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

Israel Chemicals Ltd.

Financial Statements

As at December 31, 2007

Financial Statements as at December 31, 2007

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Auditors' Report to the Shareholders of Israel Chemicals Limited

We have audited the accompanying consolidated balance sheets of Israel Chemicals Limited (hereinafter – "the Company") and its subsidiaries as at December 31, 2007 and 2006, and the consolidated statements of income, the statements of changes in shareholders' equity and the consolidated statements of cash flows for each of the two years the last of which ended December 31, 2007. These consolidated financial statements are the responsibility of the Company's Board of Directors and its management. Our responsibility is to express an opinion on these statements based on our audits.

The consolidated financial statements as at December 31, 2005 and for the year then ended were jointly audited by us and by other auditors.

We conducted our audits 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 audits provide 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 the consolidated position of the Company and its subsidiaries as at December 31, 2007 and 2006, and the consolidated results of operations, the changes in shareholders' equity and the consolidated cash flows for each of the two years the last of which ended December 31, 2007, 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, 2008

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	2007 US$ thousands	2006 US$ thousands
Current assets			
Cash and cash equivalents		**58,204**	50,085
Short-term investments, deposits and loans	3	**73,655**	120,820
Trade receivables	4	**962,113**	470,569
Other receivables	5	**183,093**	* 180,869
Inventories	6	**974,966**	* 785,433
		2,252,031	1,607,776
Investments and long-term receivables			
Associated companies and other company	7, 8	**37,363**	31,149
Long-term deposits and receivables	9	**36,192**	27,798
Inventories – non-current		**29,771**	33,865
Deferred taxes, net	16	**19,044**	6,539
Receivables from the minority interest		**-**	17,011
		122,370	116,362
Property, plant and equipment	10		
Cost		**4,996,244**	* 4,672,829
Less – accumulated depreciation		**3,154,848**	* 2,983,875
		1,841,396	1,688,954
Other assets less accumulated amortization	11	**417,496**	* 195,450
		4,633,293	3,608,542

* Restated - see Note 2DD.

Consolidated Balance Sheets as at December 31

	Note	2007 US$ thousands	2006 US$ thousands
Current liabilities			
Credit from banks and others	12	**622,704**	266,973
Trade payables	13	**428,386**	315,945
Other payables	14	**487,350**	371,348
		1,538,440	954,266
Long-term liabilities			
Loans from banks and others	15	**626,542**	358,391
Debentures	15	**125,000**	125,000
Provision for reclamation of mines and disposal of waste		**36,886**	24,989
Deferred income taxes, net	16	**160,132**	168,391
Liability for employee severance and other post-employment benefits, net	17	**285,153**	241,252
		1,233,713	918,023
Minority interests		**66,147**	9,476
Commitments, concessions and contingent liabilities	18		
Shareholders' equity	19	**1,794,993**	* 1,726,777
		4,633,293	3,608,542

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

Approval date of the financial statements: March 27, 2008.

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	2007	2006	2005
		US$ thousands	US$ thousands	US$ thousands
Sales	25	**4,100,284**	3,258,161	2,986,001
Cost of sales	21(A)	**2,585,249**	* 2,104,935	*1,866,791
Gross profit		**1,515,035**	1,153,226	1,119,210
Expenses				
Research and development, net	21(B)	**39,189**	35,093	30,277
Selling, transportation and marketing	21(C)	**600,336**	* 456,688	*421,851
General and administrative	21(D)	**160,850**	125,000	105,753
		800,375	616,781	557,881
Operating income		**714,660**	536,445	561,329
Financing expenses, net	21(E)	**54,077**	39,250	10,237
Income before other expenses, net		**660,583**	497,195	551,092
Other expenses, net	21(F)	**19,381**	2,294	36,820
Income before taxes on income		**641,202**	494,901	514,272
Taxes on income	16	**113,059**	136,686	101,838
Income after taxes on income		**528,143**	358,215	412,434
Share in profits of associated companies, net	7(B)	**3,940**	3,843	605
Minority interest in losses of subsidiaries, net		**3,557**	11,845	9,134
Net income		**535,640**	373,903	422,173
		U.S. dollar	U.S. dollar	U.S. dollar
Earnings per share:	23			
Basic earnings per ordinary share		**0.417**	0.291	0.336
Fully diluted earnings per ordinary share		**0.416**	0.291	0.331

* Reclassified.

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 reserves	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, 2004	529,031	34,719	1,110	43,670	* 531,181	35,712	(5,550)	1,169,873
Changes during 2005								
Net income	-	-	-	-	422,173	-	-	422,173
Dividend declared	-	-	-	-	(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)	802,671	89,816	(4,327)	1,485,595
Changes during 2006								
Net income	-	-	-	-	373,903	-	-	373,903
Dividend declared	-	-	-	-	(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	802,533	283,411	(2,197)	1,726,777
Changes during 2007								
Net income	**-**	**-**	**-**	**-**	**535,640**	**-**	**-**	**535,640**
First-time application of Accounting Standard No.27 **	**-**	**-**	**-**	**-**	**4,242**	**-**	**-**	**4,242**
Dividend declared	**-**	**-**	**-**	**-**	**(262,844)**	**(283,411)**	**-**	**(546,255)**
Dividend declared after balance sheet date	**-**	**-**	**-**	**-**	**(114,802)**	**114,802**	**-**	**-**
Erosion of dividend	**-**	**-**	**-**	**-**	**(815)**	**-**	**-**	**(815)**
Issuance of options to employees	**-**	**-**	**9,155**	**-**	**-**	**-**	**-**	**9,155**
Tax benefits in respect of shares allotted to employees	**-**	**-**	**1,945**	**-**	**-**	**-**	**-**	**1,945**
Differences from translation of financial statements of subsidiaries	**-**	**-**	**-**	**64,304**	**-**	**-**	**-**	**64,304**
Balance as at December 31, 2007	**540,779**	**81,396**	**13,227**	**83,032**	**963,954**	**114,802**	**(2,197)**	**1,794,993**

* Restated – see Note 2DD.
** See Note 2DD(2).

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		
	2007	**2006**	**2005**
	US$ thousands	**US$ thousands**	**US$ thosuands**
Cash flows from operating activities			
Net income for the year	**535,640**	373,903	422,173
Adjustments to reconcile net income to net cash flows from operating activities (A)	**(181,027)**	(15,265)	78,124
Net cash inflow generated by operating activities	**354,613**	358,638	500,297
Cash flows generated by investing activities			
Acquisition of property, plant and equipment	**(195,120)**	*(144,067)	*(164,802)
Investment grant received, net	**2,859**	3,070	7,664
Acquisition of newly consolidated companies and activities (B)	**(354,821)**	(2,100)	(273,283)
Proceeds from disposal of previously consolidated subsidiaries (C)	**-**	4,768	-
Other long-term investments	**(346)**	(996)	(4,569)
Acquisition of marketable securities and long-term deposits	**(10,146)**	(1,096)	(2,302)
Short-term deposits and loans, net	**81,658**	(64,525)	71,571
Acquisition of other assets and deferred expenses	**(13,147)**	*(14,143)	(3,321)
Proceeds from disposal of property, plant and equipment	**4,156**	9,442	4,557
Proceeds from deposits and other long term investments	**5,226**	4,732	6,267
Net cash outflow generated by investing activities	**(479,681)**	(204,915)	(358,218)
Cash flows generated by financing activities			
Proceeds from exercise of options granted to employees	**-**	20,242	992
Issuance of capital to minority in subsidiary	**5,425**	-	-
Receipt of long-term loans and other long-term liabilities	**668,112**	51,466	460,655
Repayment of long-term loans and other long-term liabilities	**(188,392)**	(164,205)	(450,288)
Dividends to shareholders	**(547,070)**	(180,446)	(95,424)
Short-term credit from banks and others, net	**193,800**	111,635	(37,055)
Net cash inflow (outflow) generated by financing activities	**131,875**	(161,308)	(121,120)
Translation differences on cash balances of subsidiaries operating autonomously	**1,312**	434	(925)
Increase (decrease) in cash and cash equivalents	**8,119**	(7,151)	20,034
Cash and cash equivalents at beginning of the year	**50,085**	57,236	37,202
Cash and cash equivalents at end of the year	**58,204**	50,085	57,236

* Restated – see Note 2DD.

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		
	2007	2006	2005
	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 losses of subsidiaries, net	**(3,557)**	(11,845)	(9,134)
Share in the undistributed earnings of associated companies, net	**(3,940)**	(2,791)	(585)
Depreciation and amortization	**195,437**	* 174,521	*169,293
Write down of production facilities	**-**	-	24,000
Deferred income taxes, net	**(32,981)**	(21,281)	(997)
Increase (decrease) in liability for employee severance and other post-employment benefits, net	**26,362**	(3,360)	7,224
Capital gains on disposal of property, plant and equipment, net	**(375)**	(5,347)	(966)
Capital loss from realization of investment in subsidiaries (C)	**-**	3,249	-
Exchange and linkage differences on (erosion of) principal of loans and other long-term liabilities, net	**4,052**	217	(2,388)
Erosion of principal (interest, exchange and linkage differences) of long-term deposits and receivables, net	**(4,818)**	(2,981)	965
Loss (gain) from marketable securities, net	**(353)**	(280)	27
Payroll expenses regarding issuance of options to employees	**9,155**	-	-
Payroll expenses regarding allotment of shares to employees	**-**	2,671	-
	188,982	132,773	187,439
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	**(431,489)**	42,144	(77,519)
Decrease (increase) in other receivables	**21,144**	*(57,906)	*(470)
Increase in inventories	**(113,642)**	*(136,721)	*(86,488)
Increase in trade payables	**60,469**	8,382	12,120
Increase (decrease) in other payables	**91,658**	(5,792)	48,235
Increase (decrease) in provision for reclamation of mines and disposal of waste	**1,851**	1,855	(5,193)
	(370,009)	(148,038)	(109,315)
	(181,027)	(15,265)	78,124

* Restated – see Note 2DD.

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		
	2007	2006	2005
	US$ thousands	US$ thousands	US$ thosuands
Appendix B - Acquisition of newly consolidated companies and activities			
Working capital (excluding cash and cash equivalents)	**(61,840)**	-	(70,436)
Investment in associated company	**-**	-	(6,922)
Property, plant and equipment	**(82,617)**	3,080	(131,409)
Other assets	**(119,977)**	-	(57,676)
Goodwill	**(94,855)**	(3,080)	(8,984)
Payables in respect of the acquisition	**-**	(2,100)	2,100
Long-term liabilities	**4,468**	-	44
	(354,821)	(2,100)	(273,283)
Appendix C - Disposal of investment in previously consolidated subsidiaries			
Working capital (excluding cash and cash equivalents)	**-**	3,022	-
Property, plant and equipment, net	**-**	* 1,210	-
Other assets	**-**	* 3,785	-
Capital loss on realization of investment in subsidiary	**-**	(3,249)	-
	-	4,768	-
Appendix D - Non-cash activity			
Conversion of debentures into shares	**-**	-	38,657

* Restated – see Note 2DD.

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 three main operating segments: fertilizers (which includes potash and phosphates); industrial products and performance products. The Group is also involved in certain other business activities.

The operations of ICL are based mainly on natural resources produced from the Dead Sea - potash, bromine, magnesium and salt, and in the Negev - deposits of phosphate rock. These natural resources are sourced under concessions and licenses 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, United States, the Netherlands, Spain, the UK, China, Brazil and France. The Group has additional production facilities in Austria, Belgium, Turkey, 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. About 94% 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)).

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.

Note 1 - General (cont'd)

C. Definitions (cont'd)

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 and Accounting Standard No. 23, "The Accounting Treatment of Transactions between an Entity and its Controlling Shareholder", of the Israeli Accounting Standards Board.

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 executed 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").

Note 2 - Significant Accounting Policies (cont'd)

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

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 and 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).

   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.

Note 2 - Significant Accounting Policies (cont'd)

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, to the periods of 10 and 20 years.

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, 2007) 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 for the year ended December 31, 2005.

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.

Note 2 - Significant Accounting Policies (cont'd)

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 of more than 12 months from balance sheet date are presented as non-current inventory among long-term investments and receivables.

See Section DD(1) hereunder regarding the initial implementation of Accounting Standard No. 26 regarding inventory as of January 1, 2007.

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 into 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 amortization of goodwill, 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.

Note 2 - Significant Accounting Policies (cont'd)

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.

   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 2007 - 6% (2006 - 6.3%).

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).

6. See Section DD(2) hereunder regarding the initial implementation of Accounting Standard No. 27 regarding property, plant and equipment as of Januaery 1, 2007.

Note 2 - Significant Accounting Policies (cont'd)

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).
   c) Software applications costs are amortized over 3 years to 10 years.

2. Deferred expenses:
   a) Trademarks and deferred expenses in respect of geological surveys are mainly amortized, in equal annual installments, over 5 years to 13 years.
   b) Agreements with customers and suppliers - amortized over 15 years and five years, respectively.
   c) Patents - amortized over 13 years to 15 years.
   d) Non-competition agreement - amortized over five years.

See Section DD(3) hereunder regarding the initial implementation of Accounting Standard No. 30 regarding intangible assets.

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.

The Company examines impairment of goodwill and intangible assets with an unlimited life, at least once a year – see Note 2(C)(6).

Note 2 - Significant Accounting Policies (cont'd)

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 of CPL 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.

   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.

Note 2 - Significant Accounting Policies (cont'd)

L. Pension plans (cont'd)

2. Full provision was made for the rest of the Groups' defined benefit pension plans (internal plans), based on actuarial calculations at balance sheet date, see Note 17(C)(1).

3. As to the pension plans 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).

M. Share-based payments

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 created upon grant of the 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. 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.

Note 2 - Significant Accounting Policies (cont'd)

N. Deferred taxes (cont'd)

2. In accordance with the standard, 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 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.

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. In addition, defered tax assets are not taken into account for temporary differences where the realization of the benefit is doubtful.

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.

Note 2 - Significant Accounting Policies (cont'd)

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.

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 the collection of which is doubtful. 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.

Note 2 - Significant Accounting Policies (cont'd)

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 on 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.

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.

Note 2 - Significant Accounting Policies (cont'd)

Y. Earnings per share

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 weighted average number of outstanding ordinary shares, in respect of the effects of all of the issued 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.

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, 2007	**106.40**	**3.846**	**0.680**
December 31, 2006	102.90	4.225	0.759
Changes during the year ended:			
December 31, 2007	**3.4%**	**(9.0%)**	**(10.5%)**
December 31, 2006	(0.1%)	(8.2%)	(10.2%)
December 31, 2005	2.4%	6.8%	15.3%

Note 2 - Significant Accounting Policies (cont'd)

BB. Concession agreements for the supply of desalination services

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 will 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, the financial statements include a financial asset representing the debt of the ordering customers 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.

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.

CC. Disclosure of effect of a new accounting standard in the period prior to its implementation

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 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 (see Note 26).

The Company will implement the IFRS as from the period beginning January 1, 2008.

Note 2 - Significant Accounting Policies (cont'd)

DD. First Time Adoption of New Accounting Standards

(1) As from January 1, 2007 the Company implements Accounting Standard No. 26, "Inventory" (hereinafter – the Standard) of the Israel Accounting Standards Board. The Standard applies to all types of inventory, other than inventory of work in process subject to Accounting Standard No. 4, "Work Executed by Contract", inventory of buildings held for sale subject to Accounting Standard No. 2, "Construction of Buildings for Sale" and financial instruments.

According to the provisions of the Standard, the Company measures inventory at the lower of cost or net realizable value. The cost of the inventory is determined on the basis of the "Weighted Average Cost" 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.

In accordance with the transitional provisions of the Standard, it is to be adopted retroactively by restating the comparative data relating to prior periods.

The effect on the balance sheet of the initial implementation of the aforementioned Standard is a decrease in the balance of inventory in the amount of $14 million, an increase in the balance of fixed assets in the amount of $8 million, an increase in the balance of deferred taxes in the amount of $2 million and a decrease in retained earnings in the amount of $4 million. The effect of the restatement on the statements of operations is immaterial.

(2) As from January 1, 2007, the Company implements Accounting Standard No. 27, "Fixed Assets" (hereinafter – the Standard) of the Israel Accounting Standards Board. The Standard prescribes rules for the recognition, measurement and elimination of fixed assets and for the disclosure required in respect thereto.

The principal changes provided by the Standard compared to the principles that were applied in the past are as follows: inclusion in the cost of the fixed asset item, already upon the initial recognition of the item, of the estimated amount of costs to be incurred in respect of a liability to dismantle and remove the item and to restore the site on which it is located; providing an alternative for measuring groups of similar fixed asset items at a revalued amount less accumulated depreciation, where the increase in the value of the asset above its initial cost as a result of the revaluation will be included directly in shareholders' equity as a revaluation reserve; separate depreciation of each component of the fixed asset item with a cost that is significant in relation to the total cost of the item, including costs of significant periodic examinations; measurement at fair value of fixed asset items acquired in exchange for another non-monetary item in a transaction having a commercial substance; requirement to examine the residual value, useful life and depreciation method of the asset, at least at the end of each fiscal year, and if the estimates are different than previous estimates, the change(s) will be treated as a change in accounting estimate.

