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

Israel Chemicals Ltd.
Consolidated
Financial Statements
(Unaudited)

As at March 31, 2007
(In U.S. Dollars)

Financial Statements as at March 31, 2007 (Unaudited)

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The Board of Directors of
Israel Chemicals Ltd.

Dear Sirs,

Review of the unaudited interim consolidated financial statements as at March 31, 2007

At your request, we have reviewed the consolidated interim balance sheet of Israel Chemicals Ltd. (hereinafter – "the Company") and its subsidiaries as at March 31, 2007, and the consolidated interim statements of income, changes in shareholders' equity and cash flows for the three-month period then ended.

Our review was performed in accordance with the procedures prescribed by the Institute of Certified Public Accountants in Israel. These procedures included, inter alia, reading the aforementioned financial statements, reading of minutes of meetings of shareholders, the Board of Directors and its committees and making inquiries of the persons responsible for financial and accounting matters.

Since our review was limited in scope and did not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on the abovementioned interim financial statements.

In the course of performing our review, nothing came to our attention that would indicate the need to make material modifications to the said financial statements, in order for them to be considered financial statements prepared in conformity with generally accepted accounting principles and in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

As mentioned in Note 1(D), these financial statements are prepared in U.S. dollars.

Somekh Chaikin
Certified Public Accountants (Isr.)

May 28, 2007

Consolidated Balance Sheet

	March 31 2007	March 31 2006	December 31 2006
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Current assets			
Cash and cash equivalents	**139,132**	102,372	50,085
Short-term investments, deposits and loans	**84,517**	32,684	120,820
Trade receivables	**556,567**	433,792	470,569
Other receivables	**152,078**	* 131,563	* 180,869
Inventories	**804,917**	* 743,980	* 797,375
	1,737,211	1,444,391	1,619,718
Long-term investments, loans and receivables			
Associated companies	**32,394**	26,710	31,149
Long-term deposits and receivables	**27,380**	27,849	27,798
Inventories – non-current	**31,893**	29,211	33,865
Deferred income taxes, net	**7,794**	5,634	6,539
Receivables from the Minority interest	**6,769**	10,113	17,011
	106,230	99,517	116,362
Property, plant and equipment			
Cost	**4,715,895**	* 4,550,684	* 4,657,230
Less – accumulated depreciation	**3,021,886**	* 2,891,321	* 2,979,379
	1,694,009	1,659,363	1,677,851
Other assets and deferred expenses less accumulated Amortization	**203,103**	* 196,020	* 194,611
	3,740,553	3,399,291	3,608,542

* Restated – see Note 1(C).

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

	As at March 31 2007	As at March 31 2006	As at December 31 2006
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Current liabilities			
Credit from banks and others	**277,475**	274,604	266,973
Trade payables	**306,517**	285,294	315,945
Other payables	**377,749**	343,299	371,348
Dividend payable	**283,411**	89,816	-
	1,245,152	993,013	954,266
Long-term liabilities			
Loans from banks and others	**363,982**	339,042	358,391
Debentures	**125,000**	125,000	125,000
Provision for reclamation of mines and disposal of waste	**34,577**	21,953	24,989
Deferred income taxes, net	**170,289**	174,920	168,391
Liability for employee severance and other post-employment benefits, net	**241,315**	222,676	241,252
	935,163	883,591	918,023
Minority interest	**10,157**	8,404	9,476
Shareholders' equity	**1,550,081**	* 1,514,283	* 1,726,777
	3,740,553	3,399,291	3,608,542

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Yossi Rosen Chairman of the Board of Directors	Akiva Mozes Chief Executive Officer	Avi Doitchman Chief Financial Officer

Date of approval of financial statements: May 28, 2007

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

Consolidated Statement of Income

	For the three month period ended		For the year ended
	March 31 2007	March 31 2006	December 31 2006
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Sales	**882,960**	716,956	3,258,161
Cost of sales	**578,143**	* 451,296	* 2,104,935
Gross profit	**304,817**	265,660	1,153,226
Expenses			
Research and development, net	**9,551**	8,432	35,093
Selling, transportation and marketing	**122,980**	* 93,443	* 456,688
General and administrative	**34,248**	27,752	125,000
	166,779	129,627	616,781
Operating income	**138,038**	136,033	536,445
Financing expenses, net	**10,457**	6,044	39,250
Income before other expenses (income), net	**127,581**	129,989	497,195
Other expenses (income), net	**4,368**	(1,228)	2,294
Income before taxes on income	**123,213**	131,217	494,901
Taxes on income	**30,251**	37,234	136,686
Income after taxes on income	**92,962**	93,983	358,215
Share in profits of associated companies, net	**1,008**	919	3,843
Minority interest in losses of subsidiaries, net	**1,413**	1,709	11,845
Net income	**95,383**	96,611	373,903
Earnings per share	**US$**	**US$**	**US$**
Basic earnings per ordinary share	**0.074**	0.076	0.291
Fully diluted earnings per ordinary share	**0.074**	0.075	0.291

