Company Ltd. (hereinafter – "Mekoroth"), is held by Rotem and is presented at token value. The Company is unable to estimate the fair value of its holding in shares of Mekeroth.

The shares in Mekoroth were allotted to Rotem in respect of investments made by Rotem in the past in water infrastructures. Rotem has joined a claim against Mekoroth, which was recognized in part as a class action. The class action includes, among other things, Rotem’s claim for allotment of additional shares of Mekoroth in respect of its investments Rotem made in water infrastructures and its claim that the State make a tender offer for the acquisition of both its present holding and its claim holdings in Mekoroth as well as a request for relief by means of a pecuniary refund in the event that the claim for the share allotment is rejected.

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 being made with the Ministry of Finance to resolve the disagreements.

Note 9 - Long-Term Deposits and Receivables

A. Composition

	December 31 2006	December 31 2005
	US$ thousands	US$ thousands
Deposits in banks	**6,397**	7,204
Other long-term receivables*	**25,378**	25,893
	31,775	33,097
Less – current maturities	**3,977**	10,475
	27,798	22,622

* Relating mainly to a financial asset in respect of the construction of a desalination facility. The financial asset is to be paid for over the term of the concession, based on the proceeds from the assets, see Note 2(BB).

B. Classified by currency and interest rates

	Weighted average interest rate as at December 31 2006	December 31 2006	December 31 2005
	%	US$ thousands	US$ thousands
In Israeli currency	4.94	**15,082**	14,849
In other foreign currency – mainly Cypriot pound	5.66	**16,693**	18,248
		31,775	33,097

Note 9 - Long-Term Deposits and Receivables (cont'd)

C. The deposits and receivables (net of current maturities) mature in the following years after each balance sheet date as follows:

	December 31 2006	December 31 2005
	US$ thousands	US$ thousands
Second year	**4,684**	3,180
Third year	**4,815**	3,828
Fourth year	**4,488**	3,235
Fifth year	**3,294**	3,636
Sixth year and thereafter (through 2016)	**2,538**	5,381
Not yet determined	**7,979**	3,362
	27,798	22,622

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 (5)	Spare parts for installations - non-current	Total
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Cost (1)								
Balance as at January 1, 2006	491,344	*3,236,896	430,402	114,556	200,557	*36,588	9,614	4,519,957
Additions	**7,133**	**83,766**	**16,372**	**2,982**	**12,618**	**22,172**	**-**	**145,043**
Disposals	**(6,162)**	**(30,292)**	**(41,285)**	**(3,636)**	**(7,727)**	**-**	**(1,966)**	**(91,068)**
Others, net (2)	**22,518**	**60,926**	**15,053**	**68**	**5,179**	**1,655**	**-**	**105,399**
Balance as at December 31, 2006	**514,833**	**3,351,296**	**420,542**	**113,970**	**210,627**	**60,415**	**7,648**	**4,679,331**
Accumulated depreciation (1)								
Balance as at January 1, 2006	240,894	*2,065,014	*306,601	91,981	153,531	-	-	2,858,021
Additions	**13,999**	**113,552**	**12,484**	**3,404**	**14,485**	**-**	**-**	**157,924**
Disposals	**(4,193)**	**(28,818)**	**(41,285)**	**(3,636)**	**(7,075)**	**-**	**-**	**(85,007)**
Others, net (2)	**10,717**	**41,494**	**10,842**	**68**	**3,311**	**-**	**-**	**66,432**
Balance as at December 31, 2006	**261,417**	**2,191,242**	**288,642**	**91,817**	**164,252**	**-**	**-**	**2,997,370**
Depreciated balance as at December 31, 2006	**253,416**	**1,160,054**	**131,900**	**22,153**	**46,375**	**60,415**	**7,648**	**1,681,961**
Depreciated balance as at December 31, 2005	250,450	*1,171,882	*123,801	22,575	47,026	*36,588	9,614	1,661,936

* Reclassified

Note 10 - Property, plant and Equipment (Cont'd)

A. Composition (cont'd)

1) The property, plant and equipment include assets that have been fully depreciated and which are still in use. The original cost of those assets as of December 31, 2006 is over $ 1.8 billion.

2) The other changes (net) arise from:

	Year ended December 31 2006
	US$ thousands
Translation differences	**42,724**
Property, plant and equipment of previously consoldiated subsidiary	**(3,757)**
	38,967

3) Investment grants

Property, plant and equipment are net of investment grants, as follows (see Note 20(D)):

	December 31 2006	December 31 2005
	US$ thousands	US$ thousands
Amount of the grants	**970,474**	967,642
Less – accumulated depreciation	**617,109**	586,854
	353,365	380,788

4) As to expenses capitalized, see Note 21(A) and 21(E).

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

B. Rights in 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 and 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 mining rights 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 mining rights has yet been recorded.

C. As to liens on the assets – see Note 20.

Note 11 - Other Assets and Deferred Expenses

	Original amount		Amortized balance	
	December 31 2006	**December 31 2005**	**December 31 2006**	**December 31 2005**
	US$ thousands	**US$ thousands**	**US$ thousands**	**US$ thousands**
Goodwill*	**99,736**	92,753	**48,544**	42,183
Concession – see Note 18(B)	**96,567**	96,567	**75,531**	78,759
Deferred expenses	**87,907**	86,210	**57,753**	64,415
	284,210	275,530	**181,828**	185,357

* The amortization of goodwill was discontinued from January 1, 2006, see Note 2(C)(6).

Note 12 - Credit from Banks and Others

A. Composition

	December 31 2006	**December 31 2005**
	US$ thousands	**US$ thousands**
Short-term credit:		
From banks and financial institutions	**170,165**	87,117
Other	**29,653**	569
	199,818	87,686
Current maturities of long-term loans and other long-term liabilities:		
From banks	**67,039**	149,009
From others	**116**	2,589
	67,155	151,598
	266,973	239,284

Note 12 - Credit from Banks and Others (cont'd)

B. Classified by currency and interest rates

	Weighted average interest rate as at December 31 2006	December 31 2006	December 31 2005
	%	US$ thousands	US$ thousands
Short-term credit from banks and financial institutions:			
In dollars	6.39	**123,211**	69,150
In other foreign currencies (mainly Euro)	3.73	**46,954**	13,004
In Israeli currency – unlinked		**-**	4,963
Short-term credit from the parent company:			
In Israeli currency – unlinked	4.85	**27,883**	529
In dollars	3.97	**1,770**	40
		199,818	87,686

C. Liens to secure credit

As to liens to secure the credit and restrictions imposed in respect thereof – see Note 20(C).

Note 13 - Trade Payables

	December 31 2006	December 31 2005
	US$ thousands	US$ thousands
Open accounts	**313,559**	285,801
Checks payable	**2,386**	2,971
	315,945	288,772

Note 14 - Other Payables

	December 31 2006	December 31 2005
	US$ thousands	US$ thousands
Israeli Government – mainly in respect of royalties	**19,374**	25,721
Employees and provisions for employee benefits	**162,379**	153,787
Accrued expenses	**45,852**	34,841
Income taxes payable	**72,552**	65,185
Other	**71,191**	89,540
	371,348	369,074

Note 15 - Long-Term Loans from Banks and Others

A. Composition

	December 31 2006	December 31 2005
	US$ thousands	US$ thousands
Bank loans *	**417,756**	508,621
Other loans	**7,790**	19,124
	425,546	527,745
Less – current maturities in respect of loans:		
From banks	**67,039**	149,009
From others	**116**	2,589
	67,155	151,598
	358,391	376,147
Debentures	**125,000**	125,000

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

B. Classified by currency and interest rates (taking into account interest rate swaps, see also Notes 2(V) and 22

	Weighted average interest rate as at December 31 2006	December 31 2006	December 31 2005
	%	US$ thousands	US$ thousands
Bank loans:			
In dollars (1)	6.16	**293,098**	392,530
In other foreign currencies - mainly the Euro (2)	4.54	**32,468**	33,281
In Euro at a fixed interest rate	3.36	**92,190**	82,810
		417,756	508,621
Other loans:			
In Israeli currency - mainly linked to CPI	4.00	**7,001**	5,857
In foreign currencies - mainly Euro	4.21	**789**	13,267
		7,790	19,124
		425,546	527,745
Debentures - in dollars:	5.42	**125,000**	125,000
Unutilized credit lines		**195,300**	220,000

(1) Interest in respect of the dollar debt is determined based on LIBOR + 0.7% - 1.3%.
(2) Interest in respect of most of the euro debt is determined based on Euro LIBOR + 1%.

Note 15 - Long-Term Loans from Banks and Others (cont'd)

C. The loans from banks and others, including debentures, (net of current maturities) mature in the following years after the balance sheet date, as follows:

	December 31 2006	December 31 2005
	US$ thousands	US$ thousands
Second year	**158,534**	191,865
Third year	**37,517**	136,415
Fourth year	**193,043**	35,761
Fifth year	**-**	42,393
Sixth year and thereafter	**87,000**	88,190
Repayment date has not yet been determined	**7,297**	6,523
	483,391	501,147

D. Restrictions on the Company relating to the grant of credit

In respect of some of the loans detailed above, the Company undertook to comply with certain covenants in relation to the Group's consolidated balance sheet. According to these covenants, the ratio of the net debt to shareholders' equity may not exceed 2.1, the ratio of the net debt to EBITDA may not exceed 4.5, the ratio of EBITDA to net interest expenses are to be at least 3.5 and the Company's shareholders' equity will not fall below $ 700 million, plus 25% of the cumulative net annual income for 2005 and the following years. In addition, the financial liabilities of the subsidiaries are limited to 10% of the assets in the Group's consolidated balance sheet (in certain instances, loans to subsidiaries are not included in said restriction). The Company is in compliance with the aforementioned financial covenants.

As to pledges to secure the liabilities and the restrictions imposed in relation thereto – see Note 20(C).

Note 16 - Taxes on Income

A. Taxation of Israeli companies

1. 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 2(A), 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 an annual and cumulative basis - 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 C below, are entitled to claim accelerated depreciation on property, plant and equipment.

2. Tax rates

The income of the Company and its Israeli subsidiaries (other than income from "approved enterprises", see C(1) below) is taxed at the regular rate. Through December 31, 2003, the corporate tax rate was 36%. In July 2004, Amendment No. 140 to the Income Tax Ordinance was enacted. One of the provisions of this amendment is that the corporate tax rate was to be gradually reduced from 36% to 30%. In August 2005, a further amendment (No. 147) was published, which makes a further revision to the corporate tax rates prescribed by Amendment No. 140. As a result of the aforementioned amendments, the corporate tax rates for 2004 and thereafter are as follows: 2004 - 35%, 2005 - 34%, 2006 - 31%, 2007 - 29%, 2008 - 27%, 2009 - 26% and for 2010 and thereafter - 25%.

As a result of the changes in the tax rates, the Company adjusted - in each of the years 2004 and 2005 – at the time the aforementioned amendments were made, its deferred tax balances, in accordance with the tax rates expected to be in effect in the coming years; the effect of the change has been carried to income on a current basis – see g. below.

Capital gains (other than the real capital gain on the sale of marketable securities - which is subject to tax at the regular rates) are taxed at a reduced rate of 25% on the capital gains derived after January 1, 2003, and at the regular corporate tax rates on the gains derived through to the aforementioned date.

B. Taxation of Non-Israeli subsidiaries

Subsidiaries that are incorporated outside of Israel are assessed for tax under the tax laws in their countries of residence. The principal tax rates applicable to the major subsidiaries outside Israel are as follows:

Company incorporated in Netherlands – tax rate of 29.6% (commencing 2007, 25.5%)
Company incorporated in Germany – tax rate of 38% (if an existing reform proposal will be approved, commencing 2008, tax rate will be 30%).
Company incorporated in the United States – tax rate of 40%.