In accordance with Resolution 17-3 of the Securities Authority regarding changes in the estimate of the useful life of fixed assets, it is allowed to make changes in the estimate of the depreciation period of fixed assets only in financial statements prepared in accordance with IFRS. The Group examined its estimate of the useful life of fixed assets. In accordance with this examination, the remaining depreciation period of the Group's manufacturing facilities as at January 1, 2007 is lower than their expected useful life. See Note 28 of the financial statements regarding the change in useful life in the financial statement prespared according to IFRS.

Note 2 - Significant Accounting Policies (cont'd)

DD. First Time Adoption of New Accounting Standards (cont'd)

(2) (cont'd)

In the past, upon the initial recognition of a fixed asset, the Company did not include in its cost the initial estimate of costs for dismantling and removing the item and for restoring the site on which it was located, and therefore:

(a) It updated the said liability as at January 1, 2007 in accordance with generally accepted accounting principles, in the amount of $7.8 million;

(b) It calculated the amount that would have been included in the cost of the 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) in the amount of $13.3 million. The liability was capitalized using the best estimate of the historical capitalization rates suitable to the risk that was relevant to that liability during the expired period; and,

(c) It calculated 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 at the amount of $1.3 million;

(d) The difference between the amount that was charged to the asset in accordance with items (b) and (c) above, and the amount of the liability in accordance with item (a) above, in the amount of $4.2 million, was included in retained earnings as at January 1, 2007.

In accordance with the transitional provisions of the Standard, the Standard will be adopted retroactively except for recognition of the initial estimate of costs for dismantling and removing assets as aforementioned.

The effect of the initial implementation of the Standard as at January 1, 2005 as a result of implementing the components' method, with respect to the periodic maintenance expenses component, is a decrease in fixed assets in the amount of $3 million and a decrease in retained earnings in the same amount. The effect of the restatement on the statements of operations is immaterial.

(3) As from January 1, 2007, the Company implements Accounting Standard No. 30, "Intangible Assets" (hereinafter – the Standard) of the Israel Accounting Standards Board. 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.

In accordance with the transitional provisions of the Standard, it is to be initially implemented retroactively, except as described below. As regards business combinations, the Standard is to 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 in process that was 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 Company is to recognize the research and development project in process as an asset and make an allocation of taxes on January 1, 2007.

Note 2 - Significant Accounting Policies (cont'd)

DD. First Time Adoption of New Accounting Standards (cont'd)

(3) (cont'd)

A research and development asset is to be recognized based on the amount estimated on the acquisition date less the amortization that would have been accrued if it had been amortized from the acquisition date up to December 31, 2006 in accordance with the asset's useful life and less accrued losses from decline in value. The adjusted amount is to be recorded to the balance of the retained earnings as at January 1, 2007.

As a result of the initial implementation of the Standard, the Company restated costs of computer software, which is not an integral part of the related hardware with a depreciated cost of about $13.6 million as at December 31, 2006, which were presented in the past as part of the "fixed assets" to "other assets".

(4) As from January 1, 2007, the Company implements Accounting Standard No. 23, "The Accounting Treatment of Transactions between an Entity and its Controlling Shareholder" (hereinafter – the Standard) of the Israel Accounting Standards Board. 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 essentially a dividend and accordingly reduces the retained earnings. A credit difference is essentially 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, wholly or partially, indemnification of the entity by the controlling shareholder in respect of an expense, and the controlling shareholder waiving the entity's debt, wholly or partially; and loans that were granted to the controlling shareholder or loans that were received from the controlling shareholder. The Standard also details the disclosure to be made in financial statements regarding transactions between the entity and its controlling shareholder during the period.

In accordance with the transitional provisions of the Standard, the Company applied the Standard to transactions with a controlling shareholder that were executed after January 1, 2007 and to loans to the controlling shareholder or received from it before this Standard came into effect, as from the date of its coming into effect.

The initial implementation of the Standard did not have an effect on the Company's results of operations and financial position.

Note 3 - Short-Term Investments, Deposits and Loans

	December 31 2007	December 31 2006
	US$ thousands	US$ thousands
Marketable securities*	**2,997**	2,576
Deposits in banks and financial institutions and short-term loans	**64,391**	114,267
Current maturities of loans to associated companies	**1,950**	-
Current maturities of long-term deposits and receivables	**4,317**	3,977
	73,655	120,820

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

Note 4 - Trade Receivables

A. Composition

	December 31 2007	December 31 2006
	US$ thousands	US$ thousands
Trade - open accounts:		
Outside Israel	**494,051**	366,119
Domestic (Israel)	**13,965**	10,773
Subordinated capital note and receivables related to sale of trade receivables in securitization transaction (B)	**459,554**	100,891
	967,570	477,783
Less – allowance for doubtful debts	**5,457**	7,214
	962,113	470,569

B. Sale of trade receivables under a securitization transaction

	December 31 2007	December 31 2006
	US$ thousands	US$ thousands
Trade receivables included as part of the securitization transaction as at the balance sheet date	**459,554**	319,268
Less – cash consideration in respect of sales of trade receivables	**-**	218,377
Subordinated note and receivables in respect of sale of trade receivables	**459,554**	100,891

Note 4 - Trade Receivables (cont'd)

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

On July 26, 2004 the Company and certain subsidiaries (hereinafter- "the Companies") entered into a number of securitization agreements with Rabobank International for the sale of customer debts 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 Rabobank International. The amount of cash that will be received in respect of the initial sale of the customer debts in the securitization transaction will be up to $220 million.

On July 11, 2007, the said agreement was updated in such a manner that the maximum amount of the financial means avaliable to the Acquiring Company will be about $300 million instead of $220 million.

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 statement 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.

Note 5 - Other Receivables

	December 31 2007	December 31 2006
	US$ thousands	US$ thousands
Government institutions in Israel	**26,101**	16,231
Governmental institutions outside Israel	**15,341**	13,779
Prepaid expenses	**26,148**	* 27,717
Deferred income taxes, see Note 16(F)	**60,257**	* 45,744
Income to be received from insurance	**4,810**	41,496
Advance from supplier	**8,890**	6,280
Other	**41,546**	29,622
	183,093	180,869

* Restated - see Note 2DD.

Note 6 - Inventories

	December 31 2007	December 31 2006
	US$ thousands	US$ thousands
Raw materials and supplies	**194,948**	123,409
Work in process	**170,857**	158,904
Finished products	**549,318**	* 462,277
Spare parts and maintenance supplies	**89,614**	73,658
Payments on account and materials in transit	**-**	1,050
	1,004,737	819,298
Less – non-current inventory (presented in investments and long-term receivables).	**29,771**	33,865
	974,966	785,433

* Restated - see Note 2DD.

Note 7 - Associated Companies

A. Composition

	December 31 2007	December 31 2006
	US$ thousands	US$ thousands
Shares:		
Cost of shares, including undistributed earnings up to December 31, 1991*	**12,783**	12,783
Share in earnings, accumulated since January 1, 1992 less dividends received	**8,229**	4,521
Differences from translation of financial statements of investees	**2,109**	3
	23,121	17,307
Capital notes and long-term loans	**14,242**	13,842
	37,363	31,149
* 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, 2007	**31,149**
Changes during 2007:	
Investments in shares and increase in capital notes, long-term loans	**400**
Share in profits, net	**3,940**
Dividend	**(232)**
Translation differences	**2,106**
Balance as at December 31, 2007	**37,363**

C. Loans and capital notes

	Repayment date	Weighted average interest rate as at December 31 2007	December 31 2007	December 31 2006
		%	US$ thousands	US$ thousands
In euro	Not yet determined	5.49	**1,769**	1,583
In dollars	Not yet determined	-	**-**	337
Linked to the CPI	Not yet determined	4.00	**14,423**	11,922
			16,192	13,842
Less - current maturities			**1,950**	-
			14,242	13,842

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 which 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.

   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.

Note 7 - Associated Companies (cont'd)

D. Other information (cont'd)

2. In August 2007, a subsidiary acquired all of the ownership rights in Supresta LLC (hereafter – "Supresta"), a company registered in Delaware in the United States, which is engaged in the manufacture and marketing of flame retardants as well as additional products on the basis of phosphorus.

   The purchase consideration, including transaction costs, after adjustments in respect of changes in working capital, amounted to $361.5 million which has been allocated as follows: $67.5 million for working capital, $120 million was for other assets, $83 million for fixed assets and $4 million for long-term liabilities. The balance amounting to $95 million has been attributed to goodwill.

   The statements of operations and the statements of cash flows were consolidated for the first time as from August 14, 2007.

   Presented below are data from the financial statements of Supresta as included in the consolidated financial statements as at December 31, 2007:

	December 31 2007
	US$ millions
Balance sheet	
Current assets	**115.6**
Property, plant and equipment	**84.9**
Other assets	**125.4**
Goodwill in respect of acquisition	**99.9**
Current liabilities	**(36.8)**
Long-term liabilities	**(18.5)**
	370.5

	For the period from August 14, 2007 to December 31 2007
	US$ millions
Statement of income	
Sales	**104.9**
Net loss	**6.0**

Note 7 - Associated Companies (cont'd)

D. Other information (cont'd)

3. Subsequent to balance sheet date, in January 2008, a subsidiary purchased most of the assets and activity of a business unit of the Henkel group that engages in water treatment for the price of $89 million, subject to adjustments, mainly in respect of changes in the working capital and liabilities to employees that are transferred. The acquired business unit sells products, services and equipment for the treatment of water, mainly to industries in Germany, France, Spain, Italy and Turkey.

4. 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.

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.

Following the examination, the Company recorded an impairment provision in the amount of $24 million in resepct of the decline in value of the assets of Magnesium. The provision was recorded under other expenses in the statement of operations.

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.

As at December 31, 2006, the financial statements include a minority debt in respect of the share of the minority in the shareholders' deficency of Magnesium in the amount of $47 million, since as at December 31, 2006 Volkswagen was a guarantor for the liabilities of Magnesium to banks in the amount of $60 millon. Capital notes Magnesium had issued to Volkswagen in the amount of $30 million were deducted from these amounts in accordance with the provisions of the capital notes. In September 2007, Magnesium assigned to its shareholders, instead of guarantees its shareholders provided to Magnesium, liabilities to banks and the Company in the total amount of $171 millon in accordance with their rate of holding in Magnesium. The shareholders also invested the amount of $50.5 million in the shareholders' equity of Magnesium, pro-rata to their holdings. As a result of the aforementioned, as at December 31, 2007 there is no debt balance in respect of the minority.

Note 7 - Associated Company (cont'd)

D. Other information (cont'd)

5. 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 Company

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 2007	December 31 2006
	US$ thousands	US$ thousands
Deposits in banks	**6,845**	6,397
Long-term receivables*	**33,664**	25,378
	40,509	31,775
Less – current maturities	**4,317**	3,977
	36,192	27,798

* 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).

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

B. Classified by currency and interest rates

	Weighted average interest rate as at December 31 2007	December 31 2007	December 31 2006
	%	US$ thousands	US$ thousands
In Israeli currency	**4.35**	**16,536**	15,082
In other foreign currency – mainly Cypriot pound	**6.10**	**23,973**	16,693
		40,509	31,775

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

	December 31 2007	December 31 2006
	US$ thousands	US$ thousands
Second year	**5,164**	4,684
Third year	**5,275**	4,815
Fourth year	**4,175**	4,488
Fifth year	**607**	3,294
Sixth year and thereafter (through 2016)	**2,767**	2,538
Not yet determined	**18,204**	7,979
	36,192	27,798

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 (4)	Spare parts for installations -	Total
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Cost (1)								
Balance as at January 1, 2007	514,833	* 3,385,003	420,542	113,970	* 170,418	60,415	7,648	4,672,829
The effect of initial implementation of Accounting Standard No. 27 at January 1, 2007**	**-**	**13,267**	**-**	**-**	**-**	**-**	**-**	**13,267**
Additions	**7,041**	**80,200**	**23,973**	**2,546**	**10,600**	**57,328**	**3,601**	**185,289**
Addition in respect of business combination***	**21,003**	**57,564**	**-**	**-**	**2,413**	**1,637**	**-**	**82,617**
Disposals	**(4,327)**	**(70,107)**	**(158)**	**(2,191)**	**(8,621)**	**-**	**-**	**(85,404)**
Differences from translation of financial statements	**40,688**	**59,758**	**15,743**	**213**	**10,010**	**1,234**	**-**	**127,646**
Balance as at December 31, 2007	**579,238**	**3,525,685**	**460,100**	**114,538**	**184,820**	**120,614**	**11,249**	**4,996,244**
Accumulated depreciation (1)								
Balance as at January 1, 2007	261,417	*2,201,868	288,642	91,817	* 140,131	-	-	2,983,875
The effect of initial implementation of Accounting Standard No. 27 at January 1, 2007**	**-**	**1,308**	**-**	**-**	**-**	**-**	**-**	**1,308**
Additions	**17,275**	**132,775**	**12,736**	**1,995**	**12,691**	**-**	**-**	**177,472**
Disposals	**(4,315)**	**(67,191)**	**(35)**	**(1,792)**	**(8,115)**	**-**	**-**	**(81,448)**
Differences from translation of financial statements	**19,124**	**36,927**	**10,810**	**1,727**	**5,053**	**-**	**-**	**73,641**
Balance as at December 31, 2007	**293,501**	**2,305,687**	**312,153**	**93,747**	**149,760**	**-**	**-**	**3,154,848**
Depreciated balance as at December 31, 2007	**285,737**	**1,219,998**	**147,947**	**20,791**	**35,060**	**120,614**	**11,249**	**1,841,396**
Depreciated balance as at December 31, 2006	253,416	* 1,183,135	131,900	22,153	* 30,287	60,415	7,648	1,688,954

* Restated – see Note 2DD.
** See Note 2DD(2).
*** See Note 7D.

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, 2007 is about $1,939 million.

2. Investment grants

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

	December 31 2007	December 31 2006
	US$ thousands	US$ thousands
Amount of the grants	**972,646**	970,474
Less – accumulated depreciation	**645,968**	617,109
	326,678	353,365

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

4. 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 $65 million. Some of these rights can be utilized until 2037 and the rest until 2067. 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

	Original amount		Amortized balance	
	December 31 2007	December 31 2006	December 31 2007	December 31 2006
	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Goodwill*	**200,189**	99,736	**152,772**	48,544
Concession – see Note 18(B)	**96,567**	96,567	**72,303**	75,531
Customer relationships	**96,670**	13,400	**92,558**	12,367
Patents	**33,450**	11,876	**30,501**	10,315
Others	**135,643**	102,840	**69,362**	**48,693
	562,519	324,419	**417,496**	195,450

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

** Restated – see Note 2DD.

Note 12 - Credit from Banks and Others

A. Composition

	December 31 2007	December 31 2006
	US$ thousands	US$ thousands
Short-term credit:		
From banks and financial institutions	**188,351**	170,165
From parent company	**55,400**	-
Other	**117,434**	29,653
	361,185	199,818
Current maturities of long-term loans and other long-term liabilities:		
From banks	**260,544**	67,039
From others	**975**	116
	261,519	67,155
	622,704	266,973

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

B. Classified by currency and interest rates

	Weighted average interest rate as at December 31 2007	December 31 2007	December 31 2006
	%	US$ thousands	US$ thousands
Short-term credit from banks and financial institutions:			
In dollars	5.65	**132,343**	123,211
In other foreign currencies (mainly Euro)	4.95	**24,962**	46,954
In Israeli currency – unlinked	4.85	**31,046**	-
		188,351	170,165
Credit from parent company in dollars	4.35	**55,400**	-
Short-term credit from others:			
In Israeli currency – unlinked	4.35	**45,858**	27,883
In dollars	5.44	**71,576**	1,770
		117,434	29,653
		361,185	199,818

Note 13 - Trade Payables

	December 31 2007	December 31 2006
	US$ thousands	US$ thousands
Open accounts	**427,266**	313,559
Checks payable	**1,120**	2,386
	428,386	315,945

Note 14 - Other Payables

	December 31 2007	December 31 2006
	US$ thousands	US$ thousands
Israeli Government – mainly in respect of royalties	**41,601**	19,374
Employees and provisions for employee benefits	**195,211**	162,379
Accrued expenses	**60,729**	45,852
Income taxes payable	**101,596**	72,552
Other	**88,213**	71,191
	487,350	371,348

Note 15 - Long-Term Loans from Banks and Others

A. Composition

	December 31 2007 US$ thousands	December 31 2006 US$ thousands
Bank loans *	**879,136**	417,756
Other loans	**8,925**	7,790
	888,061	425,546
Less – current maturities in respect of loans:		
From banks	**260,544**	67,039
From others	**975**	116
	261,519	67,155
	626,542	358,391
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 2007 %	December 31 2007 US$ thousands	December 31 2006 US$ thousands
Bank loans:			
In dollars (1)	5.44	**767,337**	293,098
In Swiss francs (2)	4.43	**8,207**	10,330
In other foreign currencies - mainly Euro	4.16	**590**	22,138
In Euro at a fixed interest rate	3.36	**103,002**	92,190
		879,136	417,756
Other loans:			
In Israeli currency - mainly linked to CPI	4.00	**7,945**	7,001
In foreign currencies - mainly Euro	4.16	**980**	789
		8,925	7,790
		888,061	425,546
Debentures - in dollars:	5.42	**125,000**	125,000
Unutilized credit lines		**125,000**	195,300

(1) Interest in respect of the dollar debt is determined based on LIBOR 0.45% - 1.54%.
(2) Interest in respect of most of the Swiss franc debt is determined based on CHF LIBOR 1.75%.

