



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

29 March, 2006

The Securities Authority

The Tel Aviv Stock Exchange

Transmitted by Magna

Dear Sirs,

Re: **Immediate Report – Significant Private Placement**

We wish to issue an Immediate Report in accordance with the Securities Regulations (Private Placement of Securities in a Listed Company) 5760-2000 (the "Private Placement Regulations"):

A. Introduction

1. On March 27th, 2006 the Board of Directors of Israel Chemicals Ltd. ("the Company" or "ICL") approved a plan ("the Plan") for the private issuance of 700,000 shares ("the Allotted Shares") to senior employees of ICL and companies it controls ("the Offerees"). Under the Plan, 175,000 shares will be allotted to the CEO of the Company ("the CEO"). The offer to the CEO is a "Significant Private Placement" and the offer to the other Offerees is an Insignificant Private Placement, all as these terms are defined in Article 1 of the Private Placement Regulations.

B. The Offerees

2. The Offerees in the Insignificant Private Placement are employees of ICL and its subsidiaries, and their number will not exceed 35. The Offeree in the Significant Private Placement, Mr. Akiva Moses, is the CEO of ICL. According to an investigation made by the management of ICL, none of the Offerees is an interested party in the Company by virtue of his holdings therein, nor is expected to become an interested party therein even after issuance of the Allotted Shares and even assuming that he exercise all the options he holds. The CEO is an Interested Party in the Company by virtue of his office as its Chief Executive Officer.

C. The terms of the securities it is proposed to issue

3. Quantity of proposed securities, their percentage of the share capital, and their listing

- 3.1 700,000 ordinary shares of a par value of NIS 1 each of the Company will be allotted for the Offerees (through a trustee). The total Allotted Shares to all the Offerees will constitute 0.055% of the issued capital and of the voting rights of the Company after the allotment (and on a fully diluted basis). Of the Allotted Shares, the shares offered to the CEO will constitute 0.014% of the capital and of the voting rights of the Company after the allotment (and on a fully diluted basis). (see Section E below).
- 3.2 The shares that will be allotted for the Offerees, including the CEO, will be listed on the [Tel Aviv] Stock Exchange ["TASE"] and, commencing on the date of their allotment, they will be equal in their rights in every respect to the ordinary shares of NIS 1 par value existing in the capital of the Company.

4. Restrictions on sale of the Allotted Shares

In addition, and without derogating from any restriction applicable to any of the Offerees to sell the shares allotted to him by virtue of the Income Tax Ordinance as described in Section 5 below, the Offerees may not sell, assign, encumber or transfer in any other way, the shares allotted to them under the Plan, for one year from the date of the allotment.

5. Trust arrangement pursuant to Section 102 of the Income Tax Ordinance and taxation provisions

- 5.1 The Company has requested the approval of the tax authorities to apply the provisions of Section 102 of the Income Tax ordinance to the allotment of shares under the Plan, in the "Employment Income" track of an allotment through a trustee (Section 102 and the relevant prescribed regulations and rules are hereinafter together referred to as "the Section 102 Provisions").
- 5.2 Under the Section 102 Provisions, the shares will be allotted to the trustee referred to below, for the Offerees, and the trustee will hold the shares in accordance with the Section 102 Provisions and in accordance with the provisions of the trust arrangement between the Company and the trustee ("the Trust Arrangement").
- 5.3 Under the Section 102 Provisions (as in effect on the date of approval of the compensation Plan), and without derogating from the generality of the aforesaid, the following provisions shall apply:
 - 5.3.1 The trustee will hold the Allotted Shares for a period of 12 months from the end of the tax year in which they were allotted and deposited with the trustee ("the Lock-up Period"). It is clarified that the Offerees may not receive the shares from the trustee before the end of the Lock-up Period, nor may they instruct the trustee to sell or transfer the shares before the

end of that period. Furthermore, during the Lock-up Period the Allotted Shares will not be subject to any act of transfer (including by way of subordination to a power of attorney or deed of share transfer), unless such act is permitted under the Section 102 Provisions.

- 5.3.2 It is clarified that during the period in which the trustee will hold the shares for the Offerees, he may not vote by virtue of those shares in any manner.
- 5.4 It is clarified that any securities to which the Offerees are entitled (in the period when their shares are held by the trustee) in respect of the Allotted Shares under the Plan (such as bonus shares, securities of another corporation in the event of a share swap transaction with the Company, or shares of a different par value in the event of a change in the structure of the Company's share capital), these too will be allotted in the name of the trustee (for the Offerees), and the same terms as apply to the shares originally allotted shall apply to them, *mutates mutandis*, and the same tax track.
- 5.5 For the purpose of the Plan, the trustee will be Arye Pundak, CPA, of the firm of Cost, Forer, Gabbai & Ksirer.
- 5.6 Each of the Offerees will bear the tax imposed in respect of the shares and in respect of their sale, as well as in respect of any transaction or action with the shares, if such tax applies.