Main subsidiaries have received final assessments through tax years mainly between 1995 and 2003.

Note 16 - Taxes on Income (cont'd)

C. Encouragement laws in Israel

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

Under the law, including Amendment No. 60 to the law that was published in April 2005, by virtue of the "approved enterprise" or "benefited enterprise" status granted to certain of their production facilities certain subsidiaries are entitled to various tax benefits.

The main tax benefits available to the abovementioned companies are:

a) Reduced tax rates

During the period of benefits - 10 years commencing in the first year in which the companies earn taxable income from the approved or benefited enterprises (provided the maximum period to which it is restricted by law has not elapsed), the following reduced tax rates or tax exemptions apply to such income from the approved or benefited enterprises owned by it:

1) On approved or benefited enterprises - corporate tax of 25%, instead of the regular tax rate (see A(2) above).

2) Tax exemption on income from certain approved enterprises, which had previously opted for the "alternative benefits" track (involving the waiver of investment grants, see below).

In the event of the distribution of cash dividends out of income that was tax-exempt as above, the companies would have to pay the 25% tax, as stated in (a) above, in respect of the amount distributed (see also Note 2(N)(6)).

The proportion of the company's taxable income entitled to benefits of reduced tax rates is calculated on the basis of the ratio between the turnover of the "approved enterprise" or "benefited enterprise" and the whole turnover of the company. The turnover applicable to the "approved enterprise" is calculated, as a general rule, by taking the increase resulting from the comparison of the company's turnover with its "basic" turnover, which is that attributed to the last year before the activation of the "approved enterprise", or such other basis as is stipulated in the letter of approval.

b) Accelerated depreciation

The companies are entitled to claim accelerated depreciation as provided by law, commencing in the first year of operation of each asset, in respect of buildings, machinery and equipment used by the approved enterprise.

c) Conditions for entitlement to the benefits

The entitlement to the above benefits is conditional upon the companies fulfilling the conditions stipulated by the law, regulations published thereunder and the instruments of approval for the specific investments in approved enterprises. In the event of failure to comply with these conditions, the benefits may be cancelled, in whole or in part, and the companies may be required to refund the amount of the benefits, with the addition of interest.

Note 16 - Taxes on Income (cont'd)

2. The Law for the Encouragement of Industry (Taxation), 1969

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 offset its tax losses against the taxable income of the other.

D. Losses for tax purposes, carried forward to future years

The balances of 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 $ 25 million as of December 31, 2006; December 31, 2005 - approximately $ 36 million.

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 $264 million as of December 31, 2006; December 31, 2005 - approximately $ 212 million.

Capital losses for tax purposes carried forward to future years aggregate to approximately $ 51 million as of December 31, 2005. 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.

E. Tax assessments

ICL and its subsidiaries for tax purposes have received final tax assessments up to and including the 2003 tax year.
The rest of the companies in Israel have final tax assessments from 1999 through to 2001.

Note 16 - Taxes on Income (cont'd)

F. Deferred income taxes

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

	In respect of balance sheet items					
	Depreciable property, plant and equipment	Inventories	Employee related obligations	Other	In respect of carryforward tax losses (see D above)	Total
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Balance as at January 1, 2004	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 recorded in income	(24,260)	2,053	(10,561)	8,809	(25,369)	(49,328)
Balance as at December 31, 2004	253,345	(5,841)	(53,494)	(13,237)	(41,397)	139,376
Changes in 2005:						
Translation differences	(3,650)	(3)	1,021	14	3,270	652
Amounts recorded in income	(23,297)	(1,033)	(3,069)	326	26,076	(997)
Balance as at December 31, 2005	226,398	(6,877)	(55,542)	(12,897)	(12,051)	139,031
Changes in 2006:						
Translation differences	**828**	**-**	**(533)**	**395**	**(338)**	**352**
Amounts recorded in income	**(9,517)**	**(20,971)**	**(4,150)**	**6,107**	**7,250**	**(21,281)**
Balance as at December 31, 2006	**217,709**	**(27,848)**	**(60,225)**	**(6,395)**	**(5,139)**	**118,102**

Note 16 - Taxes on Income (cont'd)

F. Deferred income taxes (cont'd)

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

	December 31 2006	December 31 2005
	US$ thousands	US$ thousands
Among current assets	**(44,046)**	(24,937)
Among current liabilities	**296**	158
Among long-term receivables	**(6,539)**	(5,541)
Among long-term liabilities	**168,391**	169,351
	118,102	139,031

3) For companies in Israel - the deferred taxes as of December 31, 2006 are computed mainly at the weighted-average tax rate of 25% (December 31, 2005 - 25%). As to companies outside of Israel - see B above.

G. Taxes on income included in the income statements:

1)

	Year ended December 31		
	2006	2005	2004
	US$ thousands	US$ thousands	US$ thousands
Taxes in respect of the reported year:			
Current	**160,931**	113,640	97,757
Deferred:			
In respect of changes to tax rates, see A(2) above	**-**	28,959	(13,780)
In respect of the reporting period	**(21,281)**	7,447	(35,548)
In respect of prior years	**-**	20,515	-
In respect of prior years	**(2,964)**	10,805	10,787
	136,686	101,838	59,216

Note 16 - Taxes on Income (cont'd)

G. Taxes on income included in the income statements (cont'd):

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

	Year ended December 31		
	2006	**2005**	**2004**
	US$ thousands	**US$ thousands**	**US$ thousands**
Income before taxes on income, as reported in the statements of income	**494,901**	514,272	309,455
Main tax rate	**31%**	34%	35%
Theoretical tax expense	**153,419**	174,852	108,309
Less – tax benefit arising from reduced tax rate applicable to an “approved enterprise”	**16,960**	45,134	18,302
	136,459	129,718	90,007
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	**(5,454)**	(747)	(3,140)
Difference in respect of foreign subsidiaries	**(5,246)**	(6,001)	(154)
Increase in taxes resulting from tax losses of subsidiaries not consolidated for tax purposes, in respect of which no deferred taxes were created	**7,900**	-	970
Utilization of tax losses for which deferred taxes were not recorded	**-**	(1,764)	(12,053)
Increase in taxes resulting from permanent differences – non-deductible expenses net of exempt income	**4,486**	3,718	5,807
Capital gains on realization of subsidiaries, net	**-**	-	(16,881)
Decrease in taxes resulting from adjustment to deferred tax balances due to changes in tax rates, see A(2) above	**-**	(28,959)	(13,780)
Taxes in respect of prior years	**(2,964)**	9,710	10,787
Other differences	**1,505**	(3,837)	(2,347)
Taxes on income included in the income statements	**136,686**	101,838	59,216

Note 17 – Liability for Employee Severance and Other Post Employment benefits, Net

A. Composition

	December 31 2006	December 31 2005
	US$ thousands	US$ thousands
Liabilities for severance pay	**180,318**	147,630
Liabilities for pension and early retirement*	**249,287**	253,996
	429,605	401,626
Less – amount funded	**188,353**	167,178
Balance – unfunded	**241,252**	234,448
* Including in respect of subsidiaries outside Israel	**104,286**	102,040

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 management. 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 17 – Liability for Employee Severance and Other Post Employment benefits, Net (cont’d)

B. Severance pay (cont'd)

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) Contributions to the pension fund are allowable for income 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 17 – Liability for Employee Severance and Other Post Employment benefits, Net (cont'd)

C. Pension and early retirement (cont'd)

2) CPL's pension plan: (cont'd)

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	
	2006	**2005**
	US$ thousands	**US$ thousands**
Current service costs	**6,683**	6,553
Current interest costs	**13,461**	12,924
Expected return on the pension fund assets	**(15,108)**	(14,744)
Actuarial losses, net, recognized in the period	**622**	779
Pension expenses, net, for the period	**5,658**	5,512

Note 17 – Liability for Employee Severance and Other Post Employment benefits, Net (cont'd)

C. Pension and early retirement (cont'd)

2) CPL's pension plan: (cont'd)

c) The movements in the liability for pension payments and the pension fund assets included in the 2006 and 2005 financial statements, are as follows:

	Year ended December 31	
	2006	2005
	US$ thousands	US$ thousands
Actuarial liability for pension payments at the beginning of the year	**(266,182)**	(256,477)
Current service costs	**(6,683)**	(6,553)
Current interest costs	**(13,461)**	(12,924)
Benefits paid	**8,997**	6,793
Employee share in the pension plan	**(1,376)**	(1,474)
Actuarial losses for the period in respect of the pension liability	**(5,714)**	(24,614)
Translation differences	**(37,683)**	29,067
Actuarial liability for pension payments at the end of the year (1)	**(322,102)**	(266,182)
Fair value of pension fund assets at the beginning of the year	**236,339**	221,573
Expected return on pension fund assets	**15,108**	14,744
Employer and employee deposits in the pension fund	**7,149**	7,836
Benefits paid	**(8,997)**	(6,793)
Actuarial gains for the period in respect of pension fund assets	**10,431**	24,441
Translation differences	**33,934**	(25,462)
Fair value of pension fund assets at the end of the year (2)	**293,964**	236,339
Actuarial pension liability, net of fair value of pension fund assets at the end of the year [(1)–(2)]	**(28,138)**	(29,843)
Deferred actuarial losses at the end of the year	**29,609**	30,748
Pension fund assets, net, included in the financial statements at the end of the year	**1,471**	905

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

Note 17 – Liability for Employee Severance and Other Post Employment benefits, Net (cont'd)

C. Pension and early retirement (cont'd)

2) CPL's pension plan: (cont'd)

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

(i) Annual capitalization rate of 5%, 4.75% and 5.5% as of December 31, 2006, 2005 and 2004, 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 5.94%, 6.4% and 7% as of December 31, 2006, 2005 and 2004, respectively – which reflects the anticipated, long-term expected return on pension fund assets;

(iii) Annual nominal increase in the salaries of CPL employees of 4%, 3.85% and 3.8% as at December 31, 2006, 2005 and 2004, respectively based on CPL's experience (that takes into account annual inflation at an assumed rate of 3%, 2.85% and 2.8% as of December 31, 2006, 2005 and 2004, 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 that fund 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 65. 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 bargaining agreement signed in 2005 with employees of a subsidiary. Sdom employees are entitled to retire to an early pension under certain conditions, which combines age and period of service at time of retirement.

Note 17 – Liability for Employee Severance and Other Post Employment benefits, Net (cont’d)

C. Pension and early retirement (cont'd)

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 Germany. The discount rates used in computation of the present value were: for Israeli companies - mainly 4% linked to the Israeli CPI and the balance - 4.8%; for non-Israeli companies - mainly 4%. 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 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 18 - 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 6 years after December 31, 2006. The scope of the commitment for the period of the agreements is approximately $ 97 million.

2) Certain subsidiaries have entered into agreements with suppliers for acquisition of property, plant and equipment. As of December 31, 2006, the subsidiaries had commitments for investment in property, plant and equipment of approximately $ 31 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 2007-2035.

4) In September 2003, a long-term (20 year) supply agreement was signed between a subsidiary and Chemtura 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. These commitments are for 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, 2006 is $ 12 million.