* Reclassified.

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

Statements of Changes in Shareholders' Equity

	Share capital	Premium on shares	Capital reserve	Differences from translation of financial statements of subsidiaries	Retained earnings	Dividend declared after the balance sheet date	Cost of Company shares held by a subsidiary	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Three month period ended March 31, 2007								
Balance as at December 31, 2006	540,779	81,396	2,127	18,728	* 802,533	283,411	(2,197)	1,726,777
Initial implementation of Accounting Standard No. 27 as at January 1, 2007 **	**-**	**-**	**-**	**-**	**4,242**	**-**	**-**	**4,242**
Net income	**-**	**-**	**-**	**-**	**95,383**	**-**	**-**	**95,383**
Dividend declared after the balance sheet date	**-**	**-**	**-**	**-**	**(66,653)**	**66,653**	**-**	**-**
Dividend declared	**-**	**-**	**-**	**-**	**-**	**(283,411)**	**-**	**(283,411)**
Issuance of options to employees	**-**	**-**	**841**	**-**	**-**	**-**	**-**	**841**
Tax benefits in respect of shares granted to employees	**-**	**-**	**11**	**-**	**-**	**-**	**-**	**11**
Differences from translation of financial statements of subsidiaries	**-**	**-**	**-**	**6,238**	**-**	**-**	**-**	**6,238**
Balance as at March 31, 2007	**540,779**	**81,396**	**2,979**	**24,966**	**835,505**	**66,653**	**(2,197)**	**1,550,081**
Three month period ended March 31, 2006								
Balance as at December 31, 2005	536,081	66,326	1,110	(6,082)	* 802,671	89,816	(4,327)	1,485,595
Net income	-	-	-	-	96,611	-	-	96,611
Dividend decalred	-	-	-	-		(89,816)	-	(89,816)
Exercise of options granted to employees	3,663	10,296	-	-	-	-	1,653	15,612
Tax benefits in respect of options to employees	-	-	403	-	-	-	-	403
Differences from translation of financial statements of subsidiaries	-	-	-	5,878	-	-	-	5,878
Balance as at March 31, 2006	539,744	76,622	1,513	(204)	899,282	-	(2,674)	1,514,283

* Restated – see Note 1(C).
** See Note 1(C)2.
The notes to the financial statements are an integral part thereof.

Statements of Changes in Shareholders' Equity (cont'd)

	Share capital	Premium on shares	Capital reserve	Differences from translation of financial statements of subsidiaries	Retained earnings	Dividend declared after the balance sheet date	Cost of Company shares held by a subsidiary	Total
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Year ended December 31, 2006								
Balance as at December 31, 2005	536,081	66,326	1,110	(6,082)	* 802,671	89,816	(4,327)	1,485,595
Net income	-	-	-	-	373,903	-	-	373,903
Dividend paid	-	-	-	-	(89,845)	(89,816)	-	(179,661)
Erosion of dividend	-	-	-	-	(785)	-	-	(785)
Dividend declared after balance sheet date	-	-	-	-	(283,411)	283,411	-	-
Exercise of options granted to employees	4,545	12,552	-	-	-	-	2,130	19,227
Allotment of shares to employees	153	2,518	-	-	-	-	-	2,671
Tax benefits in respect of options and shares to employees	-	-	1,017	-	-	-	-	1,017
Differences from translation of 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

* Restated – see Note 1(C).