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 2007	December 31 2006
	US$ thousands	US$ thousands
Second year	**33,878**	158,534
Third year	**41,391**	37,517
Fourth year	**30,223**	193,043
Fifth year	**571,632**	-
Sixth year and thereafter	**67,000**	87,000
Repayment date has not yet been determined	**7,418**	7,297
	751,542	483,391

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.

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, are entitled to claim accelerated depreciation on property, plant and equipment, see C below.

c) On February 26, 2008, subsequent to balance sheet date, the Knesset enacted the Income Tax Law (Adjustments for Inflation) (Amendment No. 20) (Restriction of Effective Period) – 2008 (hereinafter – the Amendment). In accordance with the Amendment, the effective period of the Adjustments Law will cease at the end of the 2007 tax year and as from the 2008 tax year the provisions of the law shall no longer apply, other than the transitional provisions intended at preventing distortions in the tax calculations.

In accordance with the Amendment, as from the 2008 tax year income for tax purposes will no longer be adjusted to a real (net of inflation) measurement basis. Furthermore, the depreciation of inflation immune assets and carried forward tax losses will no longer be linked to the CPI, so that these amounts will be adjusted until the end of the 2007 tax year after which they will cease to be linked to the CPI.

Adjustments for Inflation Income Tax Regulations (Rates of Depreciation) - 1986 that allow depreciation at rates different from those in Section 21 of the Ordinance, will continue to apply also after the Adjustments Law is no longer in effect, and therefore the Company will be able to record accelerated depreciations in the forthcoming periods as well.

2. Tax rates

The income of the Company and the subsidiaries in Israel (other than income from approved and beneficiary enterprises - see 1C hereunder) is subject to the ordinary rate of tax.

On July 25, 2005 the Knesset passed the Law for the Amendment of the Income Tax Ordinance (No. 147 and Temporary Order) – 2005 (hereinafter – the Amendment). The Amendment provides for a gradual reduction in the company tax rate in the following manner: in 2007 the tax rate will be 29%, in 2008 the tax rate will be 27%, in 2009 the tax rate will be 26% and from 2010 onward the tax rate will be 25%. Furthermore, as from 2010, upon reduction of the company tax rate to 25%, real capital gains will be subject to tax of 25%.

Note 16 - Taxes on Income (cont'd)

2. Tax rates (cont'd)

As a result of the changes in the tax rates, the Company adjusted – in the year 2005, 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 25.5%.
Company incorporated in Germany – tax rate of 38% (commencing 2008 - 28%).
Company incorporated in the United States – tax rate of 40%.

Most of the subsidiaries have received final assessments through tax years mainly between 1995 and 2003.

C. Encouragement laws in Israel

1. Tax benefits under the Law for the Encouragement of Capital Investments, 1959 (hereinafter – "The Encouragement 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 enterprises - corporate tax of 0% or 25%, instead of the regular tax rate (see A(2) above).
2) On benefited enterprise corporate tax of 0% instead of the regular tax rate (see A(2) above).

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)).

Note 16 - Taxes on Income (cont'd)

C. Encouragement laws in Israel (cont'd)

1. Tax benefits under the Law for the Encouragement of Capital Investments, 1959 (hereinafter – "The Encouragement Law") (cont'd)

a) Reduced tax rates (cont'd)

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.

The turnover attributed to the "beneficiary enterprise" is generally calculated according to the increase in the turnover compared to a "base" turnover, which is the average turnover in the three years prior to the year of election of the "beneficiary enterprise"

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. The Company has chosen to claim accelerated depreciation under the Adjustments Law.

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.

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

a) The Company 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 the Company 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.

Note 16 - Taxes on Income (cont'd)

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 the Company in respect of which deferred taxes were created - amount to approximately $20 million as at December 31, 2007; as at December 31, 2006 - approximately $25 million.

The balances of carryforward losses of subsidiaries that do not file a consolidated tax return with the Company, in respect of which deferred taxes were not created, amount to approximately $289 million as at December 31, 2007; as at December 31, 2006 - approximately $264 million.

See Paragraph A(1)c above regarding discontinuance of the linkage of losses in accordance with the Adjustments Law

The utilization of tax losses in the amount of $148 million that derive from a foreign subsidiary is not limited in time according to its local law. Balances of tax losses in the amount of $21 million that derive from Israeli subsidiaries are linked to the CPI (in accordance with the Adjustments Law mentioned in Paragraph A(1) above). Furthermore the utilization of these losses is not limited in time.

As at balance sheet there are carry-forward tax losses in the amount of $60 million. In accordance with an assessment agreement with the Israeli tax authorities, it will be possible to utilize most of these losses only against capital gains that the Group companies have from the sale of shares of companies in which they directly hold at least 30% to a company they directly or indirectly control at the rate of 50% or more. Deferred taxes were not recorded in respect of these capital losses. These loss are linked to the CPI in accordance with that stated in Paragraph A(1) above. (See Paragraph A(1)c above regarding discontinuance of the linkage of losses in accordance with the Adjustments Law).

E. Tax assessments

The Company 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 2000 through to 2004.

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, 2005	253,345	*(7,539)	(53,494)	(13,237)	(41,397)	137,678
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	*(8,575)	(55,542)	(12,897)	(12,051)	137,333
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	*(29,546)	(60,225)	(6,395)	(5,139)	116,404
Changes in 2007:						
Additions in respect of business combination	**5,560**	**(52)**	**(212)**	**-**	**(7,018)**	**(1,722)**
Amounts recorded to reserve	**-**	**-**	**-**	**(1,155)**	**-**	**(1,155)**
Translation differences	**(3,251)**	**(6)**	**3,905**	**(610)**	**2,316**	**2,354**
Amounts recorded in income	**(21,525)**	**(14,447)**	**(2,382)**	**492**	**4,881**	**(32,981)**
Balance as at December 31, 2007	**198,493**	**(44,051)**	**(58,914)**	**(7,668)**	**(4,960)**	**82,900**

* Restated - see Note 2DD.

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 2007	December 31 2006
	US$ thousands	US$ thousands
Among current assets	**(60,257)**	*(45,744)
Among current liabilities	**2,069**	296
Among long-term receivables	**(19,044)**	(6,539)
Among long-term liabilities	**160,132**	168,391
	82,900	116,404

* Restated - See Note 2DD

3. For companies in Israel - the deferred taxes as of December 31, 2007 are computed mainly at the weighted-average tax rate of 25% (December 31, 2006 - 25%). As to companies outside of Israel - see B above.

G. Taxes on income included in the income statements:

1.

	Year ended December 31		
	2007	2006	2005
	US$ thousands	US$ thousands	US$ thousands
Current taxes in respect of the reported year	**139,058**	160,931	113,640
Deferred:			
In respect of changes to tax rates, see A(2) above	**-**	-	(28,959)
In respect of the reporting period	**(32,981)**	(21,281)	7,447
In respect of prior years	**6,982**	(2,964)	9,710
	113,059	136,686	101,838

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		
	2007	**2006**	**2005**
	US$ thousands	**US$ thousands**	**US$ thousands**
Income before taxes on income, as reported in the statements of income	**641,202**	494,901	514,272
Principal tax rate	**29%**	31%	34%
Theoretical tax expense	**185,949**	153,419	174,852
Less – tax benefits arising from reduced tax rate applicable to an “approved enterprise” and "benefited enterprise"	**54,505**	16,960	45,134
	131,444	136,459	129,718
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	**(8,186)**	(5,454)	(747)
Difference in respect of foreign subsidiaries	**(5,226)**	(5,246)	(6,001)
Increase in taxes resulting from tax losses of subsidiaries not consolidated for tax purposes, in respect of which no deferred taxes were created	**(6,252)**	7,900	-
Utilization of tax losses for which deferred taxes were not recorded	**(2,046)**	-	(1,764)
Increase in taxes resulting from permanent differences – non-deductible expenses net of exempt income	**7,120**	4,486	3,718
Deferred taxes amendment in respect of tax benefits arising from "benefited enterprise"	**(9,641)**	-	-
Decrease in taxes resulting from adjustment to deferred tax balances due to changes in tax rates, see A(2) above	**-**	-	(28,959)
Taxes in respect of prior years	**6,982**	(2,964)	9,710
Other differences	**(1,136)**	1,505	(3,837)
Taxes on income included in the income statements	**113,059**	136,686	101,838

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

A. Composition

	December 31 2007 US$ thousands	December 31 2006 US$ thousands
Liabilities for severance pay	**228,066**	180,318
Liabilities for pension and early retirement*	**276,963**	249,287
	505,029	429,605
Less – amount funded	**219,876**	188,353
Balance – unfunded	**285,153**	241,252
* Including in respect of subsidiaries outside Israel	**109,010**	104,286

B. Severance pay

1. Israeli subsidiaries

Pursuant to Israeli labor laws and valid labor contracts, the Company 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 the 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 the 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, a 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.

3. Post-retirement benefits to employees

Pensioners of Group companies receive in addition to pension payments from the pension fund, benefits that consist mainly of a holiday gift and weekends. The companies' liabilities in respect of these costs are accrued over the period of employment. The Group companies include in their financial statements the costs anticipated for the post-retirement period on the basis of an actuarial calculation.

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.

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

C. Pension and early retirement (cont'd)

(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.

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	
	2007	2006
	US$ thousands	US$ thousands
Current service costs	**6,881**	6,683
Current interest costs	**16,179**	13,461
Expected return on the pension fund assets	**(18,421)**	(15,108)
Actuarial losses, net, recognized in the period	**140**	622
Pension expenses, net, for the period	**4,779**	5,658

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 movement in the liability for pension payments and the pension fund assets included in the 2007 and 2006 financial statements, are as follows:

	Year ended December 31	
	2007	2006
	US$ thousands	US$ thousands
Actuarial liability for pension payments at the beginning of the year	**(322,102)**	(266,182)
Current service costs	**(6,881)**	(6,683)
Current interest costs	**(16,179)**	(13,461)
Benefits paid	**10,015**	8,997
Employee share in the pension plan	**(1,425)**	(1,376)
Actuarial gains (losses) for the period in respect of the pension liability	**23,965**	(5,714)
Translation differences	**(7,046)**	(37,683)
Actuarial liability for pension payments at the end of the year (1)	**(319,653)**	(322,102)
Fair value of pension fund assets at the beginning of the year	**293,964**	236,339
Expected return on pension fund assets	**18,421**	15,108
Employer and employee deposits in the pension fund	**9,176**	7,149
Benefits paid	**(10,015)**	(8,997)
Actuarial gains (losses) for the period in respect of pension fund assets	**(382)**	10,431
Translation differences	**6,474**	33,934
Fair value of pension fund assets at the end of the year (2)	**317,638**	293,964
Actuarial pension liability, net of fair value of pension fund assets at the end of the year [(1)–(2)]	**(2,015)**	(28,138)
Deferred actuarial losses at the end of the year	**6,556**	29,609
Pension fund assets, net, included in the financial statements at the end of the year	**4,541**	1,471

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 5.75%, 5% and 4.75% as of December 31, 2007, 2006 and 2005, 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 6.15%, 5.94% and 6.4% as of December 31, 2007, 2006 and 2005, respectively – which reflects the anticipated, long-term expected return on pension fund assets;

(iii) Annual nominal increase in the salaries of CPL employees of 4.4%, 4% and 3.85% as at December 31, 2007, 2006 and 2005, respectively based on CPL's experience (that takes into account annual inflation at an assumed rate of 3.4%, 3% and 2.85% as of December 31, 2007, 2006 and 2005, 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.

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 3% per annum (linked to the Israeli CPI); for European companies - 2%-2.5% per annum.

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

C. Pension and early retirement (cont'd)

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 for men and from 60 to 64 for women, 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 the Company 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 5 years after December 31, 2007. The scope of the commitment for the period of the agreements is approximately $75 million.

2. Certain subsidiaries have entered into agreements with suppliers for acquisition of property, plant and equipment. As of December 31, 2007, the subsidiaries had commitments for investment in property, plant and equipment of approximately $88 million.

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

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

A. Commitments (cont'd)

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 bromine 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, 2007 is $10 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 $574 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 $378 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.

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 2007, the Company renewed its undertaking in an insurance policy and an 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 $300 million.

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

A. Commitments: (cont'd)

10. A proportionately consolidated company – I.D.E. Technologies Ltd. (hereinafter – "I.D.E.") has agreements under the BOT (Build, Operate, Transfer) method in connection with water desalinization, which are based on the "take or pay" principle, as follows:

    a) An affiliated company of I.D.E. signed a BOT agreement from April 2001 with the State of Israel for the financing, planning, construction, operation and transfer to the State of Israel of a seawater desalinization plant in Ashkelon with a total production of 100 million cubic meters of desalinized seawater per year. The agreement is for a period of 24.5 years. Construction of the plant was completed in 2005 and its commercial operation was commenced in 2006,

    b) A consolidated partnership of I.D.E. has an agreement with the Water Authority of Cyprus for the financing, planning, construction and operation of water desalinization plant having a capacity of about 17 million cubic meters of water per year. The agreement is for a ten-year period. Construction of the project ended in 2001 at which time the consolidated partnership commenced

    c) A proportionately consolidated company of I.D.E. has an agreement from November 2006 with the State of Israel for the financing, planning, construction, operation and transfer to the State of Israel of a seawater desalinization plant in Hadera with a total production of 100 million cubic meters of desalinized seawater per year. The agreement is for a period of 25 years (of which 2.5 years constitute the construction period).

    d) In June 2007 I.D.E. signed an agreement for construction of a seawater desalinization plant in China for a local energy company in an overall scope of about $119 million.

11. Subsequent to the balance sheet date, on March 25, 2008, a subsidiary entered into an agreement with the partners in the Yam Tathys Group (Noble Energy Mediterranean Ltd., Delek Drilling Limited Partnership, Avner Fuel Explorations Limited Partnership, and Delek Investments and Properties Ltd.) for provision of natural gas to the Group's factories in Israel. Pursuant to the agreement, the total quantity of gas the Group committed to buy from the partners in the Yam Tathys Group is approximately 2 BCM (about 2 billion cubic meters), subject to adjustments as detailed in the agreement (hereinafter – "the Contractual Gas Quantity").

    Supply of the gas is to commence upon completion of the pipeline transporting the gas from the South and conversion of the Group's production facilities to operation via natural gas. Supply of the gas will come to an end on the earlier of the following:

    A. A period of five years from the end of the running-in period, however not later than September 2015 (subject to extension as detailed below).

    B. Completion of acquisition of the Contractual Gas Quantity.

    The period described in Section A. will be automatically extended by an additional year if up to that date the entire Contractual Gas Quantity has not yet been consumed.

    The Group committed to "take or pay for" an annual minimum quantity of gas as stated in the agreement and in accordance with a mechanism set forth therein. The total scope of the undertaking in the agreement is estimated at $260–$330 million. The agreement includes a number of preconditions, the main ones of which being receipt of the permits required for establishment of the gas connection facilities and signing of a gas transport contract with Israel Natural Gas lines.

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

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.

As of 2010, the government may demand renegotiation of the level of royalties, for quantities exceeding 3 million tons of potash produced and sold in any given year starting from that year onward, provided that the amount of the royalties for such surplus is to be no more than 10% of the value of the potassium chloride at the factory gate, less certain expenses.
On the basis of the Concession Law and the concession agreement, Dead Sea Works, a company of ICL Fertilizers, granted a sub-concession to Dead Sea Bromine, a company of ICL Industrial Products to produce bromine and bromine compounds from the Dead Sea, whose term also extends until 2030.

The royalties paid to the state of Israel amounted to $20 million, $35 million and $27 million in 2007, 2006 and 2005, respectively.

In recent years, the Ministry of Industry, Trade and Labor (MOIT) has conducted audits regarding the payment of royalties. The Company has not received a copy of the findings of the audits. There is a claim by the Accountant General in the Ministry of Finance, based apparently on these audits, that DSW paid royalties in deficient sums, which he alleges amount to "hundreds of millions of shekels". In 2006, a letter was received from the Accountant General exercising the arbitration clause in the concession agreement regarding these deficient payments.
The requirement to pay royalties is under the concession which DSW received from the State, and is mentioned in the sub-concession given by DSW to the Bromine Company, with the consent of the government. DSW is of the opinion that the royalties paid were calculated in the manner required under these concessions, in accordance with a calculation method implemented consistently over decades, from the time when it was wholly owned by the State, which method was known to the State, which had made no claims (prior to the receipt of the above letters from the Accountant General) regarding incorrect calculation or payment of the royalties. It should be noted that payment of the royalties was checked several times in the past by the authorities of the State, including the State Comptroller and the correctness of the sums was confirmed by DSW's external accountants as well. Therefore, based also on the opinion of its legal counsel, DSW is of the opinion that the demands and claims of the Accountant General have no basis, and therefore, in accordance with the above, no provision has been recorded in the financial statements.