6) All the salt brine deriving from the manufacturing process of the Spanish subsidiary is disposed of through a large system of pipes leading out to the sea, called "Colector de Salmueras" (hereinafter – the Colector), which were built in a number of stages by the Catalonia government. The subsidiary in Spain is required to pay annual fees for the use of the Colector in the amount of $ 520 thousand up to and including 2019. If the subsidiary in Spain discontinues its activity before 2019, it will have to pay the Catalonia government for the rights to use the Colector in respect of the period from discontinuance of the activity until the end of 2019, unless the rights are transferred to another entity. The subsidiary in Spain also pays the amount of $ 353 thousand per year in respect of the operation and maintenance expenses of the Colector, and it is required to pay this amount for as long as it uses the Colector.

Note 18 - Commitments, Concessions and Contingent Liabilities (cont'd)

A. Commitments: (cont'd)

7) In respect of the securitization transaction - see Note 4(B).

8) 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.

9) 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.

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

a) An associated company of 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 a "Take or Pay" basis. The agreement expires in 2011.

c) In November 2006, a subsidiary of 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 Hadera with a capacity of 100 million cubic meters per year. The agreement expires in 2032.

B. Concessions:

1) Dead Sea Works Ltd.

Pursuant to the Israeli Dead Sea Concession Law, 1961 (hereafter - "the Concession Law"), as amended in 1986, Dead Sea Works Ltd. (hereafter – "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 18 - Commitments, Concessions and Contingent Liabilities (cont'd)

B. Concessions (cont'd)

1) Dead Sea Works Ltd. (cont'd)

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, as from the said year and thereafter, providing that the amount of the royalties in respect of that surplus does not in any case exceed 10% of the value of potash at the gates of the plant less certain expenses.

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.

Dead Sea Magnesium Ltd. (hereinafter – "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. The Government is entitled to reexamine the Formula for calculating the royalties in respect of the magnesium.

Total royalties paid to the State of Israel amounted to $ 35 million, $ 27 million and $ 21 million in 2006, 2005 and 2004, respectively.

2) Rotem Amfert Negev Ltd.

Rotem Amfert Negev Ltd. (hereinafter – "Rotem") has mined phosphates in the Negev for more than 50 years. The mining is performed under concessions for mining phosphates that were granted from time to time by the State pursuant to the Mining Ordinance. In June 2002, Rotem received three concessions for Rotem Field (valid up to the end of 2021), Zafir Field (valid up to the end of 2021) and Effa Field (valid up to the end of 2013). In respect of mining phosphate, Rotem is required to pay the State royalties based on the calculation formula provided in the Mining Ordinance.

The validity of the concessions received by Rotem was conditioned on signing mining authorization agreements (hereinafter – "the Authorizations") between Rotem and the Administration for the concession sites. Rotem signed a final and agreed-to version of the Authorizations and, in September 2003, made a payment of usage fees to the Administration, based on its demand and in accordance with the terms of the Authorizations.

The Administration has not yet returned copies of the Authorizations signed by it, however it has acted in accordance therewith and, in Rotem's estimation, based on the opinion of its legal advisors, it is bound by them.

Note 18 - Commitments, Concessions and Contingent Liabilities (cont'd)

B. Concessions (cont'd)

2) Rotem (cont'd)

Regarding the phosphate field, "Hatrorim", the Supervisor of Mines in the Ministry of National Infrastructures notified that he intends to grant Rotem a mining concession after it receives mining approval from the Israel Lands Administration. The Administration is delaying its handling of the granting of the approval.

Mining and quarrying activities require zoning approval for the area within the framework of a plan pursuant to the Planning and Building Law, 1965. Such plans are updated, as needed, from time to time. As at the date of the report, various requests are in different stages of hearings before the Planning Board. A request submitted by Rotem for extension of the performance stages beyond 2005, in connection with a site plan from 1991 that zones the Zafir area (Zin–Oron) for mining and quarrying, was approved for the most part, and the performance stages were extended by four years up to 2009. At the same time, Rotem was requested to prepare a new site plan along with detailed plans with respect to part of the mining fields.

In 2006, 2005 and 2004, Rotem paid royalties of $506 thousand, $586 thousand, and $1,251 thousand, respectively, to the State of Israel.

3) As to real estate rights of a subsidiary in Spain – see Note 10(B).

C. Contingent liabilities

1) As of December 31, 2006, the total guarantees provided, amount to $ 614 million. The guarantees provided by the Company in respect of loans taken out by the subsidiaries amounts to $ 595 million.

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

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 Group Companies have been directly named as defendants.

Note 18 - Commitments, Concessions and Contingent Liabilities (cont'd)

C. Contingent liabilities (cont'd)

2) (cont'd)

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 Group is mentioned in the above-mentioned compromise agreements, as a party included in the waiver agreements, although they did not contribute to them financially. The effect of the abovementioned compromise agreements on the claims for indemnification and participation filed against the Bromine Group cannot be estimated at this stage. It is noted that claims have been filed by about 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 in connection with the above-mentioned proceedings.

The Bromine Group Companies estimate that the quantity 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.

All of the above-mentioned claims are for bodily injury and, therefore, the amounts thereof are not stated in the statements of claim.

The Bromine Group estimates that at the relevant date the 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.

At this stage, the Company is unable to estimate if and to what extent it is exposed to liability in these proceedings due to the uncertainty involved in the aforementioned proceedings and, therefore, no provision has been made in the financial statements.

3) Ecological damages

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 $ 9 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.

Note 18 - Commitments, Concessions and Contingent Liabilities (cont'd)

C. Contingent liabilities (cont'd)

3) Ecological damages (cont'd)

b) In May 2004, plants in the Ramat Hovav site, including the plant of ICL Industrial Products, received notification of a change in the terms of the business license relating to the dumping of waste. Pursuant to the notification, every plant will be required to begin independently treating its own waste.

In October 2004, the plants in the Ramat Hovav site, together with the Manufacturers' Association of Israel, filed an administrative petition with the District Court of Beer-Sheba against the Ministry of Environmental Protection to cancel the said terms.

It was agreed, with the Court's approval, to transfer the disagreement to a mediation proceeding. As a result of the mediation and the opinion, the parties reached an agreement according to which the final solution to discharge of waste in the Ramat Hovav area will continue to be evaporation ponds and that the terms of the business license will be changed accordingly. On December 14, 2006, a mediation agreement was signed between the Ministry of Environmental Protection, the Manufacturers' Association of Israel, plants in the Ramat Hovav site (including the plant of ICL Industrial Products) and the Negev Bar-Kaima Society. The agreement was approved by the District Court and on December 28, 2006 it was given the force of an agreed-to Order, the terms of which were recorded in the business license of ICL Industrial Products' plant in Ramat Hovav. The updated terms of the business license were transferred to the plant on January 31, 2007. Pursuant to the agreement and the terms of the business license, treatment of the waste will be the exclusive responsibility of each plant (including the discharge stage). Construction of the treatment facilities is to be completed by December 31, 2006 and their running-in period will begin. Parameters were determined for waste exiting the treatment facilities. Commencing from the beginning of 2008, the flow of waste into the Council's central treatment facility will not be permitted. The waste discharges of the plants are to be removed to the evaporation ponds and basins operated by the Council and under its responsibility up to the end of 2009. Subsequent to this date, independent discharge systems will be operated by each plant and under its responsibility, and the flow of waste discharges into the existing system will be forbidden. No later than the beginning of 2010, every plant is to be in compliance with the fixed waste discharge parameters.

Note 18 - Commitments, Concessions and Contingent Liabilities (cont'd)

C. Contingent liabilities (cont'd)

3) Ecological damages (cont'd)

b) (cont'd)

Pursuant to the new terms of the license, the plants submitted a plan for construction of the independent discharge system and to conduct a risk assessment study for the independent discharge system and the concentration therein including the solid residue in it.

As part of the agreement, the parties consented to enter into an accelerated series of discussions relating to emissions into the air, both from new plants as well as from existing plants, plus non-focused emissions, in order to prevent pollution and offensive odors, all on the basis of the international standards. The parties have begun to hold the said discussions.

In the estimation of Company Management, the Company is not expected to have material exposure in connection with any demand whatsoever relating to the said change in the terms of the business license.

c) Pending proceedings relating to the Kishon River

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 the Magistrates Court in Haifa under the Prevention of Environmental Nuisances Law (Civil Actions) (1992). The State of Israel and dozens of plants and authorities 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.

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.

Note 18 - Commitments, Concessions and Contingent Liabilities (cont'd)

C. Contingent liabilities (cont'd)

3) Ecological damages (cont'd)

c) Pending proceeding relating to the Kishon River (cont'd)

Between 2001 and 2005, seven lawsuits were filed against FCM and eight additional defendants (including the State of Israel) in Haifa District Court by 50 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.

At their own request nine plaintiffs were removed from the claim and therefore the damages claimed are approximately $33 million (and about $1 million in respect of pending claims that coincide with the main damages) as of the date the claims were filed, plus CPI adjustments and interest from the time of the illness or from the date of filing the claim, as well as punitive damages, their care expenses and third-party assistance, a small part of which was not quantified, attorneys' fees and expenses.

As of the date of this Report, these cases are in the witness testimony stage. In the first stage, the Court considered the question of causative relationship in the narrow sense, meaning the connection between the substances found in the river and the plaintiffs' injuries.
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 provision has been included in its financial statements.

Note 18 - Commitments, Concessions and Contingent Liabilities (cont'd)

C. Contingent liabilities (cont'd)

3) Ecological damages (cont'd)

c) Pending proceeding relating to the Kishon River (cont'd)

In April, June and July 2004, three lawsuits were filed against four defendants in Haifa District Court by 93 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 $ 64 million as quantifiable special/general damages, approximately $ 20 million in dependant damages (some of which overlap with the special damages), and approximately $ 33 million in punitive damages (the amounts are 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. Since the claims are for bodily injury, the plaintiffs are not required to state the exact amount of damages claimed) and interest and linkage differences, attorneys' fees and expenses. The defendants file third-party notices against, among others, FCM, as well as against dozens of plants and government entities, including the State of Israel.

As at the date of the financial statements, one of the plaintiffs has withdrawn his claim (in the amount of $ 2 million) and it was dismissed at the agreement of the parties. Twelve others have notified the Court that they are considering the withdrawal of their claim.

These cases are in the initial 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. 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 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 provision has been included in the financial statements.

Another lawsuit was filed against defendants including FCM by Israel Shipyards claiming that corrosion damage to its dry-dock and its locks was caused from the Kishon River's waters, in the amount of about $5 million. In these claims notices of third-party defendants were served on additional parties.
FCM claimed 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 and, therefore, no provision has been included in the financial statements.

Note 18 - Commitments, Concessions and Contingent Liabilities (cont'd)

C. Contingent liabilities (cont'd)

3) Ecological damages (cont'd)

d) In February 2002, the Fellowship of Adam, Teva V'Din - the Israel Union for Environmental Defense (hereafter - "the Union") submitted a Water Appeal to the Water Tribunal, wherein it requests that the Water Commissioner be required to issue orders against two subsidiaries of the Company, obligating them, among other things, 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, that the Union contends was the result of the disposal of industrial waste by the subsidiaries over a period of 30 years.

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.
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' management claims 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 hearings in the case have been completed, however, a decision has not yet been handed down by the Water Court.

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 not practical to estimate, at this stage, the potential cost of the actions, if any, that the subsidiaries may be required to take, and therefore no provision was included in the financial statements in respect of the said event.

e) 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 segment, 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 the subsidiary. 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. The Company 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.