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

Consolidated Statement of Cash Flows

	For the three-month period ended		For the year ended
	March 31 2007	**March 31 2006**	**December 31 2006**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	US$ thousands	**US$ thousands**	**US$ thousands**
Cash flows from operating activities			
Net income	**95,383**	96,611	373,903
Adjustments to reconcile net income to net cash flows from operating activities (a)	**(12,249)**	(51,941)	(26,467)
Net cash inflow generated by operating activities	**83,134**	44,670	347,436
Cash flows generated by investing activities			
Acquisition of property, plant and equipment	**(47,271)**	*(31,759)	*(134,800)
Investment grants received, net	**12**	2,366	3,070
Acquisition of newly consolidated companies and activities (b)	**-**	(2,100)	(2,100)
Proceeds from disposal of previously consolidated subsidiaries (c)	**-**	-	4,768
Other long-term investments	**-**	(662)	(996)
Acquisition of marketable securities and long-term deposits	**(233)**	(423)	(1,096)
Short-term deposits and loans, net	**37,607**	21,229	(64,525)
Acquisition of other assets and deferred expenses	**(11,210)**	*(3,351)	*(12,208)
Proceeds from disposal of property, plant and equipment	**672**	321	9,442
Proceeds from realization of marketable securities and long-term deposits	**859**	1,478	4,732
Net cash outflow generated by investing activities	**(19,564)**	(12,901)	(193,713)
Cash flows generated by financing activities			
Proceeds from exercise of options granted to employees	**-**	15,611	20,242
Receipt of long-term loans and other long-term liabilities	**96,774**	669	51,466
Repayment of long-term loans and other long-term liabilities	**(59,156)**	(25,023)	(164,205)
Dividend to shareholders	**-**	-	(180,446)
Short-term credit from banks and others, net	**(12,192)**	22,210	111,635
Net cash inflow (outflow) generated by financing Activities	**25,426**	13,467	(161,308)
Translation differences on cash balances of subsidiaries operating independently	**51**	(100)	434
Increase (decrease) in cash and cash equivalents	**89,047**	45,136	(7,151)
Cash and cash equivalents at beginning of period	**50,085**	57,236	57,236
Cash and cash equivalents at end of period	**139,132**	102,372	50,085

* Restated – see Note 1(C)3.

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

Consolidated Statements of Cash Flows

	For the three-month period ended		For the year ended
	March 31 2007	March 31 2006	December 31 2006
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Appendix A - Adjustments to reconcile net income to net cash from operating activities:			
Revenues and expenses not affecting cash flows:			
Minority interest in losses of subsidiaries, net	**(1,413)**	(1,709)	(11,845)
Share in profits of associated companies, net	**(908)**	(859)	(2,791)
Depreciation and amortization	**43,281**	41,046	169,226
Deferred income taxes, net	**(349)**	5,481	(21,281)
Increase (decerase) in liability for employee severance and other post-employment benefits, net	**423**	(14,109)	(3,360)
Capital gains on disposal of property, plant and equipment, net	**(11)**	(242)	(5,347)
Capital loss from realization of investment in subsidiaries (c)	**-**	-	3,249
Exchange and linkage differences on (erosion of) principal of long-term loans and other liabilities, net	**2,013**	(3,291)	217
Erosion of principal (of interest, exchange and linkage differences) on long-term deposits and receivables, net	**(451)**	227	(2,981)
Gain from marketable securities, net	**(92)**	(11)	(280)
Compensation expense regarding allotment of shares to employees	**-**	-	2,671
Compensation expense regarding granting of options to employees	**841**	-	-
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	**(84,435)**	72,223	42,144
Decrease (increase) in other receivables	**30,791**	(31,185)	(62,961)
Increase in inventories	**(1,821)**	(90,870)	(137,573)
Increase (decrease) in trade payables	**(7,755)**	(4,945)	8,382
Increase (decrease) in other payables	**196**	(24,275)	(5,792)
Increase in provision for reclamation of mines and disposal of waste	**7,441**	578	1,855
	(12,249)	(51,941)	(26,467)

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

Consolidated Statement of Cash Flows

	For the three-month period ended		For the year ended
	March 31 2007	March 31 2006	December 31 2006
	(Unaudited)	(Unaudited)	(Audited)
	US$ thousands	US$ thousands	US$ thousands
Appendix B – Acquisition of newly consolidated companies and activities:			
Payables in respect of the acquisition	-	(2,100)	(2,100)
Property, plant and equipment	-	3,080	3,080
Goodwill	-	(3,080)	(3,080)
	-	(2,100)	(2,100)
Appendix C – Proceeds from disposal of 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

* Restated – see Note 1(C)3.