DSW is trying to resolve the dispute by agreement with the authorities of the State. If no agreement is reached, the dispute will be sent to arbitration, in accordance with the concession agreement. As at the date of this report, the resolution of the dispute has not yet commenced.

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

B. Concessions (cont'd)

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.

With respect to the Hatrurim phosphate field, on April 1, 2007, the Supervisor of Mines gave notice that Rotem is entitled to mine phosphate for one year, until April 1, 2008, and that the official production license, together with the appendixes thereto, was subsequently issued, valid until April 1, 2008, after the Israel Lands Administration had postponed handling the grant of a long-term mining permit. Rotem received a notification regarding the State's consent, in principle, to extend the license period by an additional three months.

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 2007, 2006 and 2005, Rotem paid royalties of \$534 thousand, \$506 thousand, and \$586 thousand, respectively, to the State of Israel.

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

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

C. Contingent liabilities

1. As of December 31, 2007, the total guarantees provided, amount to $1,053 million. The guarantees provided by the Company in respect of loans taken out by the subsidiaries amounts to $1,012 million.

2. Beginning in 1994 three subsidiaries within ICL Industrial Products (hereinafter in this section: the "subsidiaries") were joined in a lawsuit as third-party defendants by American companies that had been sued in the United States and other countries by approximately 30,000 plaintiffs from various countries including countries in Central America and the Caribbean. The plaintiffs mostly worked as plantation workers and they claim to have been injured by exposure to chemical substances produced by a number of manufacturers, including large chemical companies, and supplied to banana growing companies (together, the "defendants"), over the course of approximately thirty years (1960-1990). All of these claims are for bodily injury and therefore, the sums are not set out in the statements of claim.

   During the period when these proceedings were being held, most of the plaintiffs arrived at a settlement with the defendants. The subsidiaries are mentioned, under the settlement, as a party included in the release from the above plaintiffs, despite not having contributed to them financially. In the assessment of ICL Industrial Products, the amount of material supplied by the defendants to the relevant countries, and during the relevant period was, if at all, small in proportion to the quantity of material supplied by other manufacturers.

   As at the date of publication of this report, two claims filed by, apparently, eleven (11) individual plaintiffs to which the consolidated subsidiaries are a party (together with other defendants) are pending in the courts in the USA. These claims were filed as class actions but the application to approve them as such has not yet been heard.
   The Company is unable at this stage to assess if and to what extent the subsidiaries in the segment are exposed to liability in these proceedings, due to the uncertainty involved in the proceedings, and therefore, no provision was made in the financial statements in respect of them.

   However, in the opinion of management of the Company, based on the assessment of ICL according to the evaluation of its legal advisors, it is not reasonable that if any of the claims against the consolidated subsidiaries is upheld, the sum awarded against the consolidated subsidiaries will be greater than $10 million.

   In November 2007, the Los Angeles Court handed down a ruling in the claim of 12 plaintiffs from Nicaragua against the defendants therein. The jury upheld the claim of six of the plaintiffs, and dismissed the claims of the others. Compensation was awarded to the six plaintiffs in whose favor the ruling was handed down in the sum of approximately $3.3million. The subsidiaries were not a party to these proceedings.

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

C. Contingent liabilities (cont'd)

3. Ecology

a) The Bromine Group manufactures, stores and sells dangerous chemical products. Accordingly, it is exposed to risks resulting from environmental damage. 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 quantifiable liabilities in respect of costs related to the disposal of waste of the Bromine Group.

b) In December 2007, updated business license conditions were issued to the plants at Ramat Hovav including a subsidiary in the ICL Industrial Products segment (hereafter – "the Subsidiary") under which the treatment of effluent was under the exclusive responsibility of each plant (including the removal stage). The Subsidiary is required to construct a biological treatment plant, and values were set for effluents coming out of the treatment plants. As at the date of preparation of this report, the biological treatment plant has been put into operation after being run-in. As of the beginning of 2008, the pumping of effluent into the Ramat Hovav Local Industrial Council's central treatment system is prohibited. The Subsidiary disconnected from the Council's effluent treatment system in May 2007, and began treating its industrial waste independently. Under the new conditions of the license, the wastewater from the facilities will be removed to the evaporation pools and reservoirs that are operated and managed by the Council, until the end of 2009. After that date, independent removal systems will be operated under the management of each facility, and wastewater pumping into the current system shall be prohibited. Each facility is to meet the permanent wastewater values by no later than the beginning of 2010.

Pursuant to the new conditions of the license, the facilities submitted a plan for setting up an independent removal system, and to conduct a risk survey for the independent removal system including the sediment solids in it.

Under an agreement of December 2006 between the Ministry of the Environment, the Manufacturers' Association, plants at Ramat Hovav (including the Subsidiary's) and the Sustainable Negev Association, which was authorized by the District Court in December 2006, the Ministry and the plants agreed to commence accelerated negotiations for a period of half a year (which ended in June 2007) regarding air emissions both from new and existing facilities, as well as diffused emissions, and prevention of pollution and odor hazards, on the basis of international standards. In April 2007, the government resolved, as part of a decision to move a conglomeration of IDF training bases to the Negev Junction near to Ramat Hovav, that government ministries would act to improve the air quality around the Ramat Hovav Industrial Zone, in accordance with an outline agreed upon by the Ministry of Health, the Ministry of the Environment and the Israel Defense Forces. Subsequent to the balance sheet date, on March 2008, the Subsidiary received the new conditions of the business license relating to air emissions. Under the new license conditions, the plant must conduct surveys of emissions of any kind from the plant into the environment. The Ministry will determine the measures to be used for treating emissions and pollution on the basis of the results of these surveys. Furthermore, the Subsidiary shall be required to treat diffused emissions of substances emitted during the production process immediately. It is not possible to assess what the additional cost of these conditions will be.

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

C. Contingent liabilities (cont'd)

3. Ecology (cont'd)

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.

Between 2001 and 2005, a number of claims for monetary damages were filed in the Haifa District Court against FCM and a series of other defendants (including the State of Israel) 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 factories and government authorities were also joined as third-party defendants to these lawsuits. During the course of hearing the claims, nine of the plaintiffs withdrew their claims, which were struck out. Because these claims are for physical injury, the plaintiffs are not required to quantify the amounts sought as damages. As at the date of preparation of this report, the damages quantified in the claims amount to approximately $35 million (and approximately $1 million for pending claims which overlap the principal damage, in all approximately $140 million, or approximately $36 million), as valued on the date of filing of the claims, plus linkage differentials and interest from the date of illness or the date of filing of the claim, as well as penal damages and additional costs such as treatments and third party assistance – which, in a small number of cases, were not quantified – fees and costs Note that this is an arithmetic addition of the sums quantified in the statements of claim, and not a risk evaluation by the defendants nor an evaluation of the risk to which FCM is exposed.
As of the date of this Report, these cases are in the stages hearing evidence. First, the court is deliberating the question of the causal link in the narrow sense, meaning the connection between the substances alleged to have been in the fishing harbor 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.
FCM claims that it has good defenses, 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.

However, based on the evaluation of its legal advisors, given the factual and legal complexity of these proceedings, the initial stage in which they are at present, and the multitude of parties involved, the Company cannot estimate its exposure with regard to these claims and no reserve has been included in the financial statements.

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

C. Contingent liabilities (cont'd)

3. Ecology (cont'd)

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

Between 2000 and 2007, a number of claims were filed in the District Court at Haifa against a list of defendants by former soldiers (and their heirs and dependents). The plaintiffs claim that contact with toxic substances in and around the Kishon River caused them cancer and other diseases. As at the date of this report, 19 of the plaintiffs have withdrawn their claims, which have been struck out. As at the date of this report, there remain 93 plaintiffs in court, claiming for 91 soldiers in the sum (nominal, as at the date of submission of the claim) of approximately $72 million as quantifiable special/general damages, approximately $21 million in dependant damages (some of which overlap with the special damages), and $36 million in punitive damages (all of these amounts are as at the date of submission of the lawsuit). Because these claims are for physical injury, the plaintiffs are not required to precisely quantify the amounts sought as damages. Other primary damages not quantified in the claim include loss of future livelihood, medical expenses, in some cases loss of salary for years lost from work, etc., as well as interest and linkage differentials, attorneys' fees and costs. The defendants joined third parties including FCM as well as dozens of plants and government entities, including the State of Israel. Note that this is an arithmetic addition of the sums quantified in the statements of claim, and not a risk evaluation by the defendants nor an evaluation of the risk to which FCM is exposed.

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 defenses to the claims described in sub-section 2 above will also serve to defend FCM with regard to these claims. However, based on the evaluation of its legal advisors, given the factual and legal complexity of these proceedings, the initial stage in which they are at present, and the multitude of parties involved, the Company cannot estimate its exposure with regard to these claims and no reserve has been included in the financial statements.

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

C. Contingent liabilities (cont'd)

3. Ecology (cont'd)

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

The Haifa Rowing Club Association filed a class action under the Prevention of Environmental Hazards (Civil Claims) Law, 5752-1992, in the Magistrates Court in Haifa against a number of plants on the banks of the Kishon River, including against FCM. The Claim called for cessation of the pollution of the Kishon River and for an order to restore the Kishon River to the state it was in prior to the discharge of the waste. Dozens of factories and government authorities, including the State of Israel, were also joined as third-party defendants to these lawsuits. On March 29, 2007, the Court struck out the Claim in limine. The Court approved the discretion exercised by the Authorities with respect to the grant of pumping permits into the Kishon River, noting the steps taken by the authorities and the defendants to improve the state of the Kishon River, and the considerable improvement in recent years in the quality of the water and in the state of the river. On May 21, 2007, the Association filed an appeal against the ruling of the District Court at Haifa. This is the first class action of its kind in Israel, without there being any case law from the Supreme Court regarding interpretation or implementation of the Law for the plaintiff to rely upon, and therefore there is a clear difficulty in assessing the chances of the file, taking into account the fact that procedural and evidentiary stages have not yet been completed. Given the above, the Company, based on the assessment of its legal advisers, and taking into account proceedings in the Local Court and the findings of the judgment therein, is of the opinion that it is more likely than not that the appeal or the claim itself will be set aside than that the appeal might be upheld, and that if upheld the claim might also be allowed.

In 2004, a lawsuit was filed against defendants including FCM by Israel Shipyards claiming that direct and indirect corrosion damage had been caused to its floating dock and its locks by the Kishon River's waters. In February 2008, the parties reached a settlement and the claim against FCM was set aside.

d) In February 2004 a consolidated company was informed that a Prosecutor of Environmental Crimes of in Catalonia, Spain, instituted a criminal proceeding in which it filed a brief in the Magistrate's Court in Messarat, Spain, against the former and current managers of an ICL Fertilizers company that operates mines in Spain, claiming that the managers violated local legislation and caused groundwater contamination due to seepage of salt waste from the salt mounds which have been a by-product of the potash plants over many years, in part before ICL Fertilizers acquired the company. An application for an order prohibiting continued dumping of salt was set aside by the Court in 2007. The criminal proceedings against the managers is pending.

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

C. Contingent liabilities (cont’d)

3. Ecology (cont’d)

e) A consolidated company has two potash production sites in Spain. Salt, which accumulates in heaps, is a by-product of the production of potash. Most of the accumulated salt is of no use. Periodically, ICL Fertilizers needs to obtain permits to make these heaps. There is a permit for 20 years for the first site, until 2026, whilst the permit for the second site will expire in about 3 years. ICL Fertilizers is working to renew this certificate (which is expected will be extended for approximately 30 years). In the Company's estimation, the risk that the approval for accumulation of the salt heaps will not be extended is low.

f) In March and June 2007, three lawsuits were filed in the District Court at Beer Sheva against the State of Israel and the Local Industrial Council Ramat Hovav, in whose jurisdiction the principal factory of a subsidiary, in the ICL Industrial product segment is located (hereinafter: the “Authorities”). Two of the suits were filed by 73 residents of the Bedouin communities in the Northern Negev. The other claim was filed by nine residents of the Beer Sheva region. ICL is not a defendant in these proceedings. The Ramat Hovav Industrial Council is a local industrial council in whose jurisdiction all of the factories in the Ramat Hovav region operate, including the of a subsidiary in the ICL Industrial Products segment. The plaintiffs claim that various forms of pollution originating in the Ramat Hovav industrial zone caused the diseases that they suffer from, including, inter alia, breathing disorders, miscarriages, birth defects, nervous disorders, cancer and others. The claims rely, inter alia, on the results of an epidemiological survey. Sums are claimed in the suits for expenses of treatment for the plaintiffs as well as compensation for pain and suffering, and penal damages. In the statements of claim, the plaintiffs state the sums claimed as being approximately $62 million. The State of Israel requested that the Court join a series of factories, including a subsidiary in the ICL Industrial Products’ segment, as additional defendants of the claim. The Court dismissed the application. Representatives of the State Attorney’s Office have stated that they intend to send third party notices to several Ramat Hovav factories, including Bromine Compounds.

g) A claim and application to approve it as a class action was filed with the District Court in Beer Sheva in November 2007 against Bromine Compounds Ltd., a company in the ICL Industrial Products segment. The plaintiffs claim that the defendant’s factory emitted hazardous substances into the air. According to the plaintiffs, the defendant must pay Negev residents “financial compensation for harm to autonomy of will and for imposing a health hazard” and to provide “a fund for medical observation purposes”. The sum claimed in the class action is $282 million. At this initial stage, ICL is unable to assess the chances of the claim, if any, or of the application to approve it as a class action.

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

C. Contingent liabilities (cont'd)

4. Increase in level of Pond 150

As part of the evaporation process, salt precipitates into the bed of one of the evaporation ponds at Sodom, in one of the sites of DSW, of ICL Fertilizers. The precipitate salt creates a layer on the pond bed of approximately 20 in height annually. The process of production of the raw material requires that a fixed brine volume is preserved in the pond. To this end, the water level of the pond is raised by approximately 20 centimeters annually.

The Ein Boqeq and Tamar hotels, the town of Neve Zohar and other facilities and infrastructure are situated on the western beach of this pond. Raising the water level of the pond above a certain level is likely to cause structural damage to the foundations and the hotel buildings situated close to the water's edge and to other infrastructure on the western shoreline of the pond, depending on the height to which the water level is raised and the location of the relevant object.

The above-mentioned situation requires the establishment of defenses for the relevant objects. Such protections are divided into two stages. The first is the stage of temporary defenses, which are supposed to provide protection pending the implementation of a permanent solution. The second stage is that of the permanent solution which is supposed to provide protection until the end of the current concession period (i.e. until 2030).

Temporary defenses**:** These defenses are characterized by constructing a dike near the relevant hotels together with a system for lowering the ground water, in some places. As part of the treatment of these defenses, a number of temporary defenses have been implemented for several years along the western shore of the pond.

As at the date of publication of this report, the assessment is that the permanent solution will not be completed prior to 2015. Since the existing interim defenses will not provide a solution at that time, this requires the construction of additional interim defenses which shall provide a solution until such time as the permanent solution is completed. There is no certainty as to whether the construction of these defenses will finish on the dates required by the height of the level of the pond, since there might be delays flowing, inter alia, from the need to receive the permits required by law (which are subject to complex and lengthy proceedings), and for other reasons. Delays in constructing the interim defenses could cause significant damage to the hotels and/or to DSW.

The issue of defenses (both temporary and those that are part of the permanent solution) is being handled by the government, which has mandated that the Ministry of Tourism coordinate the issue and has declared the protections project a project of national importance.

According to publications by the State, it has allocated sums for effecting additional interim protections, and for feasibility studies on the permanent solution.

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

C. Contingent liabilities (cont'd)

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

Permanent Solution: The State is examining three alternative permanent solutions. The harvesting alternative – which is based on harvesting the salt from the pond bed in order to keep the pond level constant; the lagoon alternative – which is based on construction of another dike within the pond, which would separate the area near to the hotels, where the water level would remain constant and the precipitating salt would be harvested, from the rest of the pond in which the water level would continue to rise each year. There is also an alternative of moving the hotels being discussed.

A decision has not yet been made as to which of these alternatives will be implemented. The feasibility studies are supposed to provide the basis for deciding which alternative will be chosen.

Hotels Union Petition: In 2006, the Dead Sea Hotels Union filed a petition to the High Court of Justice. It requested that the Court order the State: to abandon the hotel removal alternative; to decide which of the other two remaining alternatives (harvest or lagoon) would be implemented; that the permanent solution be completed no later than the end of 2007; and to declare that the hotels would not bear any expense relating to the permanent solution. An interim injunction was also requested prohibiting the raising of the water level in Pond 5 above the level planned for the end of 2008.