Note 18 - Commitments, Concessions and Contingent Liabilities (cont'd)

C. Contingent liabilities (cont’d)

3) Ecological damages (cont'd)

f) A subsidiary has two potash production sites in Spain. In the potash production process, salt is produced that accumulates in salt piles. For the most part, the salt piles have no use. The subsidiary is required from time to time to obtain approvals to accumulate these salt piles. The subsidiary’s site in Sient has an approval to accumulate salt piles that is sufficient, based on the current production rate and accumulation procedures for an additional production year. The subsidiary is making efforts to obtain approval to expand the salt-dumping site. If the approval, as stated, is not received, such fact could limit the scope of the future production on this site.

4) Increase in level of Pond 150

As part of the evaporation process, in one of the evaporation ponds in Sdom on the ICL Fertilizers site, salt sinks down and produces a layer on the pond’s floor of about 20 centimeters every year. Since the amount of the raw materials produced is affected by the volume of the liquid in the pond, a fixed volume of liquid needs to be maintained in the pond. For this purpose, the volume of liquid is raised in the pond by about 20 centimeters every year. In order to raise the volume of liquid in the pond, ICL Fertilizers is required to raise the dikes bordering the pond every period.

The Ein Bokek and Hamei Zohar hotels along with other facilities and infrastructures are located on the shores of the pond. The rising of the pond’s water level beyond a certain level may cause damage to the foundations and buildings of the hotels located adjacent to the edge of the pond, as well as to other infrastructures spread out along the pond’s banks, all based on the height of the water level and location of the relevant hotel or infrastructure.

The situation described above requires construction of shields for the hotels and infrastructures. Construction of these shields will be broken down into two stages. The first stage is the “temporary shields”, which are intended to provide protection up to implementation of the permanent solution. The second stage is the “permanent solution,” which should provide protection for at least the period up to the end of the current concession period (i.e., 2030).

The temporary shields: in the first stage – the temporary shields – up to this point three shields were built, in the area of the Moriah Hotel, in the area of the Hamei Zohar and in the area of Ein Bokek. In addition, a number of infrastructures were raised up. Each of the above-mentioned shields was executed by means of constructing a dike adjacent to the relevant hotels that is called “the adjacent dike”. In the Ein Bokek area, a system for lowering the subterranean water is also being constructed and its construction is supposed to be completed during 2007. Pumping systems are also found in the Hamei Zohar area.

As at the publication date of the statements, a temporary shield is also being constructed that is intended for the Nirvana Hotel, which is essentially the construction of a system for maintaining a low subterranean water level, relative to the facilities of the Hotel.

Note 18 - Commitments, Concessions and Contingent Liabilities (cont'd)

C. Contingent liabilities (cont'd)

4) Increase in level of Pond 150 (cont'd)

Since the estimate is that the permanent solution will not be completed before 2015, there will be a need for execution of additional temporary shields during the period up to the time mentioned, where construction of the first temporary shield (with respect to the Nirvana Hotel) is supposed to be completed during 2007 and additional shields by the end of 2008. The matter is being handled by the Government of Israel, which assigned it to the Ministry of Tourism, and there is no certainty that the shields will be completed on time. There may be delays in the timetable due to the failure to timely receive the permits required by law for execution of the work relating to the temporary shields. A failure to complete a shield on time could cause damage to the hotels and/or significant monetary damage to the Company.

With respect to the permanent solution – in 2004 the Government of Israel assigned the Ministry of Tourism the responsibility to examine three alternatives for the permanent solution. The "gathering alternative", which is, essentially, gathering the salt from the bottom of the pond and leaving a fixed pond level, the "transfer of the hotels" alternative and the "lagoon alternative". Under the "lagoon alternative", an additional dike will be placed in the middle of the pond that will separate between the part close to the Hotels, wherein the level will remain fixed, and the rest of the pond, wherein the level will continue to rise each year. A government-appointed committee recommended the "lagoon alternative".

As at the date of these statements, the Government notified that in its estimation, the examinations (which are being performed by a team established by the Ministry of Tourism) for purposes of reaching a decision with respect to the alternative to be implemented will be completed in approximately another three years.

In 2006, the Hotels Union in the Dead Sea filed a petition with the Supreme Court sitting as the High Court of Justice, wherein it requested that the Court instruct the State: to abandon the "transfer of the hotels" alternative; to decide within three months which of the remaining two alternatives (the "gathering alternative" or the "lagoon alternative") will be implemented; that completion of the permanent solution shall take place no later than the end of 2007; and to declare that the hotels shall not bear any expense relating to the permanent solution. In addition, an Interim Order (which has not been granted at this stage) was requested that forbids raising the water level in Pond 5 above the planned level for the end of 2008.

The Supreme Court decided that the State must submit a timetable for execution of the shields, which was done, both regarding the temporary shields and with respect to the permanent solution. In an additional decision, the Supreme Court decided that there is a "need for particular strictness, perseverance and steadfastness" for treatment of the matter and that it is important that budget decisions be made along with statutory procedures relating to the temporary shields and the permanent solution, with awareness on the part of the relevant parties of the time factor.

At the end of February 2007, the State submitted a notification to the Supreme Court indicating that there are execution delinquencies compared with the timetables the State reported to the Court.

Note 18 - Commitments, Concessions and Contingent Liabilities (cont'd)

C. Contingent liabilities (cont'd)

4) Increase in level of Pond 150 (cont'd)

Regarding the financing – with respect to the temporary shields presently being executed, it was provided in the Arrangements Law, 2002, that the financing will be divided in such a manner that the State will bear 1/2, while the Regional Council of Tamar, the Company and the hotels will each bear 1/6. There are no decisions regarding financing arrangements for other temporary shields or regarding the permanent solution. On December 24, 2006, the Government decided "to budget up to NIS 70 million with approval to commit in the budget for the Ministry of Tourism for purposes of the undertakings for feasibility examinations relating to the long-term alternatives for protecting the Ein Bokek – Hamei Zohar hotel area; a budget of up to $ 7.1 million with approval to commit in the budget for the Ministry of Tourism for purposes of planning and execution of urgent protection work in the Ein Bokek – Hamei Zohar hotel area"; and that "the Minister of Finance shall provide in regulations, within 45 days, the financing arrangements between the various partners regarding completion of the Dead Sea shields, including the manner of the budgeting" (all as stated in the decision). As at the date of these statements, the regulations, as stated, have not yet been promulgated. DSW's position is that it is not required to bear the cost of these shields.

In the petition filed with the High Court of Justice, as stated, and in the replies submitted in the framework thereof by the State, the regional Council of Tamar and the Company, the State contended that the time has not yet arrived for dealing with the financing issue (both for the temporary shields as well as for the permanent solution). All of the others, including the Company, expressed their opinion that the State must bear the financing of these shields.

5) In addition to the contingencies referred to in sections (2) to (4) above, a number of claims are pending against the Company and various subsidiaries (including lawsuits). In respect of claims for an amount up to $ 12 million as of December 31, 2006, the Company and the subsidiaries have recorded provisions at that date of $ 2 million; in addition, $ 1 million of the above claims are covered by insurance. In the opinion of the management 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 $ 10 million at December 31, 2006, in the opinion of the management 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 19 – Shareholders' Equity

A. The share capital is comprised as:

	2006		2005	
	Authorized	Issued and paid	Authorized	Issued and paid
Ordinary shares of NIS 1 par value	**1,484,999,999**	**1,287,290,068**	1,484,999,999	1,265,639,199
Special State share of NIS 1 par value	**1**	**1**	1	1

The shares of ICL are listed for trade on the Tel-Aviv Stock Exchange.
The closing price per share on the Tel-Aviv Stock Exchange on December 31, 2006 was NIS 26.04.

Note 19 – Shareholders' Equity (cont'd)

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.
- 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, 2006, a subsidiary holds 2,216,131 ordinary shares of NIS 1 par value of ICL (December 31, 2005 – 4,069,623 shares), which are intended, inter alia, to be sold to employees in the event the options mentioned in D(1) below are exercised.

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.

During 2005, the subsidiary transferred 1,061,514 ordinary shares of NIS 1 par value to employees of the Company, in respect of options exercised by them for a consideration of $ 992 thousand.

During 2006, the subsidiary transferred 1,848,334 ordinary shares of NIS 1 par value to employees of the Company, in respect of options exercised by them for a consideration of $ 7,496 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.

Note 19 – Shareholders' Equity (cont'd)

D. Employee option plans

1) 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. 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.

   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).
   As of balance sheet date, employees of the Company exercised all options granted as part of the said plan, aside of a sum of 333,334 options which had expired.

2) 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 643,200 Company shares at no cost to a group of senior managers in the Company and in companies controlled by the Company was approved, of which shares, 175,000 were 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 were allotted, for no consideration, to a trustee and shall be blocked until the beginning of 2007.

3) On March 27, 2006, the Company's board of directors approved a compensation plan for senior management, as part of which in April, a private issuance of 699,200 Company shares at no cost to a group of senior managers in the Company and in companies controlled by the Company was approved, of which shares, 175,000 were 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 were allotted, for no consideration, to a trustee and are restricted for one year after the issuance.
   Accordingly, the Company included in the second quarter an expense in respect of the said plan in the amount of $2.7 million before the related tax effect.

Note 19 - Share Capital (cont'd)

D. Employee option plans (cont'd)

4) The options movement during 2006 are as follows:

	Number of options	Weighted average of the Exercise price
	NIS	NIS
Balance as at January 1, 2006	23,133,294	4.25
Granted during the year	-	-
Forfeited during the year	**(333,334)**	**4.25**
Exercised during the year	**(22,799,960)**	**4.25**
Total options outstanding December 31, 2006	-	-
Total options exercisable December 31, 2006	-	-

5) Subsequent to the balance sheet date, on January 28, 2007 (hereinafter – "the Effective Date"), the Company's Board of Directors approved a plan for a private issuance, for no consideration, of 12.9 million options exercisable for Company shares, to a group of officers and other senior employees holding management positions with the Company and companies it controls, in and outside of Israel, of which 2.2 million options were granted to the Company's CEO.

Upon exercise, each option may be exercised for one of the Company's ordinary shares of NIS 1 par value. Immediately upon their issuance, the ordinary shares issued as a result of exercise of the options will have all the same rights as the Company's ordinary shares. The options to be issued to the employees in Israel will be covered by Section 102 of the Income Tax Ordinance (New Version), and the regulations promulgated thereunder. The Company elected that the issuance shall be through a trustee under the "Capital Gains" alternative.

The options will vest in three equal portions as follows: one-third at the end of 12 months from the Effective Date, one-third at the end of 24 months from the Effective Date, and one-third at the end of 36 months from the Effective Date. Each portion will be locked-up for an additional year from its vesting. The expiration date of the options is at the end of 60 months from the Effective Date. In addition, rules have been provided for a case of termination of service or employment of any of the option holders. The exercise price was set at NIS 25.29 per share linked to the Consumer Price Index "known" on the payment date (the base index is the index for December 2006). In the case of distribution of a dividend by the Company, the exercise price will be reduced on the ex-dividend date in the (gross) amount of the dividend per share, based on the amount thereof in NIS on the Effective Date.
Alternatively, and based on the Company's discretion, it may transfer or issue shares at the rate of the difference between the price per share on exercise date and the exercise price. The options are not marketable and may not be transferred.

The weighted-average value of each option on the eve of the Effective Date, computed using the Black and Scholes options-pricing model is NIS 6.43, based on the stock market price of one of the Company's ordinary shares of NIS 1 par value, on the eve of the Effective Date (NIS 25.59).

The cost of the benefit inherent in the options allotted as aforementioned, on the basis of the fair value on the date they were granted, amounted to $ 19.6 million. This amount will be recorded in the statements of income over the vesting period of each portion.

Note 19 - Share Capital (cont'd)

E. Dividends

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 paid was in April 2005.