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

Note 1 - Financial Reporting Principles and Accounting Policies

A. General

1. These interim financial statements have been prepared in accordance with generally accepted accounting principles applicable to the preparation of interim period financial statements in accordance with Standard No. 14 of the Israel Accounting Standards Institute and with Article 4 of the Securities Regulations (Immediate and Periodic Reports) 1970.

2. The accounting policies applied in the preparation of these financial statements are consistent with those applied in the audited financial statements as at December 31, 2006, except for those mentioned in Note 1C.

3. These financial statements have been prepared in an abridged form as at March 31, 2007 and for the three-month period then ended. These financial statements should be read in conjunction with the annual financial statements as at December 31, 2006 and for the year then ended, and the notes related thereto.

B. Disclosure of effect of new accounting standards in the period prior to their 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 Standard permits early adoption as from financial statements published after July 31, 2006. The aforementioned does not apply to entities subject to Securities Regulations (Periodic and Immediate Reports of a Foreign Entity) – 2000, the financial statements of which are not prepared in accordance with Israeli GAAP. Furthermore, the Standard provides that entities that are not subject to the Securities Law – 1968 and not required to report according to the regulations of this law, are also permitted to prepare their financial statements according to IFRS as from financial statements published after July 31, 2006.

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

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

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

Note 1 - Financial Reporting Principles and Accounting Policies (cont'd)

C. First time application 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 "First-In – First-Out" (FIFO) method. The Standard also provides guidelines regarding the allocation of conversion costs to inventory and for determining impairment in value of inventory 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 $ 6 million, an increase in 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 presentation, measurement and derecognition 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 purchased 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.

Note 1 - Financial Reporting Principles and Accounting Policies (cont'd)

C. First time application of new accounting standards

(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 the recognition of the initial estimate of costs for dismantling and removing assets as aforementioned.

The effect of the initial implementation of the Standard as a result of implementing the components methods, 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.

Note 1 - Financial Reporting Principles and Accounting Policies (cont'd)

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

(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 shall be implemented with respect to business combinations that took place on January 1, 2007 or thereafter, whereas in respect of a research and development project 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 shall recognize the research and development project in process as an asset and make an allocation of taxes on January 1, 2007.
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 declines 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 software costs, which in the past were presented as a part of the fixed assets, under the item of other assets. Other than that, the initial implementation of the Standard did not have an effect on the Company's results of operations and financial position.

(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 actually a dividend and accordingly reduces the retained earnings. A credit difference is actually an investment of the shareholder and shall therefore be presented under a separate item of shareholders' equity called "capital reserve from transaction between an entity and its controlling shareholder".

The Standard discusses three issues relating to transactions between an entity and its controlling shareholder, as follows: the transfer of an asset to the entity by the controlling shareholder, or conversely, transfer of an asset from the entity to the controlling shareholder; the controlling shareholder assuming upon itself a liability of the entity to a third party, 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 to it, 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.

Note 1 - Financial Reporting Principles and Accounting Policies (cont'd)

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

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.

D. Financial statements in US dollars

The Company and its Israeli subsidiaries maintain their current accounting records in nominal shekels and dollars using a multi-currency system. Since most of the Group's revenues are received in dollars and the principal raw materials and fixed assets are purchased in dollars, the dollar is the principal currency of the economic environment in which the Group operates ("the functional currency"). Accordingly, the dollar is the measurement and reporting currency in these financial statements. It should not be construed that the translated amounts actually represent or can be converted into dollars unless otherwise indicated in these statements.

Changes in the representative exchange rates of the U.S. dollar and the Consumer Price Index (CPI) are as follows:

	CPI	Representative exchange rate of the US$ to the NIS	Representative exchange rate of the US$ to the Euro
	%	%	%
During the three-months ended March 31, 2007	**(0.2)**	**(1.7)**	**(1.1)**
During the three-months ended March 31, 2006	0.6	1.4	(2.5)
During the year ended December 31, 2006	(0.1)	(8.2)	(10.2)

Note 2 - Supplementary Information

(1) In the framework of agreements of the Company and subsidiaries from July 2004 regarding a securitization agreement for the sale of debts of customers to companies of the RaboBank International Group, debts of customers in the amount of $ 211 million were sold in cash as at balance sheet date (March 31, 2006 - $ 190 million, December 31, 2006 - $ 218 million).