The High Court held a number of hearings on the petition. The High Court held that there is a "need for special, constant and unwavering diligence" in handling the matter, and that it is important that budget decisions and statutory processes relating to the temporary defenses and the permanent solution be advanced with the relevant persons taking into account the time factor. The Court, which did not award the requested remedies, left the petition pending in order to receive reports from the State regarding the nature and speed of progress of the defense project.

Financing: Under the Arrangements Law of 2002, half of the financing of a certain portion of the interim defenses was imposed upon the State. The other half was imposed upon DSW, the Tamar Regional Council and the Hotels, in equal shares.

During 2007, the government ruled that the additional financing required for the interim defenses and for the above feasibility studies would be determined in negotiations that the Ministry of Finance would conduct with the various responsible persons (DSW, the Tamar Regional Council and the Hotels), and in the absence of an agreement, the matter would be resolved by legislation.

As at the date of this report, DSW and the State are in agreement that DSW will bear 39.5% of the costs of the additional financing for the interim stage and the feasibility studies, and that the State, either directly or via the other entities (the Regional Council, the Hotels) shall bear the remainder of the costs. DSW's consent is conditional upon regulations being made by the Minister of Finance with respect to the above. The agreement states that it does not constitute a precedent for dividing the financing for the permanent solution, and that in the event of a dispute between DSW and the State regarding division of the financing burden for the permanent solution, if any, the section relating to dispute resolution appearing in the concession agreement signed by the State and DSW shall be implemented.

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

C. Contingent liabilities (cont'd)

5. In October 2007, a claim was filed against a subsidiary from ICL Performance Products segment (hereafter – "the subsidiary") by a drug company in the Court of Missouri, USA. The drug company alleges that it needed to recall finished products from the shelves due to an allegedly faulty product supplied by Astaris (before its operation was purchased by ICL Performance Products) and by the subsidiary which was a raw material in the finished product of such drug company. The drug company is suing for damages and compensation in the sum of more than $ 15 million. ICL Performance considers Astaris and the sellers of the operations and assets of Astaris as being responsible for all the damages caused, if any. Under the agreement for the purchase of the assets of Astaris, ICL has a right to indemnity for materials manufactured and sold prior to the effective date of the acquisition. At this stage, taking into account the preliminary stages of the proceedings, the Company is unable to assess whether it faces real exposure due to this claim.

6. In addition to the contingent liabilities mentioned in Items (2) through (5) above, various claims (including legal claims) are pending against ICL and several subsidiaries. In respect of claims in the amount of $12.5 million as at December 31, 2007, ICL and the subsidiaries provided $1 million. In addition, for some of the aforementioned claims there is insurance coverage. In the opinion of the managements of the companies, which is based on the opinion of their legal counsel, these amounts sufficiently cover the liabilities that they may incur.

Note 19 - Shareholders' Equity

A. The share capital is comprised as:

	2007		2006	
	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	1,287,290,068
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, 2007 was NIS 49.01.

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 at December 31, 2007 and 2006 a subsidiary holds 2,221,289 ordinary shares of NIS 1 par value of ICL.

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 is 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. Share-based payments to employees

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 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 could 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).
   The Company's employees 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 were 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. Share-based payments to employees (cont'd)

4. On January 28, 2007, 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.

   On January 28, 2007, 5.4 million options from the plan aforementioned were allotted, of which 2.2 million to the Company's CEO. On March 27, 2007, 6.4 million options from the plan aforementioned were allotted. The rest of the options of that plan that were not allotted cancelled at the end of March 2007.

   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" tax track.

   The options will vest in three equal portions as follows: one-third at the end of 12 months from the Grant Date, one-third at the end of 24 months from the Grant Date, and one-third at the end of 36 months from the Grant 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 Grant 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 Grant 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 Grant 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 $17.9 million. This amount will be recorded in the statements of income over the vesting period of each portion. Accordingly, the Company included in 2007 an expense in respect of the said plan in the amount of $9,155 thousand.

Note 19 - Share Capital (cont'd)

D. Share-based payments to employees (cont'd)

5. The option movement during 2006 and 2007 are as follows:

	Number of options Plan 2003
Balance as at January 1, 2006	23,133,294
Granted during the year	-
Forfeited during the year	(333,334)
Exercised during the year	(22,799,960)
Total options outstanding - December 31, 2006	-

	Number of options Plan 2007
Balance as at January 1, 2007	**-**
Granted during the year	**11,800,000**
Forfeited during the year	**-**
Exercised during the year	**-**
Total options outstanding - December 31, 2007	**11,800,000**

The fair value of the options granted under the 2007 plan as aforementioned was valued on the basis of the Black & Scholes model for the pricing of options/ the parameters that were used in order to implement the implement the model are as follows:

	Number of options Plan 2007
Share price (in NIS)	25.59
Exercise price (in NIS)	25.59
Expected volatility	24.60%
Life of options warrants (in years)	4
Risk free interest rate	3.34%
Economic value (in $ millions)	17.9

The expected volatility was determined on the basis of the historical volatility in the Company's share prices. The life of the option warrants was determined on the basis of the management's estimate of the period the employees will hold the options, taking into consideration their position with the Company and the Company's past experience regarding the turnover of employees. The risk-free interest was determined on the basis of the yield to maturity of shekel-denominated Government debentures, with a remaining life equal to the anticipated life of the option warrants.

Note 19 - Share Capital (cont'd)

E. Dividends

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

On August 22, 2005, the Company's Board of Directors decided to distribute a dividend 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 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 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 in the amount of $283.900 thousand (the net dividend, less the share of a subsidiary, amounts to $283,411 thousand million). The dividend was paid on April 25, 2007.

On May 28, 2007, the Company's Board of Directors decided to distribute a dividend in the amount of $66,768 thousand (the net dividend, less the share of a subsidiary, amounts to $66,653 thousand). The dividend was paid on June 18, 2007.

On August 21, 2007, the Company's Board of Directors decided to distribute a dividend in the amount of $88,094 thousand (the net dividend, less the share of a subsidiary, amounts to $87,943 thousand). The dividend was paid on September 18, 2007.

On November 19, 2007, the Company's Board of Directors decided to distribute a dividend in the amount of $104,818 thousand (the net dividend, less the share of a subsidiary, amounts to $104,638 thousand). The dividend was paid on December 17, 2007.

Subsequent to the balance sheet date, on March 27, 2008, the Company's Board of Directors decided to distribute a dividend in the amount of $ 115,000 thousand (the net dividend, less the share of a subsidiary, amounts to $114,802 thousand). The dividend will be distributed on April 30, 2008.

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)(5)).

B. 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).

C. 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.

D. 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		
	2007	**2006**	**2005**
	US$ thousands	**US$ thousands**	**US$ thousands**
Materials	**989,641**	856,281	676,965
Power and energy	**301,234**	267,957	252,244
Labor and related expenses	**618,388**	513,566	449,631
Subcontracted work	**251,868**	205,189	181,576
Depreciation and amortization	**165,701**	152,064	143,116
Other production expenses	**228,652**	* 142,937	*181,844
Transportation and port expenses	**51,551**	** 53,325	** 51,964
	2,607,035	2,191,319	1,937,340
Increase in inventories of finished products and work in progress	**(21,786)**	(86,384)	(70,549)
	2,585,249	2,104,935	1,866,791
(1) Net of amounts capitalized to property, plant and equipment under construction	**20,099**	11,281	8,857

* 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, compensation for lost profits as a result of the flood damage in Sdom in 2004.

** Reclassified.

B. Research and development expenses, net

	Year ended December 31		
	2007	**2006**	**2005**
	US$ thousands	**US$ thousands**	**US$ thousands**
Amount of expenses	**40,188**	35,947	30,962
Less – grants and participations, see Note 18(A)(5)	**999**	854	685
	39,189	35,093	30,277

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

C. Selling, transportation and marketing expenses

	Year ended December 31		
	2007	2006	2005
	US$ thousands	US$ thousands	US$ thousands
Transportation and insurance	**443,107**	* 317,337	* 300,371
Salaries and related expenses	**76,593**	64,766	56,596
Agents' commissions	**22,360**	19,769	20,095
Other	**58,276**	54,816	44,789
	600,336	456,688	421,851

* Restated – see Note 2DD.

D. General and administrative expenses

	Year ended December 31		
	2007	2006	2005
	US$ thousands	US$ thousands	US$ thousands
Salaries and related expenses	**100,631**	78,149	62,694
Other*	**60,219**	46,851	43,059
	160,850	125,000	105,753
* Including in respect of doubtful debts	**(1,939)**	(356)	563

E. Financing expenses, net (1)

	Year ended December 31		
	2007	2006	2005
	US$ thousands	US$ thousands	US$ thousands
Financing expenses (income) in respect of:			
Long-term loans and other liabilities	**41,877**	29,920	32,649
Sales of trade receivables as part of securitization transaction	**16,577**	12,228	7,086
Short-term credit from banks and others	**8,794**	5,559	9,592
Long-term deposits and receivables	**(570)**	(615)	(311)
Short-term deposits and loans	**(20,554)**	(1,738)	(23,654)
Erosion of short-term monetary items	**21,008**	(1,160)	(14,421)
Erosion of long-term monetary items	**(13,055)**	(4,944)	(704)
	54,077	39,250	10,237
(1) Net of amounts capitalized to property, plant and equipment under construction	**3,087**	1,609	521

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

F. Other expenses (income), net

	Year ended December 31		
	2007	**2006**	**2005**
	US$ thousands	**US$ thousands**	**US$ thousands**
Capital gains, net	**(375)**	(2,098)	(902)
Expenses (income) in respect of early retirement of employees (1)	**12,849**	(7,360)	-
Write-down (cancellation of write-down) of production plants and others (1)	**-**	(4,974)	24,000
Amortization of goodwill	**-**	-	4,205
Expenses related to changes in actuarial assumptions for a pension plan and other benefits to pensioners	**744**	11,740	7,914
V.A.T. assessment outside Israel	**-**	7,344	-
Other, net	**6,163**	(2,358)	1,603
	19,381	2,294	36,820

1. 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 beneficiation and production processes, as well as improved profitability. 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 2006 income in the amount of $7.8 million in respect of cancellation of the provision that was recorded in 2004.

   A plan for the early retirement of employees at preferred conditions was prepared in November 2007. A number of employees retired subsequent to balance sheet date in accordance with the plan. The Company recorded an expense in the amount of $11.6 million in 2007 in respect of the retirement costs

   As to the impairment allowance in respect of the assets of Magnesium, in 2005, see Note 7(D)(4).

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 the exposure to cash flow risk in respect of interest rates. As regards the Company's debentures which bear a fixed interest, the Company uses swap transactions in order to reduce the exposure to fair value risk in respect of changes in interest rates.

As at December 31, 2007, the Group has "cap" options to secure a ceiling of LIBOR interest rates of 4%, which cover, as at December 31, 2007, a notional amount of $50 million. As at balance sheet date, the fair value of these transactions is $0.4 million (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 $400 million as at December 31, 2007. As at balance sheet date, the fair value of these transactions is $0.4 million. (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. Furthermore, the Company wrote options that set the interest rates in the range between 3.5% and 4.5%. These transactions cover imputed interest of $100 million. As at balance sheet date the fair value of these transactions is $0.7 million.
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 $126.2 million. (as at December 31, 2006, 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 $1 million. (As at December 31, 2006, 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, 2007						
	Note	Average effective interest rate %	Total	Up to 1 year	2-3 years	4-5 years	5 years and above	Repayment date has not yet been determined
			US$thousands					
Instruments which bear a fixed interest								
Debentures issued by the Company – in dollars	15	5.42	**125,000**	**-**	**38,000**	**20,000**	**67,000**	**-**
Bank loans:								
In Euro	15	3.36	**103,002**	**103,002**	**-**	**-**	**-**	**-**
			228,002	**103,002**	**38,000**	**20,000**	**67,000**	**-**
Instruments which bear a variable interest*								
Bank loans:								
In dollars	15	5.44	**767,337**	**767,337**	**-**	**-**	**-**	**-**
In Euro	15	4.16	**1,570**	**1,122**	**-**	**-**	**-**	**448**
In other currencies	15	4.38	**16,152**	**9,182**	**-**	**-**	**-**	**6,970**
			785,059	**777,641**	**-**	**-**	**-**	**7,418**
			1,013,061	**880,643**	**38,000**	**20,000**	**67,000**	**7,418**

* The interest rate on loans bearing variable interest is determined mainly once every three months, and therefore, the loans were presented with the liabilities due for repayment within one year even though their repayment period exceeds one year.

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

B. Interest rate risk management (cont'd)

		December 31, 2006						
	Note	Average effective interest rate	Total	Up to 1 year	1-2 years	3-4 years	5 years and above	Repayment date has not yet been determined
		%	US$ thousands					
Instruments which bear a fixed interest								
Debentures issued by the Company– in dollars	15	5.10	125,000	-	-	38,000	87,000	-
Bank loans:								
In Euro	15	3.36	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	293,098	-	-	-	-
In Euro	15	1.50	30,422	30,126	-	-	-	296
In other currencies	15	6.86	9,836	2,835	-	-	-	7,001
			333,356	326,059	-	-	-	7,297
			550,546	326,059	92,190	38,000	87,000	7,297

* The interest rate on loans bearing variable interest is determined mainly once every three months, and therefore, the loans were presented with the liabilities due for repayment within one year even though their repayment period exceeds one year.

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.

The amounts relating to foreign currency derivatives are as follows:

	December 31, 2007		December 31, 2006	
	Fair value	Notional amounts as at	Fair value	Notional amounts as at
	US$ thousands	US$ millions	US$ thousands	US$ millions
Forward contracts – for exchange of:				
Euro into dollars	**(3,538)**	**128.3**	(2,350)	33.3
Euro into British pounds	**(319)**	**13.2**	344	7.9
Dollars into Israeli currency	**115**	**64.5**	-	-
Japanese yen into dollars	**276**	**12.9**	71	8.1
Other currencies	**(230)**	**16.0**	-	-
Options purchased and written (cylinder options):				
Dollars for Israeli currency	**6,586**	**66.5**	1,612	38.0
Euro for dollars	**(4,415)**	**131.4**	(1,351)	87.9
Japanese yen for dollars	**(134)**	**11.5**	306	13.5
Euro for Israeli currency	**159**	**8.5**	333	6.4
Other currencies	**57**	**1.8**	-	-
Options written for exchange of dollar into NIS	**(56)**	**49.0**	-	22.8
Options written for exchange of euro into dollars	**-**	**-**	(216)	10.0
Options written for exchange of euro into Israeli currency	**(47)**	**7.3**	-	-

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

D. Linkage terms of monetary balances:

Composed, as at December 31, 2007, 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)	**438,941**	**2,396**	**94,856**
Non-current assets	**13,015**	**22,724**	**5,699**
	451,956	**25,120**	**100,555**
Liabilities:			
Current liabilities (including current maturities)	**474,255**	**975**	**333,445**
Long-term loans and other long-term liabilities	**135,707**	**6,970**	**146,159**
	609,962	**7,945**	**479,604**

* Of which $296,242 thousand and $286,849 thousand relate to assets and liabilities, respectively, in respect of companies operating independently.

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.

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

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 the Group's working capital 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 their 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, 2007		December 31, 2006	
	Book value	Fair value	Book value	Fair value
	US$ thousands	US$ millions	US$ thousands	US$ millions
Long-term loans	**103,002**	**102,581**	92,190	90,190
Debentures	**125,000**	**126,220**	125,000	120,000

The fair value of the long-term loans received, is based on calculation of the present value of cash flow, according to the Libor rate that is customary for loans with similar characteristics - 5.2% (as at December 31, 2006 - 4.1%).

The fair value of the debentures received, is based on calculation of the present value of cash flow, according to Libor rate that is customary for loans with similar characteristics - 4.2% (as at December 31, 2006 - 5.1%).