On August 22, 2005, the Company's Board of Directors decided to distribute a dividend to its shareholders in the amount of $ 59,997 thousand (the net dividend, less the share of a subsidiary, amounts to $ 59,769 thousand). The dividend was paid in September 2005.

On March 27, 2006, the Company's Board of Directors decided to distribute a dividend to its shareholders in the amount of $ 90,000 thousand (the net dividend, less the share of a subsidiary, amounts to $ 89,816 thousand). The dividend was paid in May 2006.

On August 22, 2006, the Company's Board of Directors decided to distribute a dividend to its shareholders in the amount of $ 90,000 thousand (the net dividend, less the share of a subsidiary, amounts to $ 89,845 thousand). The dividend was paid in September 2006.

On March 27, 2007, the Company's Board of Directors decided to distribute a dividend to its shareholders in the amount of $ 283,900 thousand (the net dividend, less the share of a subsidiary, amounts to $ 283,411 thousand). The dividend will be paid on April 25, 2007.

Note 20 - 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 7(D)(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 as follows:

	Year ended December 31	
	2006	**2005**
	US$ thousands	**US$ thousands**
Long-term loans and other long-term liabilities (including current maturities)	**156,696**	149,825

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. For details with regards to the covenants in respect of these loans, see Note 15(D).

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

Note 20 - Pledges and Restrictions Placed in Respect of Liabilities (cont'd)

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 16(C)(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. The company has undertaken as to the covenants in respect of the securitization transaction, see Note 4.

Note 21 - Supplementary Financial Statement Information

A. Cost of sales (1)

	Year ended December 31		
	2006	**2005**	**2004**
	US$ thousands	**US$ thousands**	**US$ thousands**
Materials	**856,281**	676,965	591,368
Power and energy	**267,957**	252,244	189,077
Labor and related expenses	**513,566**	449,631	438,360
Subcontracted work	**205,189**	181,576	168,184
Depreciation and amortization	**152,064**	143,116	139,766
Other production expenses	*** 142,937**	*181,844	181,300
Transportation and port expenses	**34,897**	30,521	29,675
	2,172,891	1,915,897	1,737,730
Decrease (increase) in inventories of finished products and work in progress	**(86,384)**	(70,549)	40,175
	2,086,507	1,845,348	1,777,905
(1) Net of amounts capitalized to property, plant and equipment under construction	**11,281**	8,857	4,406

* Other manufacturing expenses are net of revenues from an insurance company in the amounts of $52 million and $12 million for the years 2006 and 2005, respectively, which constitute, in Management's estimation, compensation for lost profits as a result of the flood damage in Sdom in 2004.

Note 21 - Supplementary Financial Statement Information (cont'd)

B. Research and development expenses, net

	Year ended December 31		
	2006	**2005**	**2004**
	US$ thousands	**US$ thousands**	**US$ thousands**
Amount of expenses	**35,947**	30,962	33,287
Less – grants and participations, see Note 18(A)(5)	**854**	685	1,172
	35,093	30,277	32,115

C. Selling, transportation and marketing expenses

	2006	2005	2004
Transportation and insurance	**335,765**	321,814	328,220
Salaries and related expenses	**64,766**	56,596	54,771
Agents' commissions	**19,769**	20,095	17,537
Other	**54,816**	44,789	44,383
	475,116	443,294	444,911

D. General and administrative expenses

	Year ended December 31		
	2006	**2005**	**2004**
	US$ thousands	**US$ thousands**	**US$ thousands**
Salaries and related expenses	**78,149**	62,694	61,823
Other*	**46,851**	43,059	43,833
	125,000	105,753	105,656
* Including in respect of doubtful debts	**(356)**	563	1,142

Note 21 - Supplementary Financial Statement Information (cont'd)

E. Financing expenses, net (1)

	Year ended December 31		
	2006	2005	2004
	US$ thousands	US$ thousands	US$ thousands
Financing expenses (income) in respect of:			
Long-term loans and other liabilities	**29,920**	32,649	26,019
Sales of trade receivables as part of securitization transaction	**12,228**	7,086	9,402
Short-term credit from banks and others	**5,559**	9,592	5,535
Long-term deposits and receivables	**(615)**	(311)	(845)
Short-term deposits and loans	**(1,458)**	(23,681)	(4,661)
Short-term investments, net	**(280)**	27	(102)
Erosion of short-term monetary items	**(1,160)**	(14,421)	4,509
Erosion of long-term monetary items	**(4,944)**	(704)	(1,642)
	39,250	10,237	38,215
(1) Net of amounts capitalized to property, plant and equipment under construction	**1,609**	521	313

F. Other expenses (income), net

	2006	2005	2004
Capital gains, net (1)	**(2,098)**	(902)	(52,709)
Expenses (income) in respect of early retirement of employees (2)	**(7,360)**	-	12,420
Write-down (cancellation of write-down) of production plants and others (2)	**(4,974)**	24,000	22,316
Amortization of goodwill	**-**	4,205	3,934
Expenses related to changes in actuarial assumptions for a pension plan and other benefits to pensioners	**11,740**	7,914	12,899
Dividend received from SQM	**-**	-	(1,896)
Expenses relating to damage caused by forces of nature (3)	**-**	-	12,500
V.A.T. assessment outside Israel	**7,344**	-	-
Other, net	**(2,358)**	1,603	(2,766)
	2,294	36,820	6,698

Note 21 - Supplementary Financial Statement Information (cont'd)

F. Other income (expenses), net (cont'd)

(1) a. 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.

b. 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.

c. On December 22, 2002, a subsidiary signed an agreement for the sale of real estate rights in Be'er-Sheba for approximately $ 5.8 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.

(2) 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, was shut down in 2005. Accordingly, in 2004, the Company wrote 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.

In November 2006, the last date for the retirement of the employees, the number of employees who retired was lower than the number that was estimated by management in the efficiency plan. Accordingly, the Company included in the current year income in the amount of $ 7.8 million in respect of cancellation of the provision that was recorded in 2004.

As to the impairment allowance in respect of the assets of Magnesium, in 2005, see Note 7(D)(2).

(3) 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.

The exposure of the Company is limited to the excess insurance in the gross amount of $ 12.5 million.

Note 22 - 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, 2006, the Group has "cap" options to secure a ceiling of LIBOR interest rates of 3% and 4%, which cover, as at December 31, 2006, a notional amount of $30 million and $100 million, respectively, (as at December 31, 2006, the fair value of these transactions is $2 million).

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 $356 million as of December 31, 2006. (As at December 31, 2006, the fair value of these transactions is $2.2 million).

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.
In 2005, the Company issued debentures in the amount of $125 million at a fixed interest rate of 5.42%.

As at balance sheet date, the fair value of these debentures is $120 million.

In order to change the interest of these debentures into variable interest, the Company executed swap transactions in which it pays a variable interest rate of 5.4% on average and receives a fixed interest rate of 4.6% on average. As at balance sheet date the fair value of these transactions is a liability in the amount of $2.7 million.

Note 22 - Financial Instruments and Risk Management (cont'd)

B. Interest rate risk management (cont'd)

The following table presents the book values of the Group's financial instruments that are exposed to fair value and/or cash flow risks in respect of interest rates, based on the earlier of the repayment dates or the price re-determination dates:

		December 31, 2006								
	Note	Average Effective interest rate %	Total US$ thousands	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5 years and above	Repayment date has not yet been determined
Instruments which bear a fixed interest										
Debentures – in dollars	15	5.10	**125,000**	**-**	**-**	**-**	**38,000**	**-**	**87,000**	**-**
Bank loans:										
In Euro	15	4.10	**92,190**	**-**	**92,190**	**-**	**-**	**-**	**-**	**-**
			217,190	**-**	**92,190**	**-**	**38,000**	**-**	**87,000**	**-**
Instruments which bear a variable interest										
Bank loans:										
In dollars	15	6.16	**293,098**	**66,780**	**58,000**	**36,818**	**131,500**	**-**	**-**	**-**
In Euro	15	1.50	**30,422**	**375**	**8,072**	**304**	**21,375**	**-**	**-**	**296**
In other currencies	15	6.86	**9,836**	**-**	**272**	**395**	**2,168**	**-**	**-**	**7,001**
			333,356	**67,155**	**66,344**	**37,517**	**155,043**	**-**	**-**	**7,297**
			550,546	**67,155**	**158,534**	**37,517**	**193,043**	**-**	**87,000**	**7,297**

Note 22 - Financial Instruments and Risk Management (cont'd)

C. Foreign exchange risk management (cont'd)

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 of 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.

The amounts relating to foreign currency derivatives are as follows:

	Fair value	Notional amounts as at
	US$ thousands	US$ millions
Forward contracts – for exchange of:		
Euro into dollars	(2,350)	33.3
Euro into British pounds	344	7.9
Japanese yen into dollars	71	8.1
Options purchased and written (cylinder options):		
Dollars for Israeli currency	1,612	38.0
Euro for dollars	(1,351)	87.9
Japanese yen for dollars	306	13.5
Euro for Israeli currency	333	6.4
Options written for exchange of dollar into NIS	-	22.8
Options written for exchange of euro into dollars	(216)	10.0

D. Linkage terms of monetary balances:

Composed, as at December 31, 2006, as follows:

	In non-dollar currencies or linked thereto*	In Israeli currency	
		Linked to the Israeli CPI	Unlinked
	US$ thousands	US$ thousands	US$ thousands
Assets:			
Current assets (inlcuding current maturities)	320,039	2,743	136,684
Non-current assets	14,815	21,508	4,718
	334,854	24,251	141,402
Liabilities:			
Current liabilities (including current maturities)	310,916	-	343,077
Long-term loans and other long-term liabilities	238,279	7,001	107,253
	549,195	7,001	450,330

* Of which $ 160,937 thousand and $ 409,029 thousand relate to assets and liabilities, respectively, in respect of companies operating independently.

Note 22 - Financial Instruments and Risk Management (cont'd)

E. Concentration of credit risks

Most of the Group's cash and cash equivalents and short-term marketable securities as of December 31, 2005 and 2004 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 following table describes the book value and the fair value of financial instruments groups that are not presented in the financial statements according to their fair value.

	December 31, 2006	
	Fair value	Book value
	US$ thousands	US$ thousands
Long-term loans	**90,190**	**92,190**
Debentures	**120,000**	**125,000**

The fair value of the long-term loans that were received, is based on the calculation of the present value of cash flow, according to the Libor rate that is customary among loans with similar characteristics - 4.1%.
The fair value of the debentures that were received, is based on the calculation of the present value of cash flow, according to Libor rate that is customary among loans with similar characteristics - 5.1%.

