



# Israel Corp.

## 2006 Annual Review



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Delivering value to shareholders,  
employees and the community.









*"IC is committed to significantly expanding its presence in international markets, by building on the core strengths of its companies and seeking new investment opportunities."*

Israel Corp. (IC), is Israel's leading holding company and is actively involved in domestic and overseas markets worldwide. For nearly forty years, IC has played a pivotal role in the privatization and development of Israel's key industries.

Today, IC's primary focus is on Chemicals, Shipping, Semiconductors and Energy.

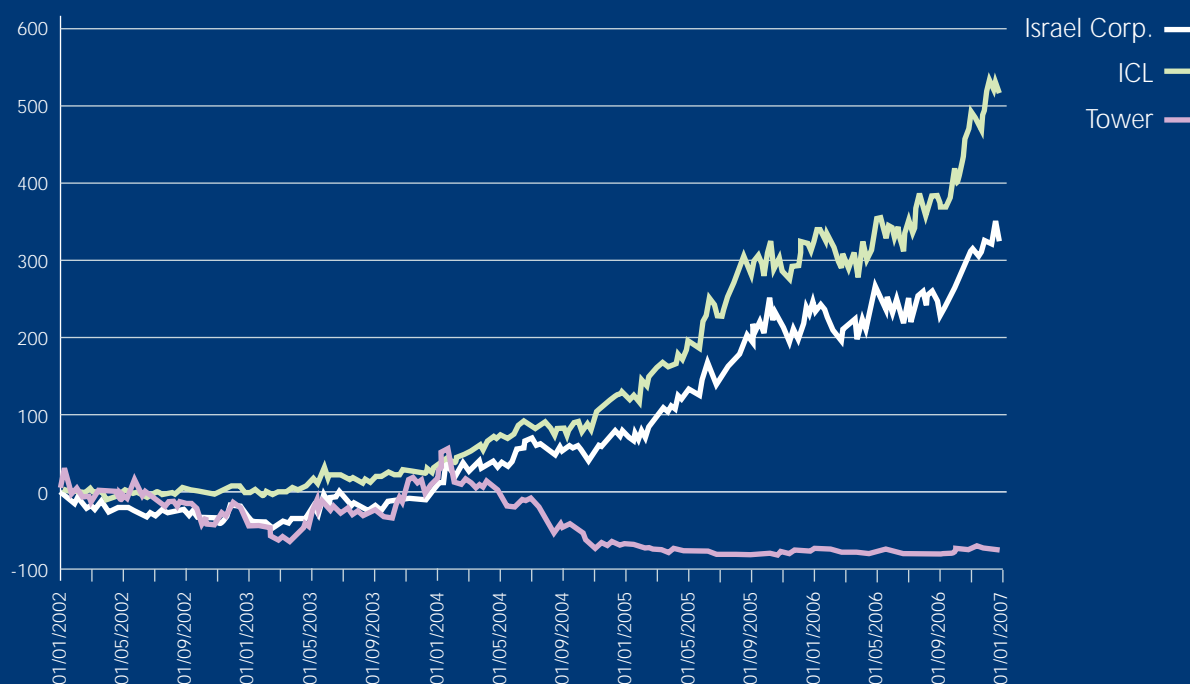
IC's holdings include Israel Chemicals Ltd. (ICL), a global fertilizers and specialty chemicals company, and a leading provider of potash, bromine and bromine-based products and specialty phosphates; Zim Integrated Shipping Services Ltd. (ZIM), one of the world's largest container-shipping companies; Tower Semiconductor Ltd. (TOWER), a pure-play independent specialty foundry; Oil Refineries Ltd., Israel's largest refiner of conventional energy, and the newly established IC Green Energy Ltd. addressing alternative energy sources in expression of IC's commitment to environmental improvement in Israel and around the world.

IC takes a proactive approach to its subsidiaries, supporting them with strategic vision, management expertise and business development.

IC is committed to significantly expanding its presence in international markets, by building on the core strengths of its companies and seeking new investment opportunities in new industries and geographic markets.