The maximum amount of the monetary resources at the disposal of the purchasing companies for the purpose of purchasing debts of customers of the subsidiaries is $ 220 million, on a current basis, such that the amounts received from the customers whose debts were sold will be used to purchase new customer debts.

(2) On January 28, 2007 (hereinafter – "the Effective Date"), the Company's Board of Directors approved a plan for a private issuance, for no consideration, of 12.9 million options exercisable for Company shares, to a group of officers and other senior employees holding management positions with the Company and companies it controls, in and outside of Israel.

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

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

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

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

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

In the current period, the financial statements include an expense in respect of the said plan in the amount of $ 841 thousand.

Note 2 - Supplementary Information (cont'd)

(3) In March 2007 the Company's Board of Directors declared a dividend in the amount of $ 283.9 million which was paid on April 25, 2007 (the net dividend, less the share of a subsidiary, is $ 283.4 million).

(4) Subsequent to balance sheet date, on May 28, 2007 the Company's Board of Directors declared a dividend in the amount of $ 66.8 million which will be paid on June 18, 2007 (the net dividend, less the share of a subsidiary, is $ 66.7 million).

(5) As from the current period, the Company no longer reports the metallurgy segment as an independent segment, since it no longer meets the definition of a reportable segment. The comparative figures in the business segments, as detailed in Note 3, hereinafter, were reclassified accordingly.

(6) Subsequent to balance sheet date, on May 13, 2007, a subsidiary, Dead Sea Works Ltd. (hereinafter – DSW) received a letter from the controller of the Ministry of Industry, Trade and Labor wherein it is contended that DSW transferred manufacturing activities to subsidiaries not in accordance with the concession and that it calculates and pays an insufficient amount of royalties, which the controller of the Ministry of Industry, Trade and Labor estimates at more than $ 20 million with respect to a subsidiary, Bromine Compounds Ltd., in respect of the years 1999-2005. DSW was requested to provide a response to this issue and to provide details. The Company believes that these contentions have no grounds and that it acts and has acted according to the provisions of the concession and the decisions of the Government. Accordingly no provision was recorded in the financial statements.

(7) See Note 18 of the annual financial statements as at December 31, 2006 regarding contingent claims against the Company and its subsidiaries.

Note 3 - Business Segments

	Fertilizers				Industrial	Performance	Other		
	Potash	Phosphate	Eliminations	Total	Products	Products	Operations	Eliminations	Consolidated
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
					In thousands				
Three-month period ended March 31, 2007									
Sales to external parties	**246,153**	**166,235**	**-**	**412,388**	**195,687**	**243,576**	**31,309**	**-**	**882,960**
Inter-segment sales	**29,695**	**18,130**	**(8,407)**	**39,418**	**1,255**	**5,508**	**4,846**	**(51,027)**	**-**
Total sales	**275,848**	**184,365**	**(8,407)**	**451,806**	**196,942**	**249,084**	**36,155**	**(51,027)**	**882,960**
Operating income (loss)	**66,270**	**9,390**	**122**	**75,782**	**45,375**	**18,783**	**(1,788)**	**(114)**	**138,038**
Three-month period ended March 31, 2006									
Sales to external parties	143,710	* 98,559	-	242,269	216,883	239,968	* 17,836	-	716,956
Inter-segment sales	33,372	* 20,411	(8,180)	45,603	2,943	2,234	* 12,550	*(63,330)	-
Total sales	177,082	118,970	(8,180)	287,872	219,826	242,202	30,386	(63,330)	716,956
Operating income (loss)	51,444	* 1,753	1,333	54,530	62,152	24,667	*(5,871)	555	136,033

* Reclassified.

Note 3 - Business Segments (cont'd)

	Fertilizers				Industrial	Performance	Other		
	Potash	Phosphate	Eliminations	Total	Products	Products	Operations	Eliminations	Consolidated
	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited
					In thousands				
Year ended December 31, 2006									
Sales to external parties	791,361	* 518,480	-	1,309,841	827,329	1,011,047	* 109,944	-	3,258,161
Inter-segment sales	133,722	* 75,946	(39,934)	169,734	10,516	16,870	* 43,478	(240,598)	-
Total sales	925,083	594,426	(39,934)	1,479,575	837,845	1,027,917	153,422	(240,598)	3,258,161
Operating income (loss)	245,133	* 19,734	1,968	266,835	208,889	85,911	*(29,407)	4,217	536,445

* Reclassified.