Note 23 – Earnings Per Share

Basic earnings per share

Calculation of the basic earnings per share for the year ended December 31, 2006, is based on the earnings allocated to the holders of the ordinary shares in the amount of US$ 373,903 thousand (2005 – US$ 422,173 thousand, 2004 – US$ 250,503 thousand), divided by the weighted-average number of ordinary shares outstanding of 1,282,982 thousand shares (2005 – 1,256,418 thousand, 2004 – 1,213,423 thousand), calculated as follows:

	For the year ended December 31		
	2006	2005	2004
	US$ thousands	US$ thousands	US$ thousands
Net income for the period	**373,903**	422,173	250,503

Weighted average of ordinary shares:

	For the year ended December 31		
	2006	2005	2004
	US$ thousands	US$ thousands	US$ thousands
Balance as at January 1	**1,265,639**	1,234,230	1,205,958
Less shares of the Company held by the subsidiary	**(2,391)**	(4,786)	(6,846)
With the addition of options exercised into shares	**19,246**	-	-
With the addition of debentures converted into shares	**-**	26,553	14,311
With the addition of shares issued during the year	**488**	421	-
Weighted average of ordinary shares used in the computation of basic earnings per share	**1,282,982**	1,256,418	1,213,423

Note 23 - Earnings per Share (cont'd)

Diluted earnings per share

Calculation of the diluted earnings per share for the year ended December 31, 2006, is based on the earnings allocated to the holders of the ordinary shares in the amount of US$ 373,903 thousand (2005 - US$ 422,322 thousand, 2004 - US$ 250,926 thousand), divided by the weighted-average number of ordinary shares outstanding of 1,284,579 thousand shares (2005 – 1,277,527 thousand, 2004 – 1,239,247 thousand), calculated as follows:

	For the year ended December 31		
	2006	**2005**	**2004**
	US$ thousands	**US$ thousands**	**US$ thousands**
Earnings used in computation of basic earnings per share	**373,903**	422,173	250,503
Interest expenses on convertible debentures, net of tax	**-**	149	423
Earnings attributed to the shareholders (diluted)	**373,903**	422,322	250,926

Weighted average of ordinary shares (diluted):

	For the year ended December 31		
	2006	**2005**	**2004**
	US$ thousands	**US$ thousands**	**US$ thousands**
Weighted average of ordinary shares used in the computation of the basic earnings per share	**1,282,982**	1,256,418	1,213,423
The effect of convertible debentures	**-**	4,213	13,961
Effect of stock options	**1,597**	16,896	11,863
Weighted average of ordinary shares used in the computation of the diluted earnings per share	**1,284,579**	1,277,527	1,239,247

The average market value of the Company's shares in the calculation of the cumulative effect of stock options was based on market quotations during the period in which the options were outstanding.

Note 24 - Interested Parties

A. Transactions with interested parties

	Year ended December 31		
	2006	2005	2004
	US$ thousands	US$ thousands	US$ thousands
Sales *	**4,725**	7,081	5,513
Cost of sales*	**7,050**	4,351	5,254
Selling transportation and marketing expenses*	**20,021**	22,602	17,197
Management fee to the parent company, see Note 18(A)(8)	**2,500**	2,500	2,500
Remuneration and benefits:			
To interested parties employed by ICL	**2,227**	1,368	1,483
To interested parties not employed by ICL – directors	**355**	**358	**345
Number of people to whom these benefits related:			
Interested parties employed by ICL	**1**	1	1
Interested parties not employed by ICL – directors	**13**	**11	**11

As to options and shares allotted to interested parties – see Note 19(D).

As to indemnification and insurance of directors, see Note 18(A)(9).

* The Management believes that transactions between ICL and interested parties are carried out in normal course of business, at market prices and under generally accepted credit terms.

** Reclassified

B. Balances with interested parties

	December 31 2006	December 31 2005
	US$ thousands	US$ thousands
Long-term deposits, net of current maturities	**3,187**	4,391
Current maturities of long-term deposits	**204**	1,188
Other current liabilities	**1,556**	1,815
Long-term loans, net of current maturities	**-**	39,028
Current maturities of long-term liabilities to interested parties	**-**	73,853
Current liabilities (excluding current maturities of long-term liabilities, see also Note 12)	**5,401**	13,018

Note 25 - Business Segments and Geographical Areas

A. Business segment data:

	Fertilizers									
	Potash	Phosphate	Eliminations	Total	Industrial products	Performance products	Metallurgy	Other operations	Eliminations	Consolidated
	2006									
	US$ thousands									
Income statement data:										
Sales and other operating revenues – net:										
External customers	**791,361**	**504,210**	**-**	**1,295,571**	**827,329**	**1,011,047**	**73,168**	**51,046**	**-**	**3,258,161**
Inter-segment	**133,722**	**64,685**	**(39,934)**	**158,473**	**10,516**	**16,870**	**19,418**	**35,321**	**(240,598)**	**-**
Total revenues	**925,083**	**568,895**	**(39,934)**	**1,454,044**	**837,845**	**1,027,917**	**92,586**	**86,367**	**(240,598)**	**3,258,161**
Operating income (loss)	**245,133**	**16,234**	**1,968**	**263,335**	**208,889**	**85,911**	**(35,798)**	**9,891**	**-**	**532,228**
Unallocated income										**4,217**
Operating income										**536,445**
Financing expense										**(39,250)**
Other expenses										**(2,294)**
Taxes on income										**(136,686)**
Share in income of associated companies										**3,843**
Minority interest										**11,845**
Net income										**373,903**
Other data:										
Segment assets	**1,173,164**	**582,571**	**(26,213)**	**1,729,522**	**770,902**	**699,545**	**104,060**	**76,353**	**(49,928)**	**3,330,454**
Unallocated assets										**285,237**
Consolidated total assets										**3,615,691**
Segment liabilities	**232,120**	**185,775**	**(27,851)**	**390,044**	**201,557**	**230,632**	**38,879**	**53,466**	**(56,282)**	**858,296**
Unallocated liabilities										**1,013,993**
Consolidated total liabilities										**1,872,289**
Capital expenditures	**58,789**	**24,034**	**-**	**82,823**	**35,248**	**30,461**	**851**	**2,851**	**-**	**152,234**
Unallocated capital expenditures										**149**
Total capital expenditures										**152,383**
Depreciation and amortization	**55,455**	**25,805**	**-**	**81,260**	**47,019**	**34,353**	**3,858**	**2,203**	**-**	**168,693**
Unallocated depreciation and amortization										**533**
Total depreciation and amortization										**169,226**

Note 25 - Business Segments and Geographical Areas (cont'd)

A. Business segment data (cont'd):

	Fertilizers									
	Potash	Phosphate	Eliminations	Total	Industrial products	Performance products	Metallurgy	Other operations	Eliminations	Consolidated
	2005									
	US$ thousands									
Income statement data:										
Sales another operating revenues – net:										
External customers	927,851	465,855	-	1,393,706	794,294	666,543	80,795	50,663	-	2,986,001
Inter-segment	136,273	82,700	(38,943)	180,030	11,181	10,445	22,035	36,865	(260,556)	-
Total revenues	1,064,124	548,555	(38,943)	1,573,736	805,475	676,988	102,830	87,528	(260,556)	2,986,001
Operating income (loss)	333,645	15,441	(993)	348,093	153,899	55,006	(8,950)	7,466	-	555,514
Unallocated income										5,815
Operating income										561,329
Financing expense										(10,237)
Goodwill amortization	(2,886)	(258)	-	(3,144)	(814)	(175)	(72)	-	-	(4,205)
Other expenses (excluding goodwill amortization)										(32,615)
Taxes on income										(101,838)
Share in income of associated companies										605
Minority interest										9,134
Net income										422,173
Other data:										
Segment assets	1,036,919	589,218	(21,526)	1,604,611	725,699	657,839	109,606	62,503	(68,807)	3,091,451
Unallocated assets										232,491
Consolidated total assets										3,323,942
Segment liabilities	229,636	181,379	(21,196)	389,819	195,241	222,769	23,889	35,975	(77,043)	790,650
Unallocated liabilities										1,032,801
Consolidated total liabilities										1,823,451
Capital expenditures	52,211	21,740	-	73,951	36,860	234,311	1,913	4,097	-	351,132
Unallocated capital expenditures										1,418
Total capital expenditures										352,550
Depreciation and amortization	56,986	31,178	-	88,164	46,871	22,420	29,451	2,617	-	189,523
Unallocated depreciation and amortization*										487
Total depreciation and amortization										190,010

* Including reductions that were included in other expenses.

Note 25 - Business Segments and Geographical Areas (cont'd)

A. Business segment data (cont'd):

	Fertilizers									
	Potash	Phosphate	Eliminations	Total	Industrial products	Performance products	Metallurgy	Other operations	Eliminations	Consolidated
	2004									
	US$ thousands									
Income statement data:										
Sales and other operating revenues – net:										
External 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 income										(1,384)
Operating income										354,368
Financing expense										(38,215)
Goodwill amortization	(2,886)	(256)	-	(3,142)	(720)	-	(72)	-	-	(3,934)
Other expenses (excluding goodwill amortization)										(2,764)
Taxes on income										(59,216)
Share in income 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

* Including reductions that were included in other expenses.

Note 25 - Business Segments and Geographical Areas (cont'd)

B. Information on business and geographical segments:

1) Business segments:

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 detailed above, ICL has other activities, including, water desalinization (through a proportionately consolidated company) and overland transport (Mifalei Tovala Ltd.).

Note 25 - Business Segments and Geographical Areas (cont'd)

B. Information on business and geographical segments (cont'd):

2) Geographical segments:

Following is data regarding the distribution of the Group's consolidated sales by geographical market, based on customer location**:**

	Year ended December 31		
	2006	**2005**	**2004**
	US$ thousands	**US$ thousands**	**US$ thousands**
Europe	**1,203,509**	1,228,610	1,186,470
Asia	**678,786**	704,839	549,862
North America	**717,784**	389,988	312,592
South America	**331,019**	309,148	332,159
Other	**119,638**	138,340	124,823
	3,050,736	2,770,925	2,505,906
Israel	**207,425**	215,076	209,049
	3,258,161	2,986,001	2,714,955

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

	Year ended December 31		
	2006	**2005**	**2004**
	US$ thousands	**US$ thousands**	**US$ thousands**
Israel	**1,710,831**	1,789,699	1,608,712
Europe	**1,061,050**	998,927	1,001,194
United States	**501,187**	171,116	112,597
Other	**153,947**	155,102	116,647
	3,427,015	3,114,844	2,839,150
Transfers - mainly from Israel	**(168,854)**	(128,843)	(124,195)
	3,258,161	2,986,001	2,714,955

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

	Year ended December 31		
	2006	**2005**	**2004**
	US$ thousands	**US$ thousands**	**US$ thousands**
Israel	**432,067**	444,357	270,984
Europe	**25,202**	73,387	61,675
United States	**49,976**	13,673	(1,637)
Other	**29,200**	29,912	23,346
	536,445	561,329	354,368

Note 25 - Business Segments and Geographical Areas (cont'd)

B. Information on business and geographical segments (cont'd):

2) Geographical segments (cont'd)

Following is data reflecting the carrying value of segment 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 December 31		Additions to property, plant and equipment, and intangible assets December 31	
	2006	2005	2006	2005
	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Israel	**2,119,295**	2,033,271	**85,194**	94,887
Europe	**765,310**	673,384	**45,217**	46,786
United States	**455,806**	421,918	**13,422**	191,607
Other	**161,350**	148,407	**5,879**	19,270
Eliminations	**(171,307)**	(185,529)	**-**	-
	3,330,454	3,091,451	**149,712**	352,550

Following are data for depreciation and amortization by geographical area:

	Year ended December 31		
	2006	2005	2004
	US$ thousands	US$ thousands	US$ thousands
Israel	**98,746**	130,335	125,099
Europe	**43,964**	45,426	47,735
United States	**21,387**	10,331	12,760
Other	**5,129**	3,918	2,983
	169,226	190,010	188,577

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 external customers for similar goods. Those transfers are eliminated in the consolidation.