Note 23 – Earnings Per Share

Basic earnings per share

Calculation of the basic earnings per share for the year ended December 31, 2007, is based on the earnings allocated to the holders of the ordinary shares in the amount of US$535,640 thousand (2006 – US$373,903 thousand, 2005 – US$422,173 thousand), divided by the weighted-average number of ordinary shares outstanding of 1,285,069 thousand shares (2006 – 1,282,982 thousand, 2005 – 1,256,418 thousand), calculated as follows:

	For the year ended December 31		
	2007	2006	2005
	US$ thousands	US$ thousands	US$ thousands
Net income for the period	**535,640**	373,903	422,173

Weighted average of ordinary shares:

	For the year ended December 31		
	2007	2006	2005
	US$ thousands	US$ thousands	US$ thousands
Balance as at January 1	**1,287,290**	1,265,639	1,234,230
Less shares of the Company held by a subsidiary	**(2,221)**	(2,391)	(4,786)
Plus options exercised into shares	**-**	19,246	-
Plus debentures converted into shares	**-**	-	26,553
Plus of shares issued during the year	**-**	488	421
Weighted average of ordinary shares used in the computation of basic earnings per share	**1,285,069**	1,282,982	1,256,418

Note 23 - Earnings per Share (cont'd)

Diluted earnings per share

Calculation of the diluted earnings per share for the year ended December 31, 2007, is based on the earnings allocated to the holders of the ordinary shares in the amount of US$535,640 thousand (2006 - US$373,903 thousand, 2005 - US$422,322 thousand), divided by the weighted-average number of ordinary shares outstanding of 1,286,337 thousand shares (2006 – 1,284,579 thousand, 2005 – 1,277,527 thousand), calculated as follows:

	For the year ended December 31		
	2007	**2006**	**2005**
	US$ thousands	**US$ thousands**	**US$ thousands**
Earnings used in computation of basic earnings per share	**535,640**	373,903	422,173
Interest expenses on convertible debentures, net of tax	**-**	-	149
Earnings attributed to the shareholders (diluted)	**535,640**	373,903	422,322

Weighted average of ordinary shares (diluted):

	For the year ended December 31		
	2007	**2006**	**2005**
	US$ thousands	**US$ thousands**	**US$ thousands**
Weighted average of ordinary shares used in the computation of the basic earnings per share	**1,285,069**	1,282,982	1,256,418
Effect of conversion of debentures	**-**	-	4,213
Effect of stock options	**1,268**	1,597	16,896
Weighted average of ordinary shares used in the computation of the diluted earnings per share	**1,286,337**	1,284,579	1,277,527

Note 24 - Interested Parties

A. Transactions with interested parties

	Year ended December 31		
	2007	**2006**	**2005**
	US$ thousands	**US$ thousands**	**US$ thousands**
Sales *	**3,152**	4,725	7,081
Cost of sales*	**54,890**	62,968	4,351
Selling transportation and marketing expenses*	**20,920**	20,021	22,602
Management fees to the parent company, see Note 18(A)(8)	**2,500**	2,500	2,500
Remuneration and benefits:			
To interested parties employed by ICL	**2,485**	2,227	1,368
To interested parties not employed by ICL – directors	**405**	355	**358
Number of people to whom these benefits relate:			
Interested parties employed by ICL	**1**	1	1
Interested parties not employed by ICL – directors	**12**	13	**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).

* 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 2007	**December 31 2006**
	US$ thousands	**US$ thousands**
Long-term deposits, net of current maturities	**2,995**	3,187
Current maturities of long-term deposits	**230**	204
Other current liabilities	**1,638**	1,556
Short-term credit	**56,309**	-
Current other liabilities (excluding current maturities of long-term liabilities, see also Note 12)	**8,267**	8,524

Note 25 - Business Segments and Geographical Areas

A. Business segment data:

	Fertilizers								
	Potash	Phosphate	Eliminations	Total	Industrial products	Performance products	Other operations	Eliminations	Consolidated
					2007				
					US$ thousands				
Income statement data:									
Sales and other operating revenues – net:									
External customers	1,227,188	731,286	-	1,958,474	918,609	1,077,827	145,374	-	4,100,284
Inter-segment	158,183	81,541	(51,033)	188,691	6,368	23,763	21,619	(240,441)	-
Total revenues	1,385,371	812,827	(51,033)	2,147,165	924,977	1,101,590	166,993	(240,441)	4,100,284
Operating income (loss)	398,057	122,053	(1,177)	518,933	124,240	88,856	(18,240)	-	713,789
Unallocated income									871
Operating income									714,660
Financing expense									(54,077)
Other expenses									(19,381)
Taxes on income									(113,059)
Share in income of associated companies									3,940
Minority interest									3,557
Net income									535,640
Other data:									
Segment assets	1,365,848	776,712	(50,095)	2,092,465	1,285,356	708,492	198,850	(39,817)	4,245,346
Unallocated assets									387,947
Consolidated total assets									4,633,293
Segment liabilities	310,028	280,620	(50,556)	540,092	283,800	244,661	99,402	(48,142)	1,119,813
Unallocated liabilities									1,652,340
Consolidated total liabilities									2,772,153
Capital expenditures	75,815	27,625	-	103,440	362,110	32,645	7,227		505,422
Unallocated capital expenditures									294
Total capital expenditures									505,716
Depreciation and amortization	60,782	39,270	-	100,052	50,480	36,421	8,152	-	195,105
Unallocated depreciation and amortization									332
Total depreciation and amortization									195,437

Note 25 - Business Segments and Geographical Areas

A. Business segment data (cont'd):

	Fertilizers								
	Potash	Phosphate	Eliminations	Total	Industrial products	Performance products	Other operations	Eliminations	Consolidated
	2006								
	US$ thousands								
Income statement data:									
Sales and other operating revenues – net:									
External customers	791,361	* 518,480	-	1,309,841	827,329	1,011,047	* 109,944	-	3,258,161
Inter-segment	133,722	* 75,946	(39,934)	169,734	10,516	16,870	* 19,371	*(216,491)	-
Total revenues	925,083	594,426	(39,934)	1,479,575	837,845	1,027,917	129,315	(216,491)	3,258,161
Operating income (loss)	245,133	* 19,734	1,968	266,835	208,889	85,911	*(29,407)	-	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	**1,169,146	** 610,105	(26,213)	1,753,038	** 768,902	699,545	**151,748	(49,928)	3,323,305
Unallocated assets									285,237
Consolidated total assets									3,608,542
Segment liabilities	232,120	* 197,438	(27,851)	401,707	201,557	230,632	* 80,682	(56,282)	858,296
Unallocated liabilities									1,013,993
Consolidated total liabilities									1,872,289
Capital expenditures*	55,639	38,063	-	93,702	35,248	27,793	1,318	-	158,061
Unallocated capital expenditures									149
Total capital expenditures									158,210
Depreciation and amortization*	55,455	33,172	-	88,627	47,019	34,353	3,989	-	173,988
Unallocated depreciation and amortization									533
Total depreciation and amortization									174,521

* Reclassified
** Restated - see Note 2DD.

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

A. Business segment data (cont'd):

	Fertilizers								
	Potash	Phosphate	Eliminations	Total	Industrial products	Performance products	Other operations	Eliminations	Consolidated
	2005								
	US$ thousands								
Income statement data:									
Sales another operating revenues – net:									
External customers	927,851	* 481,269	-	1,409,120	794,294	666,543	* 116,044	-	2,986,001
Inter-segment	136,273	93,322	(38,943)	190,652	11,181	10,445	21,945	*(234,223)	-
Total revenues	1,064,124	574,591	(38,943)	1,599,772	805,475	676,988	137,989	(234,223)	2,986,001
Operating income (loss)	333,645	19,651	(993)	352,303	153,899	55,006	*(5,694)	-	555,514
Unallocated income									5,815
Profit from ordinary activities									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	**1,032,901	**613,204	(21,526)	1,624,579	**723,699	657,839	**146,992	(68,807)	3,084,302
Unallocated assets									232,491
Consolidated total assets									3,316,793
Segment liabilities	229,636	*192,593	(21,196)	401,033	195,241	222,769	*48,650	(77,043)	790,650
Unallocated liabilities									1,032,801
Consolidated total liabilities									1,823,451
Capital expenditures*	60,238	37,226	-	97,464	36,051	236,143	2,038	-	371,696
Unallocated capital expenditures									1,418
Total capital expenditures									373,114
Depreciation and amortization*	55,975	38,419	-	94,394	46,871	22,038	5,503	-	168,806
Total depreciation and amortization									169,293

* Reclassified
** Restated - see Note 2DD.

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 three principal reporting segments - fertilizers, performance products and industrial products. 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.

As from the current period, the activity of Mifalei Tovala Ltd., which engages in the transportation of cargo, mainly of ICL companies in Israel, is included in the ICL Fertilizers segment. The reason for this is that a large part of the activity of Mifalei Tovala Ltd. is transporting bulk cargos of the ICL Fertilizers segment. The comparative figures were classified accordingly.

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, magnesia and chlorine from Dead Sea brine, and produces chlorine based products in Israel and the United States.

During the year of the report, Supresta LLC (hereafter - "Supresta"), which is engaged in the manufacturing and marketing of flame-retardants and other products on the basis of phosphorus was acquired by a subsidiary. Supresta is included in the ICL Industrial Products segment. (See Note 7D(2)).

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) and the United States, as well as in Israel, China, and other countries.

As from the reporting year, the Company no longer reports the metallurgy (processes and market's pure magnesium and alloy's magnesium) segment as an independent segment, since it no longer meets the definition of a reportable segment. The comparative figures were classified accordingly.
In addition to the segments detailed above, ICL has other activities, including, water desalinization (through a proportionately consolidated company).

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		
	2007	**2006**	**2005**
	US$ thousands	**US$ thousands**	**US$ thousands**
Europe	**1,529,240**	1,203,509	1,228,610
Asia	**869,323**	678,786	704,839
North America	**802,442**	717,784	389,988
South America	**514,737**	331,019	309,148
Other	**140,026**	119,638	138,340
	3,855,768	3,050,736	2,770,925
Israel	**244,516**	207,425	215,076
	4,100,284	3,258,161	2,986,001

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

	Year ended December 31		
	2007	**2006**	**2005**
	US$ thousands	**US$ thousands**	**US$ thousands**
Israel	**2,234,523**	1,710,831	1,789,699
Europe	**1,279,409**	1,061,050	998,927
United States	**552,123**	501,187	171,116
Other	**139,941**	153,947	155,102
	4,205,996	3,427,015	3,114,844
Transfers - mainly from Israel	**(105,712)**	(168,854)	(128,843)
	4,100,284	3,258,161	2,986,001

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

	Year ended December 31		
	2007	**2006**	**2005**
	US$ thousands	**US$ thousands**	**US$ thousands**
Israel	**529,408**	432,067	444,357
Europe	**120,895**	25,202	73,387
United States	**38,042**	49,976	13,673
Other	**26,315**	29,200	29,912
	714,660	536,445	561,329

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	
	2007	2006	2007	2006
	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Israel	**2,482,580**	*2,115,296	**112,164**	* 96,842
Europe	**1,145,106**	*762,160	**188,368**	* 42,067
United States	**653,350**	455,806	**198,245**	13,422
Other	**212,891**	161,350	**6,939**	5,879
Eliminations	**(248,581)**	(171,307)	**-**	-
	4,245,346	3,323,305	**505,716**	158,210

* Restated – See Note 2DD.

Following are data for depreciation and amortization by geographical area:

	Year ended December 31		
	2007	2006	2005
	US$ thousands	US$ thousands	US$ thousands
Israel	**112,715**	* 104,041	* 109,618
Europe	**53,803**	43,964	45,426
United States	**25,225**	21,387	10,331
Other	**3,694**	5,129	3,918
	195,437	174,521	169,293

* Restated – see Note 2DD.

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 revenues, 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.

Note 26 - Explanation with respect to the Effects of the Transition to IFRS

A. General

In July 2006, the Israel Accounting Standards Board published Accounting Standard No. 29 regarding Adoption of International Financial Reporting Standards (IFRS) (hereinafter – "the Standard").

International Financial Reporting Standards are standards and clarifications of the Committee for International Accounting Standards and they include the following:

A) International Financial Reporting Standards (IFRS).
B) International Accounting Standards (IAS).
C) Clarifications provided by the International Financial Reporting Interpretation Committee (IFRIC) or its predecessor committee for interpretations of international accounting standards (SIC).

The Standard provides that companies subject to the Securities Law, 1968 and that report pursuant thereto, shall prepare their financial statements in accordance with IFRS beginning with reporting periods commencing on January 1, 2008 (the financial statements for the first quarter of 2008). The Transition Date for the first-time adoption of IFRS is January 1, 2007 (hereinafter – "the Transition Date"). For purposes of the transition, the Company will apply the provisions of IFRS 1 regarding the "First-Time Adoption of IFRS".

According to IFRS 1, IFRS are to be retroactively implemented in the opening balance sheet as at the Transition Date. Nevertheless, a number of matters were provided exemptions from the requirement to be retroactively implemented in the opening balance sheet. Furthermore, IFRS 1 allows choice to use all or part of the exemptions.

B. Detail of the Relief Provisions Selected

Set forth below is detail of the relief provisions the Company has selected under IFRS 1 and regarding which the Company is not making retroactive application as at the Transition Date of IFRS:

1. Business Combinations

   The Company did not retroactively apply IFRS 3 (which deals with business combinations) and, therefore, goodwill and excess cost created in business combinations, in acquisitions of associated companies, companies under joint control and minority acquisitions after obtaining control, taking place prior to January 1, 2007 were not treated in accordance with IFRS 3 but, rather, pursuant to generally accepted accounting principles in Israel.

2. Translation Differences from Foreign Activities

   The Company elected to apply the relief provision provided in IFRS 1 whereby as at the Transition Date the cumulative balances of the reserve for translation differences relating to all the foreign activities as at the Transition Date will be reclassified to the retained earnings' balance.

Note 26 - Explanation with Respect to the Effects of the Transition to IFRS (cont'd)

B. Detail of the Relief Provisions Selected (cont'd)

3. Compound financial instruments

In accordance with the relief provided in IFRS 1, the Company has chosen not to split compound financial instruments into a liability component and an equity component in accordance with IAS 32, "Financial Instruments: Presentation and Disclosure", since the liability no longer exists on the Transition Date.

4. Share-based payment transactions

In accordance with Israeli GAAP, as from January 1, 2006 the Company recognized share-based payment transactions with respect to grants awarded after March 15, 2005 that had not yet vested as at January 1, 2006. In accordance with the relief in IFRS 1, share-based payments awarded before November 7, 2002 that have fully vested until January 1, 2007 were not retroactively accounted for, in accordance with the relief provisions of IFRS 1.

C. Accounting policy adopted when IFRS allows various alternatives

1. Actuarial gains and losses

The Company has chosen one of the alternatives allowed under IAS 19 as its policy for accounting for actuarial gains and losses. In accordance with the alternative chosen, the actuarial gains and losses will be immediately recognized against shareholders' equity (retained earnings). In the opinion of the Company, this alternative is preferable since the net liability to the employees on the cutoff date is presented at fair value according to this alternative. Furthermore, under this alternative, the statement of operations more appropriately reflects the Company's results of operations for the reported period by preventing possible fluctuations from actuarial gains and losses.

2. Jointly controlled entities

In accordance with Israeli GAAP, entities in which the Company has joint control are presented according to the proportionate consolidation method. In accordance with IFRS, the investment in such entities may be presented according to the proportionate consolidation method or under the equity basis. The Company has chosen to implement the alternative of presenting investee companies under joint control according to the proportionate consolidation method, since there is legal joint control and therefore the proportionate consolidation of the companies more appropriately reflects the financial position and results of operations of the Company. Furthermore, the alternative chosen is consistent with the accounting treatment the Company applied before the transition to IFRS.

Note 26 - Explanation with Respect to the Effects of the Transition to IFRS (cont'd)

D. Adjustments to IFRS

In accordance with the Standard, the Company is required to include in a note to its annual financial statements for the year ended 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 IFRS. On this matter, the Securities Authority issued FAQ 6, "Disclosure Required in the Financial Statements for the Year Ended December 31, 2007 Regarding the Adoption of IFRS" (hereinafter – FAQ 6), which specifies the disclosures that are to be included in the financial statements for December 31, 2007.

Preparation of the opening balance sheet as at the transition date according to IFRS requires the following actions:

a) Recognizing any asset or liability that has to be recognized in the balance sheet according to IFRS.

b) Eliminating assets or liabilities that according to IFRS are not to be recognized in the balance sheet.

c) Classifying asset, liability and shareholders' equity items according to IFRS.

d) Measuring all the assets and liabilities recognized according to IFRS.

This note includes all the financial data required in accordance with Standard 29 and FAQ 6 to which the recognition, measurement and presentation principles of IFRS have been applied.

This note was prepared on the basis of presently known IFRS, which were issued and will be in effect, or can be adopted early, on the first date of the Group's annual report according to IFRS, December 31, 2008, and were the basis for the Company's accounting policy.

The IFRS that will be in effect or can be adopted in the annual financial statements for the year ended December 31, 2008 are subject to changes and the issuance of further interpretations, and therefore cannot be determined for certain. Accordingly, the accounting principles that will be applied in respect of the periods presented will be determined finally only when the first financial statements are prepared according to IFRS for December 31, 2008.