D. The price of the Allotted Shares

6. The Allotted Shares will be allotted free of charge.
7. At the end of trading on the date before the date of publication of this Immediate Report, the price of an ordinary shares of the Company on the TASE was NIS 16.92.

E. The issued share capital of the Company, the holdings of the Offerees and the interested parties in the Company

8. The issued and paid up share capital of the Company as at the date of this report is NIS 1,282,590,866 par value, divided into 1,282,590,865 ordinary shares of NIS 1 par value each and one special State share ("the Golden Share").

In addition to the above, there are unlisted options exercisable for 4,738,567 ordinary shares of the Company in respect of a private placement to employees and officers of the Company, as described in the Immediate Report dated January 30th, 2003.

The table below shows the holdings of the CEO in the Company's share capital (voting rights and capital), and the holdings of the interested parties and all other shareholders in the Company, as at the date of this report and after the proposed allotment of shares described in this report and the allotment to additional employees (together in this section – "the Allotments").

<u>Name of shareholder</u>	<u>No. and % of holding in capital and voting before the allotments</u>		<u>No. and % of holding in capital and voting after the allotments</u>		<u>No. and % of holding in capital and voting after the allotments at full dilution¹</u>	
	<u>No. of shares</u>	<u>Percentage</u>	<u>No. of shares</u>	<u>Percentage</u>	<u>No. of shares</u>	<u>Percentage</u>
The CEO	258,321	0.02	433,231	0.03	433,231	0.03
Israel Corporation Ltd.	660,416,194	51.49	660,416,194	51.46	660,416,194	51.38
Potash Corporation of Saskatchewan	129,359,925	10.09	129,359,925	10.08	129,359,925	10.06
Ferson Chemicals*	2,621,362	0.20	2,621,362	0.20	0.0	0.00
Yosi Rosen**	-	-	-	-	3,400,000	0.26
Rotem Amfert Negev Ltd.*	205	0.00	205	0.00	205	0.00
IDE Technologies Ltd.***	205	0.00	205	0.00	205	0.00
Amnon Sadeh**	14,500	0.00	14,500	0.00	14,500	0.00
Ben Zion Rabinovitch**	5,587	0.00	5,587	0.00	5,587	0.00
Irit Izakson**	1,400	0.00	1,400	0.00	1,400	0.00
Rest of the shareholders	489,913,257	38.20	490,438,257	38.22	491,776,824	38.26
Total	1,282,590,866	100	1,283,290,866	100	1,285,408,071	100

* A wholly owned and controlled subsidiary of ICL ** A director of ICL *** A 50% owned and controlled subsidiary of ICL

¹ Assuming that the convertible debentures and all the options for shares of the Company are exercised, and net of the shares held by Ferson Chemicals Ltd.

F. Consideration for the offered securities

9. As stated above, the shares will be allotted to the Offerees free of charge, and accordingly, the Company will convert part of its profits into share capital, from a premium on shares or from any other source included in its shareholders' equity, in an amount equal to the par value of the Allotted Shares, in accordance with the terms of Section 304 of the Companies Law, 5759-1999.

G. Approvals required

10. The allotment of shares which is the subject of this report will take place after April, 20th, 2006, and is subject to the approval of the TASE and to the listing of the shares for trading.

H. Agreements between the Offerees and the Company's shareholders

11. To the best of the Company's knowledge and after questioning the Offerees and some of the Company's managers on the matter, there are no agreements between the Offerees and the Company's shareholders, neither written nor oral, relating to their rights in shares of the Company.

I. Blocking provisions applicable to the Offerees

12. In addition to the restrictions by virtue of the Plan as described in Section 4 above and the restrictions by virtue of the Income Tax Ordinance as described in Section 5 above, sale during trading on the TASE of the offered shares that will be allotted to the Offerees will be subject to the blocking provisions of the Securities Law, 5728-1968 and the Securities Regulations (Details for the matter of Sections 15A to 15C of the Law), 5760-2000, whereby –
 - 12.1 the Offerees are forbidden to offer the shares allotted to them for a period of six months from the date of allotment of the shares;
 - 12.2 for the six subsequent quarters, any of the Offerees can offer, on any trading day, a quantity of shares not exceeding the average daily volume of trading in the Company's shares on the stock exchange in a period of eight weeks prior to the date of the offer, provided that a quantity of shares exceeding one percent of the issued and paid up share capital of the Company is not offered in one quarter.

J. Date of allotment

13. All the Allotted Shares will be allotted to the trustee for the Offerees as soon as the approval referred to in Section 10 above is granted.

Israel Chemicals Ltd.