Appendix – Details on investees as at December 31, 2006

Rate of holdings in			
Control	**Share Capital**	**Subsidiary Company**	**Holding Company**
			Israel Chemicals Ltd.
100.00	100.00	Dead Sea Works Ltd., Israel	Israel Chemicals Ltd.
100.00	100.00	Dead Sea Bromine Company Ltd., Israel	Israel Chemicals Ltd.
100.00	100.00	Rotem Amfert Negev Ltd., Israel	Israel Chemicals Ltd.
100.00	100.00	Dead Sea Periclase Ltd., Israel	Israel Chemicals Ltd.
100.00	100.00	Mifalei Tovala Ltd., Israel	Israel Chemicals Ltd.
32.60	32.60	Rotem Amfert Negev B.V., The Netherlands	Israel Chemicals Ltd.
50.00	50.00	I.D.E. Technologies Ltd., Israel	Israel Chemicals Ltd.
100.00	100.00	ICL Financing and Issuing Ltd., Israel	Israel Chemicals Ltd.
100.00	100.00	Ferson Chemicals Ltd., Israel	Israel Chemicals Ltd.
100.00	100.00	ICL Fine Chemicals Ltd., Israel	Israel Chemicals Ltd.
25.00	25.00	P.A.M.A. (Energy Resources Development) Ltd., Israel	Israel Chemicals Ltd.
66.67	65.00	Dead Sea Magnesium Ltd., Israel	Israel Chemicals Ltd.
100.00	100.00	ICL Finance B.V., The Netherlands	Israel Chemicals Ltd.
100.00	100.00	ICL Finance Inc., U.S.A.	Israel Chemicals Ltd.
			Dead Sea Works Ltd.
50.00	50.00	ICL Fertilizers, Israel	Dead Sea Works Ltd.
100.00	100.00	Ashli Chemicals Ltd., U.K.	Dead Sea Works Ltd.
100.00	100.00	Potash Technology Industries Ltd., Israel	Dead Sea Works Ltd.
100.00	100.00	Ashli Chemicals (The Netherlands) B.V., The Netherlands	Dead Sea Works Ltd.
100.00	100.00	Cleveland Potash Ltd. (CPL), U.K.	Dead Sea Works Ltd.
*45.47	35.88	Iberpotash S.A., Spain	Dead Sea Works Ltd.
			Ashli Chemicals (The Netherlands) B.V.
92.50	92.50	Potash Technology Industries B.V., The Netherlands	Ashli Chemicals (The Netherlands) B.V.
*54.53	43.02	Iberpotash S.A., Spain	Ashli Chemicals (The Netherlands) B.V.
			Iberpotash S.A., Spain
100.00	100.00	Trafico de Mercancias S.A., Spain	Iberpotash S.A., Spain
			Potash Technology Industries B.V., The Netherlands
33.33	33.33	Sino Israel Qinqhai Potash Company Ltd., China	Potash Technology Industries B.V., The Netherlands
			Ashli Chemicals Ltd., U.K.
100.00	100.00	Y.H.M.S. Investment Establishment, Liechtenstein	Ashli Chemicals Ltd., U.K.
			Y.H.M.S. Investment Establishment, Liechtenstein
8.80	8.83	Cogepotasse, Ltd., Belgium	Y.H.M.S. Investment Establishment, Liechtenstein
			Cleveland Potash Ltd. (CPL), U.K.
50.00	50.00	Constantine & Company (Export) Limited, U.K.	Cleveland Potash Ltd. (CPL), U.K.
			Dead Sea Bromine Company Ltd.
100.00	100.00	Bromine Compounds Ltd., Israel	Dead Sea Bromine Company Ltd.
100.00	100.00	Eurobrom B.V., The Netherlands	Dead Sea Bromine Company Ltd.
100.00	100.00	Tami (IMI) Institute for R&D Ltd., Israel	Dead Sea Bromine Company Ltd.
100.00	100.00	Ameribrom Inc., U.S.A.	Dead Sea Bromine Company Ltd.
100.00	100.00	Bromokem (Far East) Ltd., Japan	Dead Sea Bromine Company Ltd.

Appendix – Details on investees as at December 31, 2006

Rate of holdings in			
Control	Share Capital	Subsidiary Company	Holding Company
100.00	100.00	Landchem Ltd., South Africa	Dead Sea Bromine Company Ltd.
100.00	100.00	Bromine and Chemicals Ltd., U.K.	Dead Sea Bromine Company Ltd.
100.00	100.00	Euro Clearon Netherlands B.V., The Netherlands	Dead Sea Bromine Company Ltd.
99.00	99.00	Dead Sea Periclase Fused Products Registered Partnership, Israel	Dead Sea Bromine Company Ltd.
			Bromine Compounds Ltd.
50.00	50.00	Tetrabrom Technologies Ltd., Israel	Bromine Compounds Ltd.
26.00	26.00	Chemada Fine Chemicals Ltd., Israel	Bromine Compounds Ltd.
100.00	100.00	Bromine Compounds Marketing (2002) Ltd., Israel	Bromine Compounds Ltd.
1.00	1.00	Dead Sea Periclase Fused products Registered Partnership, Israel	Bromine Compounds Ltd.
50.00	50.00	L.B. Compounds Ltd,. Israel	Bromine Compounds Ltd.
			Eurobrom B.V., The Netherlands
100.00	100.00	Broomchemie B.V., The Netherlands	Eurobrom B.V., The Netherlands
100.00	100.00	Traital S.A., France	Eurobrom B.V., The Netherlands
100.00	100.00	Broomchemie Holdings B.V., The Netherlands	Eurobrom B.V., The Netherlands
100.00	100.00	Bromisia Industries and Trading Ltd., Brazil	Eurobrom B.V., The Netherlands
60.00	60.00	L.Y.G.D.S.B., China	Eurobrom B.V., The Netherlands
100.00	100.00	Transbrom (Europe) B.V., The Netherlands	Eurobrom B.V., The Netherlands
100.00	100.00	D.S.B. Co. Bejing, China	Eurobrom B.V., The Netherlands
50.00	50.00	JV Sinobrom, China	Eurobrom B.V., The Netherlands
67.40	67.40	Rotem Amfert Negev B.V., The Netherlands	Eurobrom B.V., The Netherlands
100.00	100.00	Eurobrom sucursal En Espania, Spain	Eurobrom B.V., The Netherlands
			Rotem Amfert Negev B.V.
**49.90	-	Eurocil Holding B.V. The Netherlands	Rotem Amfert Negev B.V.
			Ameribrom Inc. U.S.A.
100.00	100.00	Hy-Yield Inc., U.S.A.	Ameribrom Inc. U.S.A.
80.00	80.00	Hy-Yield Bromine Inc., U.S.A.	Ameribrom Inc. U.S.A.
100.00	100.00	Rotem B.K.G LLC., U.S.A.	Ameribrom Inc. U.S.A.
			Tami IMI Institute for R&D Ltd.
50.00	50.00	Potassium Nitrate Ltd., Israel	Tami IMI Institute for R&D Ltd.
50.00	50.00	Novetide Ltd. Israel	Tami IMI Institute for R&D Ltd.
2.65	2.65	Aqwise Water Technologies Ltd. Israel	Tami IMI Institute for R&D Ltd.
22.20	22.20	Megsans Ltd, Israel	Tami IMI Institute for R&D Ltd.
			Rotem Amfert Negev Ltd.
50.00	50.00	ICL Fertilizers, Israel	Rotem Amfert Negev Ltd.
*50.10	100.00	Eurocil Holding B.V., The Netherlands	Rotem Amfert Negev Ltd.
51.00	51.00	Negev Star Ltd., Israel	Rotem Amfert Negev Ltd.
100.00	100.00	Edom Mining and Development Ltd , Israel	Rotem Amfert Negev Ltd.
25.25	25.25	Agro-Vant, Israel	Rotem Amfert Negev Ltd.
100.00	100.00	Fertilizers and Chemicals Ltd., Israel	Rotem Amfert Negev Ltd.
			Edom Mining and Development Ltd.
100.00	100.00	Keter Tovala Ltd , Israel	Edom Mining and Development Ltd.

Appendix – Details on investees as at December 31, 2006

Rate of holdings in			
Control	**Share Capital**	**Subsidiary Company**	**Holding Company**
			Fertilizers and Chemicals Ltd.
100.00	100.00	Industrial Chemical Equipment Ltd., Israel	Fertilizers and Chemicals Ltd.
100.00	100.00	Revivim In The Bay Water and Environment Ltd., Israel	Fertilizers and Chemicals Ltd.
10.00	10.00	F&C - Licorice Ltd., Israel	Fertilizers and Chemicals Ltd.
49.50	49.50	Agriphuzia Limited Partnership, Israel	Fertilizers and Chemicals Ltd.
			Industrial Chemical Equipment Ltd., Israel
50.00	50.00	Agripo Management Services Ltd.	Industrial Chemical Equipment Ltd., Israel
			Agripo Management Services Ltd.
1.00	1.00	Agriphuzia Limited Partnership, Israel	Agripo Management Services Ltd.
			Eurocil Holding B.V., The Netherlands
100.00	100.00	Rotem Holding G.M.B.H., Germany	Eurocil Holding B.V., The Netherlands
50.00	50.00	Nutrisi Holding NV, Belgium	Eurocil Holding B.V., The Netherlands
100.00	100.00	Amsterdam Fertilizers B.V., The Netherlands	Eurocil Holding B.V., The Netherlands
98.90	98.90	Rotem Kimyevi Maddeler Sanayi ve Ticaret A.S, Turkey	Eurocil Holding B.V., The Netherlands
100.00	100.00	Incap B.V, The Netherlands	Eurocil Holding B.V., The Netherlands
100.00	100.00	P.M. Chemicals Srl, Italy	Eurocil Holding B.V., The Netherlands
100.00	100.00	Pekafert B.V., The Netherlands	Eurocil Holding B.V., The Netherlands
100.00	100.00	ICL Brazil Ltda., Brazil	Eurocil Holding B.V., The Netherlands
5.00	5.00	B.K.G. Puriphos B.V., The Netherlands	Eurocil Holding B.V, The Netherlands
			ICL Brazil Ltda., Brazil
44.00	44.00	FosBrazil S.A., Brazil	ICL Brazil Ltda., Brazil
			Pekafert B.V., the Netherlands
100.00	100.00	Eurocil Luxemburg S.A., Luxemburg	Pekafert B.V., the Netherlands
			Eurocil Luxemburg S.A., Luxemburg
100.00	100.00	Eurocil Luxemburg S.A – Swiss finance branch, Switzerland	Eurocil Luxemburg S.A., Luxemburg
100.00	100.00	Gerhard Ruff G.M.B.H., Germany	Eurocil Luxemburg S.A., Luxemburg
100.00	100.00	Osterrichische Anti Germ Gerhard Ruff& Co. G.M.B.H., Astria	Eurocil Luxemburg S.A., Luxemburg
100.00	100.00	Penngar S.A, France	Eurocil Luxemburg S.A., Luxemburg
100.00	100.00	Speciality Technologies Europe B.V., The Netherlands	Eurocil Luxemburg S.A., Luxemburg
100.00	100.00	Euro Clearon B.V., The Netherlands	Eurocil Luxemburg S.A., Luxemburg
			Euro Clearon B.V., The Netherlands
100.00	100.00	Clearon Holdings Inc., U.S.A.	Euro Clearon B.V., The Netherlands
			Clearon Holdings Inc., U.S.A.
100.00	100.00	Clearon Corp., U.S.A.	Clearon Holdings Inc., U.S.A.
			Clearon Corp., U.S.A.
100.00	100.00	Clearon Technologies, U.S.A.	Clearon Corp., U.S.A.
			Penngar S.A, France
100.00	100.00	Penngar Hispania SL, Spain	Penngar S.A, France