The tables and notes hereunder provide an explanation of the effects of the transition from Israeli GAAP to IFRS on the Group's financial position and results of operations:

Note 26 - Explanation with Respect to the Effects of the Transition to IFRS (cont'd)

D. Adjustments to IFRS

1. Balance as at January 1, 2007

	Note	January 1, 2007		
		Israeli GAAP*	Effect of the transition to IFRS	IFRS
		US$ thousands	US$ thousands	US$ thousands
Current assets				
Cash and cash equivalents		50,085	-	50,085
Short-term investments, deposits and loans	f; l	120,820	(211)	120,609
Trade receivables	e	470,569	218,482	689,051
Other receivables	f; i	172,237	(38,883)	133,354
Income taxes refundable		8,632	-	8,632
Inventories		785,433	-	785,433
Total current assets		1,607,776	179,388	1,787,164
Investments and long-term receivables				
Associated companies and other company	f	31,149	661	31,810
Long-term deposits and receivables	f; l	27,798	(975)	26,823
Inventories - non-current		33,865	-	33,865
Deferred taxes, net	c; f; i	6,539	50,285	56,824
Receivables from the minority interest	g	17,011	(17,011)	-
		116,362	32,960	149,322
Property, plant and equipment, net	h	1,700,996	(62,870)	1,638,126
Intangible assets	h	195,450	63,089	258,539
Total non-current assets		2,012,808	33,179	2,045,987
		3,620,584	212,567	3,833,151
Current liabilities				
Credit from banks and others	e	266,973	218,482	485,455
Trade payables		315,945	-	315,945
Provisions		12,735	-	12,735
Other payables	c; f; h	284,950	2,671	287,621
Income taxes payable		72,552	-	72,552
Total current liabilities		953,155	221,153	1,174,308
Long-term liabilities				
Loans from banks and others	f	358,391	1,032	359,423
Debentures		125,000	-	125,000
Provisions		33,900	-	33,900
Deferred income taxes, net	c; f; i	168,391	3,523	171,914
Liability for employee severance and other post-employment benefits, net	c	241,252	40,661	281,913
Minority interests	g	9,476	(9,476)	-
Total non-current liaiblities		936,410	35,740	972,150
Total liabilities		1,889,565	256,893	2,146,458
Shareholders' equity				
Share capital		540,779	-	540,779
Capital surplus		81,396	-	81,396
Capital reserves		20,855	(18,728)	2,127
Dividend declared after balance sheet date		283,411	(283,411)	-
Retained earnings		806,775	265,375	1,072,150
Treasury shares		(2,197)	-	(2,197)
Total equity attributable to holders of the company's equity		1,731,019	(36,764)	1,694,255
Minority interests	g	-	(7,562)	(7,562)
Total shareholders' equity	a	1,731,019	(44,326)	1,686,693
		3,620,584	212,567	3,833,151

* Restated as a result of first-time adoption of new Israeli accounting standards.

Note 26 - Explanation with Respect to the Effects of the Transition to IFRS (cont'd)

D. Adjustments to IFRS (cont'd)

2. Balance as at December 31, 2007

		December 31, 2007		
	Note	Israeli GAAP	Effect of the transition to IFRS	IFRS
		US$ thousands	US$ thousands	US$ thousands
Current assets				
Cash and cash equivalents		**58,204**	**-**	**58,204**
Short-term investments, deposits and loans	f; l	**73,655**	**(310)**	**73,345**
Trade receivables	c; f; l	**962,113**	**(334)**	**961,779**
Other receivables	c; f;i	**177,553**	**(50,890)**	**126,663**
Income taxes refundable		**5,540**	**-**	**5,540**
Inventories	c; d	**974,966**	**(4,396)**	**970,570**
Total current assets		**2,252,031**	**(55,930)**	**2,196,101**
Investments and long-term receivables				
Associated companies and other company	f; l	**37,363**	**734**	**38,097**
Long-term deposits and receivables	c; f; l	**36,192**	**(1,176)**	**35,016**
Inventories - non-current	d	**29,771**	**731**	**30,502**
Deferred taxes, net	c; d; f; i	**19,044**	**66,762**	**85,806**
		122,370	**67,051**	**189,421**
Property, plant and equipment, net	d, h	**1,841,396**	**(37,344)**	**1,804,052**
Intangible assets	o, h	**417,496**	**66,863**	**484,359**
Total non-current assets		**2,381,262**	**96,570**	**2,477,832**
		4,633,293	**40,640**	**4,673,933**
Current liabilities				
Credit from banks and others		**622,704**	**-**	**622,704**
Trade payables	c; l	**428,386**	**509**	**428,895**
Provisions		**12,831**	**-**	**12,831**
Other payables	c; f; i	**372,056**	**3,943**	**375,999**
Income taxes payable		**101,596**	**-**	**101,596**
Total current liabilities		**1,537,573**	**4,452**	**1,542,025**
Long-term liabilities				
Loans from banks and others	f; l	**626,542**	**(1,066)**	**625,476**
Debentures		**125,000**	**-**	**125,000**
Provisions		**37,753**	**-**	**37,753**
Deferred taxes, net	c; d; f; i	**160,132**	**11,283**	**171,415**
Liability for employee severance and other post-employment benefits, net	c	**285,153**	**20,193**	**305,346**
Minority interests	g	**66,147**	**(66,147)**	**-**
Total non-current liaiblities		**1,300,727**	**(35,737)**	**1,264,990**
Total liabilities		**2,838,300**	**(31,285)**	**2,807,015**
Shareholders' equity				
Share capital		**540,779**	**-**	**540,779**
Capital surplus		**81,396**	**-**	**81,396**
Capital reserves		**96,259**	**(18,728)**	**77,531**
Dividend declared after balance sheet date		**114,802**	**(114,802)**	**-**
Retained earnings		**963,954**	**139,034**	**1,102,988**
Treasury shares		**(2,197)**	**-**	**(2,197)**
Total attributable to holders of the Company's equity		**1,794,993**	**5,504**	**1,800,497**
Minority interests	g	**-**	**66,421**	**66,421**
Total shareholders' equity	a	**1,794,993**	**71,925**	**1,866,918**
		4,633,293	**40,640**	**4,673,933**

Note 26 - Explanation with Respect to the Effects of the Transition to IFRS (cont'd)

D. Adjustments to IFRS (cont'd)

3. Statement of income 2007

	Note	December 31, 2007		
		Israeli GAAP	Effect of the transition to IFRS	IFRS
		US$ thousands	US$ thousands	US$ thousands
Sales	f	**4,100,284**	**2,895**	**4,103,179**
Cost of sales	c; d; f; k	**2,585,249**	**(29,058)**	**2,556,191**
Gross profit		**1,515,035**	**31,953**	**1,546,988**
Expenses				
Research and development, net	c; d; f; k	**39,189**	**(37)**	**39,152**
Selling, transportation and marketing	c; d; f; k	**600,336**	**(454)**	**599,882**
General and administrative	c; d; f; k,o	**160,850**	**1,002**	**161,852**
Other expenses, net	k	**-**	**3,536**	**3,536**
Operating income		**714,660**	**27,906**	**742,566**
Financing expenses	c; f	**(78,077)**	**17,049**	**(61,028)**
Financing income	c; f	**132,154**	**5,495**	**137,649**
Financing expenses, net		**54,077**	**22,544**	**76,621**
Other expenses	k	**19,381**	**(19,381)**	**-**
Share in profits of associated companies, net	f; l	**-**	**3,969**	**3,969**
Income before taxes on incom		**641,202**	**28,712**	**669,914**
Taxes on income	c; d; f; l	**113,059**	**6,671**	**119,730**
Income after taxes on income		**528,143**	**22,041**	**550,184**
Shares in profits of associated companies, net		**3,940**	**(3,940)**	**-**
Minority interest in losses of subsidiaries, net		**3,557**	**(3,557)**	**-**
Net income		**535,640**	**14,544**	**550,184**
Attributed to:				
Holders of the Company's share capital				**553,440**
Minority interest				**(3,256)**
Net income				**550,184**

Note 26 - Explanation with Respect to the Effects of the Transition to IFRS (cont'd)

D. Adjustments to IFRS (cont'd)

4. Notes regarding the significant effects of the transition to reporting according to IFRS

a. Effect of the aforementioned adjustment on shareholders' equity

		January 1, 2007								
		Share capital	Premium on shares	Capital reserves	Differences from translation of financial statements of subsidiaries	Retained earnings	Minority interest	Dividend declared after balance sheet date	Cost of company shares held by a subsidiary	Total
	Note	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Balance as at January 1, 2007 according to Israeli GAAP		540,779	81,396	2,127	18,728	806,775	-	283,411	(2,197)	1,731,019
Adjustments:										
Employees benefits	c	-	-	-	-	(37,491)	-	-	-	(37,491)
Financial instruments	f	-	-	-	-	1,000	-	-	-	1,000
Minority interests	g	-	-	-	-	-	(7,562)	-	-	(7,562)
Other	h; l; n	-	-	-	-	(273)	-	-	-	(273)
Reserve from translation differences of foreign operation		-	-	-	(18,728)	18,728	-	-	-	-
Dividend declared after balance sheet date		-	-	-	-	283,411	-	(283,411)	-	-
		-	-	-	(18,728)	265,375	(7,562)	(283,411)	-	(44,326)
IFRS balance		540,779	81,396	2,127	-	1,072,150	(7,562)	-	(2,197)	1686,693

Note 26 - Explanation with Respect to the Effects of the Transition to IFRS (cont'd)

D. Adjustments to IFRS (cont'd)

4. Notes regarding the significant effects of the transition to reporting according to IFRS (cont'd)

a. Effect of the aforementioned adjustment on shareholders' equity (cont'd)

		December 31, 2007								
		Share capital	Premium on shares	Capital reserves	Differences from translation of financial statements of subsidiaries	Retained earnings	Minority interest	Dividend declared after balance sheet date	Cost of company shares held by a subsidiary	Total
	Note	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Balance as at December 31, 2007 according to Israeli GAAP		540,779	81,396	13,227	83,032	963,954	-	114,802	(2,197)	1,794,993
Adjustments:										
Employees benefits	c	-	-	-	-	(21,407)	-	-	-	(21,407)
Change in useful life estimate	d	-	-	-	-	22,658	-	-	-	22,658
Financial instruments	f	-	-	-	-	4,523	-	-	-	4,523
Minority interests	g	-	-	-	-	-	66,421	-	-	66,421
Other	h; l; n	-	-	-	(788)	518	-	-	-	(270)
Reserve from translation differences of foreign operation		-	-	-	(18,728)	18,728	-	-	-	-
Dividend declared after balance sheet date		-	-	-	-	114,802	-	(114,802)	-	-
		-	-	-	(19,516)	139,822	66,421	(114,802)	-	71,925
IFRS balance		540,779	81,396	13,227	63,516	1,103,776	66,421	-	(2,197)	1,866,918

Note 26 - Explanation with Respect to the Effects of the Transition to IFRS (cont'd)

D. Adjustments to IFRS (cont'd)

4. Notes regarding the significant effects of the transition to reporting according to IFRS (cont'd)

b. Effect on the aforementioned adjustments on the net income for the year ended December 31, 2007

	Note	US$ thousands
Net income according to Israeli GAAP		535,640
Employee benefits	c	(3,278)
Change in the estimated useful life of fixed assets	d	22,658
Financial instruments	f	1,199
Inclusion of the minority interest in the losses of shareholders' equity	g	(3,557)
Other	h, l, n, o	(2,478)
Total adjustments		14,544
Net income according to IFRS		550,184

c. Employee Benefits

IAS 19 provides the accounting treatment (recognition, measurement and disclosure) of employee benefits. Provided hereunder are the adjustments required for the transition from the accepted practice according to Israeli GAAP to implementation of the international standard.

In accordance with Israeli GAAP, the liability for employee severance benefits is measured on the basis of the number of years of service multiplied by the employee's latest monthly salary (one month's salary for each year worked), and the severance pay deposits against such liability are measured on the basis of their redemption value as at the balance sheet date. In addition, the liabilities for vacation and sick leave are calculated on the basis of estimates of utilization and redemption, respectively.

Note 26 - Explanation with Respect to the Effects of the Transition to IFRS (cont'd)

D. Adjustments to IFRS (cont'd)

4. Notes regarding the significant effects of the transition to reporting according to IFRS (cont'd)

c. Employee Benefits (cont'd)

On the date of transition to IFRS, all the net liabilities in respect of post-retirement benefits of employees and other long-term benefit plans are measured in accordance with the provisions of IAS 19, "Employee Benefits". Pursuant to IAS 19, some of the Group's severance pay plans are defined benefit plans as defined in IAS 19. Measurement of the liability for employee severance benefits under the above-mentioned plans is made based on an actuarial estimate and takes into account, among other things, the future increase in employee salaries along with the rate of employee turnover. The measurement is made on the basis of discounting the anticipated future cash flows, using the interest rate of highly-rated government bonds. In addition, the severance pay deposits are measured according to their fair value on the basis of their present value after taking into account the expected future yield on the plan's assets.

To the best of the Company's knowledge, the subject of discount interest rate is under study and it is likely that it will be decided that in Israel the suitable discount interest rate is that based on corporate bonds. In that event, the figures appearing in the Note above will change, the actuarial obligation will decrease and the financing expenses for the current year relating to these obligations will increase.

Furthermore, a foreign subsidiary has a liability to pay pension benefits to employees, which was calculated on the basis of an actuarial estimate, where part of the actuarial gains and losses were not recognized in the financial statements in accordance with the "corridor" method.

The Company has chosen as its accounting policy one of the alternatives provided under IAS 19 for treating actuarial gains and losses. According to the alternative chosen, the actuarial gains and losses will be recognized immediately against an entry to the shareholders' equity (retained earnings).

The provisions for the accumulated entitlement of employees to compensation in respect of sick leave and vacation were calculated on a "first in – first out" basis, since sick leave and vacation days are utilized first from the entitlement transferred from prior years and only after then from the current year entitlement.

In the executive insurance policies that were issued before 2004, the insurance companies and the Company agreed to each year transfer to the retirement benefits component the real yield accumulated on the assets deposited in the severance pay component. Therefore, in respect of these executive insurance policies, the assets included in the severance pay component that are transferred to the Company for the purpose of paying the employees upon their retirement will be lower. In the financial statements according to IFRS, the Company has chosen the accounting policy by which the plan assets will be measured according to the nominal amount, while in each reporting period an expense will be recorded in respect of transferring the real yield of the severance pay component to the retirement benefits component.

Revenues and expenses included in accordance with Israeli GAAP in the "salaries and related expenses" category, are recorded under IFRS, partly as part of "salaries and related expenses" and partly in the "financing expenses" category. Included as part of the "financing expenses" category are, among other things, financing income and revaluation/erosion of the plan's assets.

Note 26 - Explanation with Respect to the Effects of the Transition to IFRS (cont'd)

D. Adjustments to IFRS (cont'd)

4. Notes regarding the significant effects of the transition to reporting according to IFRS (cont'd)

c. Employee Benefits (cont'd)

The net effect of the transition to IFRS on measurement of the liability for employee benefits as at the Transition Date and as December 31, 2007 is reflected below in an increase in the liability in the amounts of $40,661 thousand and $20,193 thousand, respectively. The net effect of the transition to IFRS on measurement of the liability for vacation as at the Transition Date and as at December 31, 2007 is reflected in an increase in the liability in the amount of $281 thousand and $2,555 thousand, respectively. Furthermore, adjustment of the liability as at the Transition Date and as December 31, 2007 is reflected in a decrease in the deferred taxes in the amounts of $2,994 thousand and $4,021 thousand, respectively.

The effect of the change in measurement of the liability for employee benefits and in respect of vacation and sick leave on the statement of operations for the year ended December 31, 2007 is reflected in a decrease of $19,716 thousand in salary expenses in cost of sales, of $279 thousand in research and development, of $1,516 thousand in selling, handling and marketing, of $22 thousand in general and administrative, of $25,421 thousand in financing expenses and of $610 thousand in tax expenses.

d. Change in the Estimated Useful Life of Fixed Assets

International accounting standard, IAS 16, regarding “Fixed Assets”, provides that the useful life of an asset shall be reviewed at least at the end of every financial year, and if the expectations are different from the prior estimates, the change is to be treated as a change in an accounting estimate, in accordance with international accounting standard, IAS 8, regarding “Accounting Policy, Changes in Accounting Estimates and Errors”.

In October 2007, the Securities Authority published Decision 3-17 regarding “Change in the Useful Life of Fixed Assets (hereinafter – “the Authority’s Decision”). The Authority’s Decision applies to financial statements prepared in accordance with IFRS. In accordance with the Authority’s Decision, a change may be made in the estimated useful life of an asset based on the Company’s past experience with respect to such asset, in a case where solid and reliable evidence has been accumulated by the company that supports changing the estimate.

Based on opinions received (mostly internal opinions and one opinion from an external independent appraiser), the Group changed the estimate of the remaining useful life of the fixed assets reflecting an extension of the depreciation period as part of the financial statements prepared in accordance with IFRS, commencing from January 1, 2007.

Note 26 - Explanation with Respect to the Effects of the Transition to IFRS (cont'd)

D. Adjustments to IFRS (cont'd)

4. Notes regarding the significant effects of the transition to reporting according to IFRS (cont'd)

d. Change in the Estimated Useful Life of Fixed Assets (cont'd)

On the basis of the experience accumulated by the Group, the cost of assets which have been fully depreciated and are still used for manufacturing are significant. Furthermore, the Group has reexamined the useful life of the fixed assets as compared to the industry in which the Group operates, the level of maintenance of the facilities and the functioning of the facilities over the years. According to this examination the remaining period of depreciation of the fixed assets is lower than the balance of the anticipated useful life of the facilities. On the basis of this assessment, the Group decided to change the estimate of the economic useful life of the fixed assets. The change in estimate is based on the experience accumulated by the Group and not on changes that have occurred in the assets or in the business environment. The previous estimate of the useful life of the Group's fixed assets was performed in 2002. The assessment was also based on the accumulated experience of the entity.