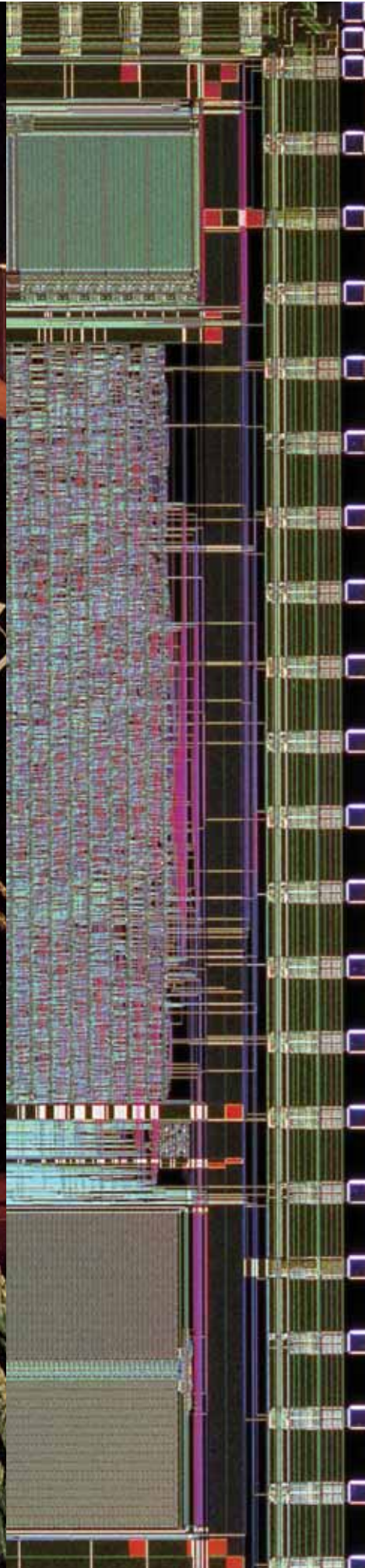
IC's shares and the shares of a number of its subsidiaries are listed on the Tel Aviv Stock Exchange, whilst TOWER is also listed on the NASDAQ. The Ofer Group is the majority shareholder in IC with a holding of 55 percent, Bank Leumi L'Israel holds approximately 18 percent and the remaining shares are held by the public.