Appendix – Details on investees as at December 31, 2006

Rate of holdings in			
Control	**Share Capital**	**Subsidiary Company**	**Holding Company**
			Osterrichische Anti Germ Gerhard Ruff&Co. G.M.B.H., Austria
100.00	100.00	Anti-Germ CZ s.r.o; Czech Republic	Osterrichische Anti Germ Gerhard Ruff&Co. G.M.B.H., Austria
100.00	100.00	OAG Hungary Kft., Hungry	Osterrichische Anti Germ Gerhard Ruff&Co. G.M.B.H., Austria
			Speciality Technologies Europe B.V., The Netherlands
100.00	100.00	Scora S.A., France	Speciality Technologies Europe B.V., The Netherlands
			Rotem Holding G.M.B.H., Germany
100.00	100.00	BK Giulini Chemie GmbH, Germany	Rotem Holding G.M.B.H., Germany
100.00	100.00	Fibrisol Service Ltd. , U.K.	Rotem Holding G.M.B.H., Germany
100.00	100.00	Fibrisol Australia Pty. Ltd. , Australia	Rotem Holding G.M.B.H., Germany
100.00	100.00	Sofima S.A, France	Rotem Holding G.M.B.H., Germany
100.00	100.00	B.K Giulini Argentina S.A, Argentina	Rotem Holding G.M.B.H., Germany
51.00	51.00	Shanghai Tari International Ltd., China	Rotem Holding G.M.B.H., Germany
60.00	60.00	Yunnan B.K Giulini Qunli Phosphate Co. Ltd., China	Rotem Holding G.M.B.H., Germany
34.65	34.65	Fibrisol Muscalla GmbH, Germany	Rotem Holding G.M.B.H., Germany
95.00	95.00	Tari Service Polska Sp.z.o.o, Poland	Rotem Holding G.M.B.H., Germany
100.00	100.00	BK Giulini Japan Ltd. , Japan	Rotem Holding G.M.B.H., Germany
100.00	100.00	BK Giulini Leather Chemistry Co. Ltd. Hong Kong, China	Rotem Holding G.M.B.H., Germany
95.00	95.00	BKG Puriphos B.V., The Netherlands	Rotem Holding G.M.B.H., Germany
80.00	80.00	BKG Personal Care Co., Ltd., Hong Kong	Rotem Holding G.M.B.H., Germany
100.00	100.00	ICL Performance Products Holding Inc., U.S.A.	Rotem Holding G.M.B.H., Germany
100.00	100.00	Flexotex GmbH, Germany	Rotem Holding G.M.B.H., Germany
100.00	100.00	Jiangyin Rhenoflex Performance Products Co., Ltd., Jiangyin, China	Rotem Holding G.M.B.H., Germany
100.00	100.00	BKG Performance Products Jiagyin Co., Ltd., China	Rotem Holding G.M.B.H., Germany
100.00	100.00	ICL Performance Products Finance Inc., U.S.A.	Rotem Holding G.M.B.H., Germany
49.90	49.90	BK Giulini Specialities Private Limited, India	Rotem Holding G.M.B.H., Germany
			Flexotex GmbH, Germany
100.00	100.00	BKG Finance GmbH, Germany	Flexotex GmbH, Germany
			ICL Performance Products Finance Inc, U.S.A.
100.00	100.00	Phosphorus Derivatives Inc., U.S.A.	ICL Performance Products Finance Inc, U.S.A.
100.00	100.00	ICL Performance Products Inc., U.S.A.	ICL Performance Products Finance Inc, U.S.A.
			ICL Performance Products Inc, U.S.A.
100.00	100.00	ICL Performance Products LP, U.S.A.	ICL Performance Products Inc, U.S.A.
100.00	100.00	ICL Performance LLC, U.S.A.	ICL Performance Products Inc, U.S.A.
100.00	100.00	Astaris Canada Ltd.. Cananda	ICL Performance Products Inc, U.S.A.
100.00	100.00	B.K. Giulini Corporation Simi Vally, U.S.A.	ICL Performance Products Inc, U.S.A.

Appendix – Details on investees as at December 31, 2006

Rate of holdings in			
Control	Share Capital	Subsidiary Company	Holding Company
			BKG Personal Care Co., Ltd., Hong Kong
100.00	100.00	BKG Personal Care Ltd. China	BKG Personal Care Co., Ltd., Hong Kong
			BKG Puriphos B.V, The Netherlands
100.00	100.00	Asia Brom Ltd. , Hong Kong	BKG Puriphos B.V, The Netherlands
			Asia Brom Ltd., Hong Kong
100.00	100.00	Asia Brom Resource Management Ltd., Hong Kong (ARM)	Asia Brom Ltd., Hong Kong
100.00	100.00	Asiabrom Ltd Shanghai Representative office , China	Asia Brom Ltd., Hong Kong
100.00	100.00	ICL Fertilizers (India) Private Ltd., India	Asia Brom Ltd., Hong Kong
			Asia Brom Resource Management Ltd ,Hong Kong (ARM)
100.00	100.00	Bromine Compounds Trading Company Ltd, Hong Kong (BCTL)	Asia Brom Resource Management Ltd ,Hong Kong (ARM)
50.00	50.00	DDFR Corporation Ltd , Hong Kong	Asia Brom Resource Management Ltd ,Hong Kong (ARM)
100.00	100.00	BK Giulini Hong Kong Limited, Hong Kong	Asia Brom Resource Management Ltd ,Hong Kong (ARM)
100.00	100.00	Asia Financial Resources Ltd., Hong Kong	Asia Brom Resource Management Ltd ,Hong Kong (ARM)
55.00	55.00	AUB Storing and Services (Hong Kong) Ltd., Hong Kong	Asia Brom Resource Management Ltd ,Hong Kong (ARM)
			Bromine Compounds Trading Company Ltd, Hong Kong (BCTL)
100.00	100.00	Bromine Compounds Trading Company Ltd, Shanghai Representative office ,China	Bromine Compounds Trading Company Ltd, Hong Kong (BCTL)
100.00	100.00	Bromine Compounds Trading Company Ltd, Beijing Representative office ,China	Bromine Compounds Trading Company Ltd, Hong Kong (BCTL)
			B.K. Giulini GmbH, Germany
65.35	65.35	Fibrisol Muscalla GmbH, Germany	B.K. Giulini GmbH, Germany
100.00	100.00	Hoyermann Chemie GmbH, Germany	B.K. Giulini GmbH, Germany
100.00	100.00	B.K. Mercosur S.A. , Uruguay	B.K. Giulini GmbH, Germany
100.00	100.00	Rhenoflex GmbH , Germany	B.K. Giulini GmbH, Germany
100.00	100.00	Rotem do Brasil Ltd., Brasil	B.K. Giulini GmbH, Germany
100.00	100.00	Tari International N.Z. Ltd., New Zealand	B.K. Giulini GmbH, Germany
10.00	10.00	Rhenoflex Dreyer, S.A.R.L. France	B.K. Giulini GmbH, Germany
5.00	5.00	Tari Service Polska Sp. z.o.o., Poland	B.K. Giulini GmbH, Germany
			Rhenoflex GmbH, Germany
100.00	100.00	Gurit Worbel GmbH, Germany	Rhenoflex GmbH, Germany
90.00	90.00	Rhenoflex Dreyer ,S.A.R.L., France	Rhenoflex GmbH, Germany

Appendix – Details on investees as at December 31, 2006

Rate of holdings in			
Control	**Share Capital**	**Subsidiary Company**	**Holding Company**
			Nutrisi Holding. , Belgium
100.00	100.00	Nutrichem NV, Benelux	Nutrisi Holding. , Belgium
50.00	50.00	Fertilizers Naturalis de Chili SA. Spain	Nutrisi Holding. , Belgium
50.00	50.00	NU3 NV, Belgium	Nutrisi Holding. , Belgium
			NU3 NV, Belgium
50.00	50.00	G.N.V. SARL, France	NU3 NV, Belgium
100.00	100.00	NU3 B.V., The Netherlands	NU3 NV, Belgium
			Amsterdam Fertilizers B.V., The Netherlands
100.00	100.00	Amsterdam Fertilizers B.V., French branch	Amsterdam Fertilizers B.V., The Netherlands
95.00	95.00	Partnership - Amsterdam Fertilizers Deutschland O.H.G., Germany	Amsterdam Fertilizers B.V., The Netherlands
12.5	*12.5	Finacil EEIG (European Economic Interest Grouping), The Netherlands	Amsterdam Fertilizers B.V., The Netherlands
			Amsterdam Fertilizers Deutschland O.H.G. Germany
100.00	100.00	Stodiek Dunger GmbH ,Germany	Amsterdam Fertilizers Deutschland O.H.G. Germany
100.00	100.00	Palazia Dunger GmbH Germany	Amsterdam Fertilizers Deutschland O.H.G. Germany
			Palazia Dunger GmbH Germany
5.00	5.00	Partnership - Amsterdam Fertilizers Deutschland O.H.G., Germany	Palazia Dunger GmbH Germany
			Incap B.V., The Netherlands
100.00	100.00	Intracap Insurance Ltd., Switzerland	Incap B.V., The Netherlands
			Mifalei Tovala Ltd.
50.00	50.00	Sherut Rail & Road Transportation Services 1990 - Registered Partnership, Israel	Mifalei Tovala Ltd.
50.00	50.00	M.T.T. Environmental Services Registered Partnership, Israel	Mifalei Tovala Ltd.
33.33	33.33	M.M.M. Company United Landfill Industries (1998) Ltd., Israel	Mifalei Tovala Ltd.

Appendix – Details on investees as at December 31, 2006

Rate of holdings in			
Control	Share Capital	Subsidiary Company	Holding Company
			I.D.E. Technologies Ltd.
100.00	100.00	Ambient Technologies Inc., Virgin Islands	I.D.E. Technologies Ltd.
100.00	100.00	IDE Canaries S.A., Canaries Islands	I.D.E. Technologies Ltd.
95.00	95.00	Larnaca Water Partners, Cyprus	I.D.E. Technologies Ltd.
100.00	100.00	Pelagos Desalination Services, Cyprus	I.D.E. Technologies Ltd.
20.00	20.00	Detelca UTE, Spain	I.D.E. Technologies Ltd.
50.00	50.00	Indian Desalination Engineering PVT Ltd., India	I.D.E. Technologies Ltd.
50.00	50.00	V.I.D Desalination Company Ltd., Israel	I.D.E. Technologies Ltd.
100.00	100.00	OTID Desalination Partnership, Israel	I.D.E. Technologies Ltd.
50.00	50.00	West Galilee Desalination Company Ltd., Israel	I.D.E. Technologies Ltd.
40.50	40.50	ADOM (Ashkelon Desalination) , Israel	I.D.E. Technologies Ltd.
20.00	20.00	Inversora Del Noroeste, Mexico	I.D.E. Technologies Ltd.
50.00	50.00	H2ID Ltd., Israel	I.D.E. Technologies Ltd.
			Ambient Technologies Inc., Virgin Islands
5.00	5.00	Larnaca Water Partners, Cyprus	Ambient Technologies Inc., Virgin Islands
			Dead Sea Magnesium Ltd.
77.78	99.00	M.R.I. Research & Development Ltd., Israel	Dead Sea Magnesium Ltd.
100.00	100.00	Magnesium Research Institute, Registered Amuta, Israel	Dead Sea Magnesium Ltd.
100.00	100.00	Magnesium Die Casting Ltd., Israel	Dead Sea Magnesium Ltd.
100.00	100.00	Dead Sea Magnesium Inc., U.S.A.	Dead Sea Magnesium Ltd.
9.00	9.00	Israeli Light Metal Initiative, Israel	Dead Sea Magnesium Ltd.

* ICL holds directly and indirectly 100% of the shares.
** As preferred shares that do not participate in profit distribution.