The impact of the change in the useful lives of plant and machinery included in the balance of the fixed assets as at December 31, 2007 reflects an increase in the depreciated balance of the asset in the amounts of $30,685 thousand. In addition, adjustment of the balance of the asset as at December 31, 2007 is reflected in a decline in the inventories and in the deferred taxes in the amounts of $2,040 thousand and $5,987 thousand, respectively.

The impact of the change in estimate on the statement of income for the year ended December 31, 2007 is reflected in a decline in the depreciation expenses in the amount of $28,645 thousand, and a decline in the taxes on income in the amount of $5,987 thousand.

e. Securitization Transactions

The Company and certain Group subsidiaries entered into a securitization agreement according to which the companies sell part of their customer receivables to a foreign company that was incorporated for this purpose and that is not owned or controlled by the Group (hereinafter – "the Acquiring Company"). The Acquiring Company finances purchase of the receivables by means of a loan received from a financial entity unrelated to the Company that finances the loan from proceeds it receives from commercial paper it issues on the U.S. commercial paper market.

In accordance with Israeli GAAP, the securitization transaction executed by the Group meets the definition of a sale, and therefore the customer receivables included in the securitization transaction were eliminated in the consolidated financial statements.

Note 26 - Explanation with Respect to the Effects of the Transition to IFRS (cont'd)

D. Adjustments to IFRS (cont'd)

4. Notes regarding the significant effects of the transition to reporting according to IFRS (cont'd)

e. Securitization Transactions (cont'd)

The securitization transaction executed by the Group does not comply with the conditions for elimination of financial assets provided in IAS 39 regarding "Financial Instruments – Recognition and Measurement" since the Group did not transfer all the risks and rewards deriving from the customer receivables. Therefore, upon the transition to IFRS, the customer receivables included in the securitization transaction were restored in the consolidated balance sheet. On the other hand the amounts received from the Purchasing Company in the framework of the securitization transaction are recorded as financial liabilities in the "short-term credit" category, and are not offset against the balance of customer receivables.

Accordingly, upon the transition to IFRS, there was an increase in trade receivables as at the Transition Date in the amounts of $218,482 thousand against an increase in the "short-term credit" category. As at December 31, 2007, no cash consideration was received in respect of the customer debts that were sold.

f. Financial Instruments

The Group uses financial instruments, including derivative financial instruments, in order to reduce exposure to currency and interest risks.

According to the accepted practice in Israel, the conditions for applying hedge accounting are based mainly on economic criteria.
In addition, under certain circumstances, derivative financial instruments used for hedging purposes are not recognized in the balance sheet and are not measured according to fair value.

International Standard IAS 39 provides that in order for a transaction in financial instruments to be considered a hedging transaction a number of conditions must be fulfilled, including conditions regarding designation of the instrument, compliance with strict documentation requirements and an anticipation of high hedge effectiveness at the beginning and during the entire hedge. Changes in the fair value of a financial instrument designated as a hedge of an asset or liability will be recognized as income or expense concurrently with recognizing the changes in the fair value of the hedged asset or liability that relate to the hedged risk.

Note 26 - Explanation with Respect to the Effects of the Transition to IFRS (cont'd)

D. Adjustments to IFRS (cont'd)

4. Notes regarding the significant effects of the transition to reporting according to IFRS (cont'd)

f. Financial Instruments (cont'd)

The transactions the Group executes in financial instruments for purposes of reducing exposure, as noted above, do not meet the hedge conditions provided in the international standards and, therefore, upon the transition to IFRS the said financial instruments are measured according to fair value and the changes in their fair value are immediately recognized as income or expense.

Furthermore, below-market interest rate loans that were granted to employees of the Company and the subsidiaries were adjusted at fair value upon the transition to IFRS.

The effect of implementation of IFRS in connection with the above-mentioned transactions on the Company's balance sheet as at the Transition Date and December 31, 2007 is reflected in the recording of a net asset (less liabilities) in respect of derivative financial instruments, in the amounts of $2,032 thousand and $10,221 thousand, respectively. In addition, the effect of recording the assets in respect of the derivatives is reflected in the reserve for deferred taxes, in the amounts of $3,246 thousand and $1,461 thousand, respectively. The impact on the statement of income for the year ended December 31, 2007 is reflected in a decline in the pre-tax income of $2,640 thousand (mainly an increase in the financing expenses, in the amount of $3,844 thousand).

g. Minority Interest

Pursuant to Israeli GAAP, the minority interest is presented in the balance sheet outside of the shareholders' equity section, whereas under IFRS the minority interest is presented in the balance sheet as part of the shareholders' equity section. As a result, as at the Transition Date and December 31, 2007 the minority interest was reclassified in the amounts of $7,562 thousand and $66,421 thousand, respectively, as a separate item within the shareholders' equity section.

In addition, in accordance with Israeli GAAP, the minority interest in the results of subsidiaries is included as part of the results of operations in the statement of income, whereas under IFRS the minority interest, as stated, is not part of the statement of income but, rather, it is presented as part of distribution of the income between the holders of the Company's equity and the minority shareholders. As a result, the minority interest in the loss for the year ended December 31, 2007, in the amount of $3,557 thousand, was not included in the results of the operations for the period.

Note 26 - Explanation with Respect to the Effects of the Transition to IFRS (cont'd)

D. Adjustments to IFRS (cont'd)

4. Notes regarding the significant effects of the transition to reporting according to IFRS (cont'd)

h. Rights in Land Leased from the Israel Lands Administration and Mining Rights

Based on the lease agreements with the Israel Lands Administration, lease rights in lands have been granted to subsidiaries for a period of 49 years (with an option to extend) that are scheduled to end in different periods. The said lease agreements do not provide the company rights to acquire the full rights in the real estate and, in some cases, the subsidiaries were not granted rights to extend the lease period.

In accordance with Israeli GAAP, amounts paid in respect of lease rights in lands were presented with the Group's fixed assets and the amounts paid were amortized over the lease period.

Pursuant to international standard IAS 17, regarding "Leases", a lease of land that does not include an option to acquire the full rights in the real estate at the end of the lease period is to be classified as an operating lease and, accordingly, amounts paid in respect of leases from the Israel Lands Administration constitute prepaid lease fees. In accordance with IFRS reporting, the lease fees, as stated, are to be presented in the "prepaid expenses in respect of operating leases" category and not in the "fixed assets" category.

Accordingly, upon the transition to reporting based on IFRS, the prepaid lease fees as at the Transition Date and December 31, 2007 were reclassified from the "fixed assets" category, in the amounts of $4,614 thousand and $3,618 thousand, respectively.

In addition, the financial statements of a subsidiary include in its fixed assets costs of mining rights in Spain as at December 31, 2007 and 2006 in the amount of $65,088 thousand and $58,256 thousand, respectively. The rights will expire in 2067. In the framework of adjusting the financial statements to IFRS, mining rights were reclassified from fixed assets to other assets.

i. Deferred Taxes

Pursuant to Israeli GAAP, deferred tax assets were classified as current assets or non-current assets according to the classification of the assets for which they were created. In accordance with IFRS, deferred tax assets are classified as non-current assets even if it is anticipated that they will be realized in the short term. Therefore, upon the transition to IFRS, short-term deferred taxes as at the Transition Date and as at December 31, 2007 in the amounts of $44,045 thousand and $59,957 thousand, respectively, were reclassified from the "other receivables" category in the "current assets" section to the "deferred tax assets" category in the "non-current assets" section, and short-term deferred taxes as at transition date and December 31, 2007 in the amount of $252 thousand and $2,069 thousand, respectively, were reclassified from the item of other payables under current liabilities to the item of deferred tax liabilities under non-current liabilities.

Note 26 - Explanation with Respect to the Effects of the Transition to IFRS (cont'd)

D. Adjustments to IFRS (cont'd)

4. Notes regarding the significant effects of the transition to reporting according to IFRS (cont'd)

j. Reserve from Translation Differences of Foreign Activities

The Company elected to implement the relief provision offered by IFRS 1 whereby the entire balance of the "reserve for translation differences of foreign activities" as at the Transition Date, in the amount of $18,728 thousand, may be reclassified to retained earnings.

k. Classification of Other Income/Expenses

According to the accepted practice in Israel, gains and losses from sales of fixed assets, gains and losses from actuarial changes and expenses in respect of early retirement of employees were not presented in the consolidated financial statements as part of the operating income, but are presented under "other income/expenses". Under IFRS, these items are to be included in the operating profit or gross profit, as relevant. The impact of implementation of IFRS on the statement of income for the year ended December 31, 2007 is reflected by an increase in the cost of sales, in the amount of $10,841 thousand, an increase in general and administrative expenses in the amount of $3,363 thousand, an increase in selling expenses in the amount of $1,229 thousand and an increase in R&D expenses, in the amount of $412 thousand and an increase in other expenses included in operating profit in the amount of $3,536 thousand and a decrease in other expenses in the amount of $19,381 thousand.

l. Concession Agreements

A proportionately consolidated company has concession agreements with government entities under which the company constructed desalination facilities. Furthermore, in accordance with the agreements the company operates the desalination facilities and sells the desalinized water to the State in exchange for fixed and variable payments, as provided in the concession agreements. In accordance with Israeli GAAP (as from January 1, 2006) and in accordance with IFRS, as part of concession-based agreements, a financial asset reflecting the customer's debt will be recognized in the financial statements where the said financial asset bears interest. In accordance with Israeli GAAP, the interest on the financial asset is fixed based on use of the weighted average cost of capital (WACC) of the project. In addition, recognition of the financial asset starts from the date the facility was placed in service. Under IFRS (IFRIC 12), the interest rate on the financial asset will be set based on the borrower's risk free rate of interest plus an interest rate reflecting the risk involved with constructing and operating the facility. Also, recognition of the financial asset will start from the commencement date of construction of the facility.

Note 26 - Explanation with Respect to the Effects of the Transition to IFRS (cont'd)

D. Adjustments to IFRS (cont'd)

4. Notes regarding the significant effects of the transition to reporting according to IFRS (cont'd)

l. Concession Agreements (cont'd)

The effect of the transition to IFRS on the concession-based agreements is reflected mainly in a decrease in short-term and long-term financial assets as at the Transition Date and as at December 31, 2007, in the amounts of $1,280 thousand and $1,748 thousand, respectively, an increase in investments in affiliated companies as at those dates in the amounts of $1,710 thousand and $2,202 thousand, respectively, and an increase in deferred tax as at those dates in the amounts of $351 thousand and $464 thousand, respectively and a decrease in the shareholders' equity as at those dates in the amounts of $781 thousand and $918 thousand, respectively. The effect of the transition to IFRS on the results of operations for the year ended December 31, 2007 is not material.

m. Dividend Declared Subsequent to the Balance Sheet Date

In accordance with Israeli GAAP, a dividend declared subsequent to the balance sheet date and up to the approval date the financial statements was presented in the "shareholders' equity" section as a reduction in the "retained earnings" and an increase in the category "dividend declared subsequent to the balance sheet date".

Upon the transition to reporting under IFRS, the Company will provide disclosure only of a dividend declared subsequent to the balance sheet date.

As at the Transition Date and as at December 31, 2007, the "retained earnings" category increased and "dividend declared subsequent to the balance sheet date" category presented in the "shareholders' equity" section decreased in the amounts of $283,411 thousand and $114,802 thousand, respectively.

n. Measurement of fnancial instruments available for sale

Unlike Israeli GAAP, in accordance with IFRS financial instruments classified as available for sale are recognized as assets at fair value with the changes in fair value during the period being included directly in shareholders' equity. The effect of the transition to IFRS as at January 1, 2007 was reflected in a decrease in retained earnings in the amount of $204 thousand with a corresponding increase in the capital reserve in respect of available for sale assets. The effect as at December 31, 2007 was reflected in an increase in financing expenses for the year ended December 31, 2007 in the amount of $343 thousand, a decrease in tax expenses in the amount of $96 thousand, a decrease in retained earnings in the amount of $451 thousand and a corresponding increase in the capital reserve in respect of available for sale assets.

Note 26 - Explanation with Respect to the Effects of the Transition to IFRS (cont'd)

D. Adjustments to IFRS (cont'd)

4. Notes regarding the significant effects of the transition to reporting according to IFRS (cont'd)

o. Business combinations

In accordance with Israeli GAAP, a liability in respect of employee benefits was recognized following a structural change in a company consolidated for the first time, against goodwill, as at the date of acquisition.
In accordance with IFRS, the Company is required to recognize a liability for a structural change as a current expense and not as part of the cost allocation of a business combination, when the financial statements of the acquired company did not include on the acquisition date a liability in accordance with IAS 37 regarding provisions, contingent liabilities and contingent assets.
The effect of the transition to IFRS in respect of the accounting treatment of a liability for structural change as aforementioned, is reflected in a decrease in the balance of goodwill as at December 31, 2007 in the amount of $2,828 thousand and an increase in general and administrative expenses in the amount of $2,828 thousand.

Appendix – Details on investee companies as at December 31, 2007

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.
100.00	100.00	Twincap Forsakring AB. Sweden	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 (Holland) 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 (Holland) B.V.
*54.53	43.02	Iberpotash S.A., Spain	Ashli Chemicals (Holland) B.V.
			Iberpotash S.A., Spain
100.00	100.00	Trafico de Mercancias S.A., Spain	Iberpotash S.A., Spain
			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 investee companies as at December 31, 2007

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	Societe pour le traitement des sols et l'alimentation animale, SA. France	Eurobrom B.V., The Netherlands
100.00	100.00	Broomchemie Holding B.V., The Netherlands	Eurobrom B.V., The Netherlands
100.00	100.00	Bromisa Industrial e Commercial Ltd., Brasil	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
50.00	50.00	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 Espana, 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.
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 investee companies as at December 31, 2007

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
73.30	73.30	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
100.00	100.00	Adicon Holding 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.S, 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.S, France
100.00	100.00	Penngar Hispania SL, Spain	Penngar S.A.S, France

Appendix – Details on investee companies as at December 31, 2007

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.S, 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	Rotem Holding G.M.B.H., Germany
52.00	52.00	BKG Puriphos B.V., The Netherlands	Rotem Holding G.M.B.H., Germany
100.00	100.00	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
51.00	51.00	BK Giulini Specialities Private Limited, India	Rotem Holding G.M.B.H., Germany
100.00	100.00	Turris Assekaranz GmbH, Germany	Rotem Holding G.M.B.H., Germany
100.00	100.00	Biogema Aix-en – Provence, France	Rotem Holding G.M.B.H., Germany
			BK Giulini Leather Chemistry Co. Ltd., Hong Kong
100.00	100.00	BK Giulini Leather Chemistry Ltd., China	BK Giulini Leather Chemistry Co. Ltd., Hong Kong
			Flexotex GmbH, Germany
100.00	100.00	BKG Finance GmbH, Germany	Flexotex GmbH, Germany
100.00	100.00	BKG Sup 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.

Appendix – Details on investee companies as at December 31, 2007

Rate of holdings in Control	Rate of holdings in Share Capital	Subsidiary Company	Holding Company
			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.
100.00	100.00	ICL Supresta Inc. US	ICL Performance Products Inc, U.S.A.
			ICL Supresta Inc. US
100.00	100.00	Supresta LLC, US	ICL Supresta Inc. US
			Supresta LLC, US
100.00	100.00	Supresta Hong Kong Ltd., Hong Kong	Supresta LLC, US
		Supresta Japan Ltd., Japan	Supresta LLC, US
100.00	100.00	Supresta GmbH & Co. KG, Germany	Supresta LLC, US
100.00	100.00	Supresta Marketing BV, The Netherlands	Supresta LLC, US
100.00	100.00	Supresta Netherland BV, The Netherlands	Supresta LLC, US
			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)
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)

Appendix – Details on investee companies as at December 31, 2007

Rate of holdings in			
Control	Share Capital	Subsidiary Company	Holding Company
			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
			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	Amsterdam Fertilizers Deutschland Beschrankt Haftenda 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
43.00	43.00	BKG Puriphos B.V., The Netherlands	Amsterdam Fertilizers B.V., The Netherlands
			Amsterdam Fertilizers Deutschland Beschrankt Haftenda O.H.G., Germany
100.00	100.00	Stodiek Dunger GmbH ,Germany	Amsterdam Fertilizers Deutschland Beschrankt Haftenda O.H.G., Germany
100.00	100.00	Palazia Dunger GmbH Germany	Amsterdam Fertilizers Deutschland Beschrankt Haftenda O.H.G., Germany
			Palazia Dunger GmbH Germany
5.00	5.00	Amsterdam Fertilizers Deutschland Beschrankt Haftenda 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.
33.33	33.33	M.M.M. Company United Landfill Industries (1998) Ltd., Israel	Mifalei Tovala Ltd.

Appendix – Details on investee companies as at December 31, 2007

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	I.D.E.S.B Desalination Partnership, Israel	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.