Changes in share prices\* 1.12.02 - 31.12.06

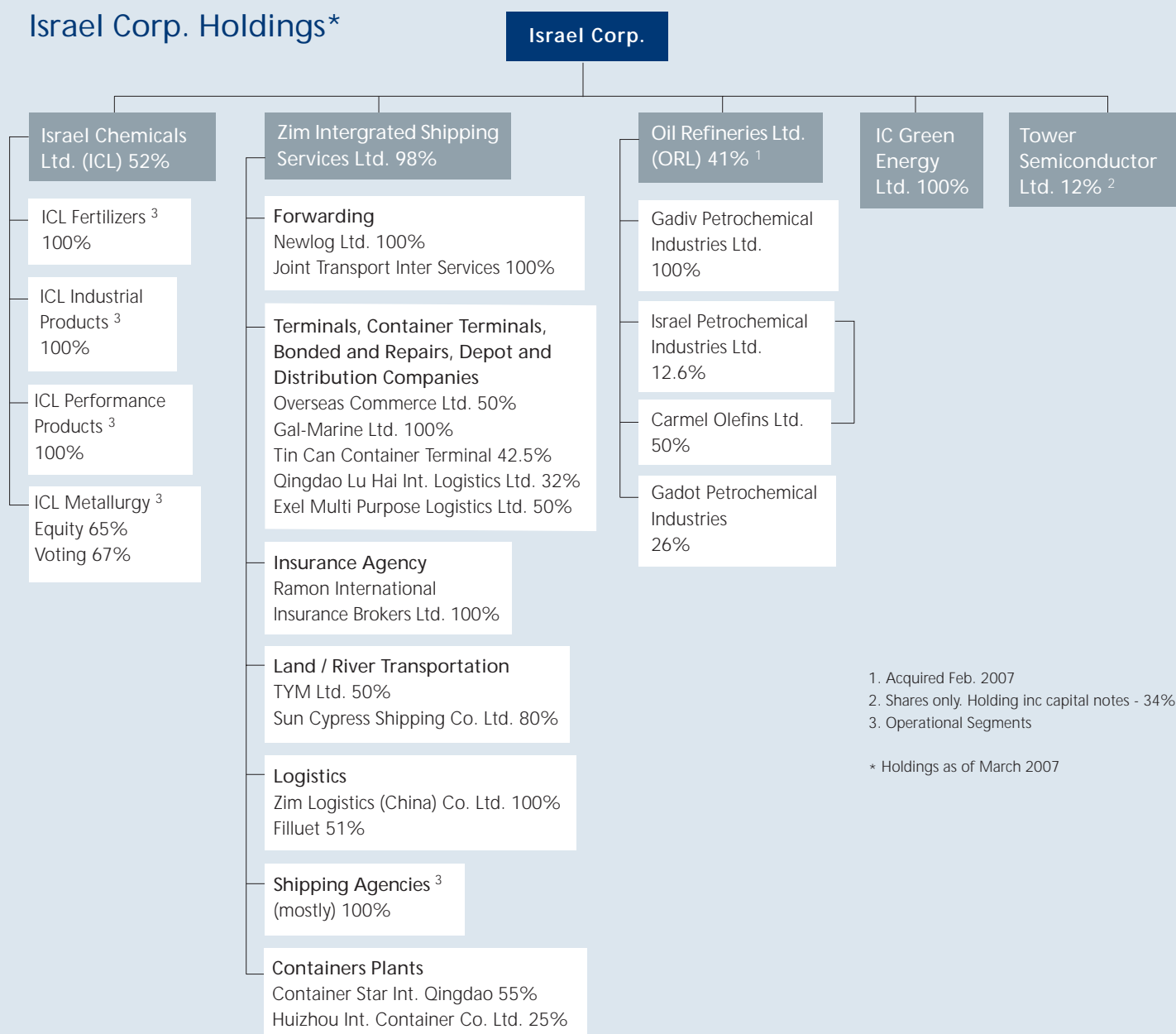


\*Adjusted for dividend etc.





## Israel Corp. Holdings\*



1. Acquired Feb. 2007

2. Shares only. Holding inc capital notes - 34%

3. Operational Segments

\* Holdings as of March 2007

## Financial Snapshot (Million USD)

Group Companies	IC*		ICL		Zim	
	2006	2005	2006	2005	2006	2005
Turnover	6,593	6,250	3,258	2,986	2,990	2,935
Operating Profit	665	787	536	561	113	191
Net Profit	202	375	374	422	80	187
Total Assets	6,046	6,137	3,616	3,324	2194	1,708
Return on Equity	16.4%	43.8%	23.2%	31.2%	15.7%	40.8%
EBITDA			730	743	195	268

\* based on the consolidated financial statements, translated using 31.12.06 exchange rate



## Board of Directors & Management

### Board of Directors

**Idan Ofer**, Chairman of the Board

**Ehud Angel**

**Yochi Dvir**

**Irit Izakson**

**Zvi Itskovitch**

**Yair Seroussi**

**Avi Levy**

**Amnon Lion**

**Prof. Isaac Ben-Israel**

**Moshe Vidman**



**Idan Ofer**  
Chairman of the Board



**Yossi Rosen**  
President & CEO

### Executive Officers

**Idan Ofer**, Chairman of the Board

**Yossi Rosen**, President & Chief Executive Officer

**Nir Gilad**, Deputy CEO, Strategy & Business Development

**Avisar Paz**, Chief Financial Officer

**Adv. Noga Yatziv**, Company Secretary and Assistant to the President

### Management

**Yossi Rosen**, Chairman, Israel Chemicals Ltd.

**Akiva Mozes**, President & CEO, Israel Chemicals Ltd.

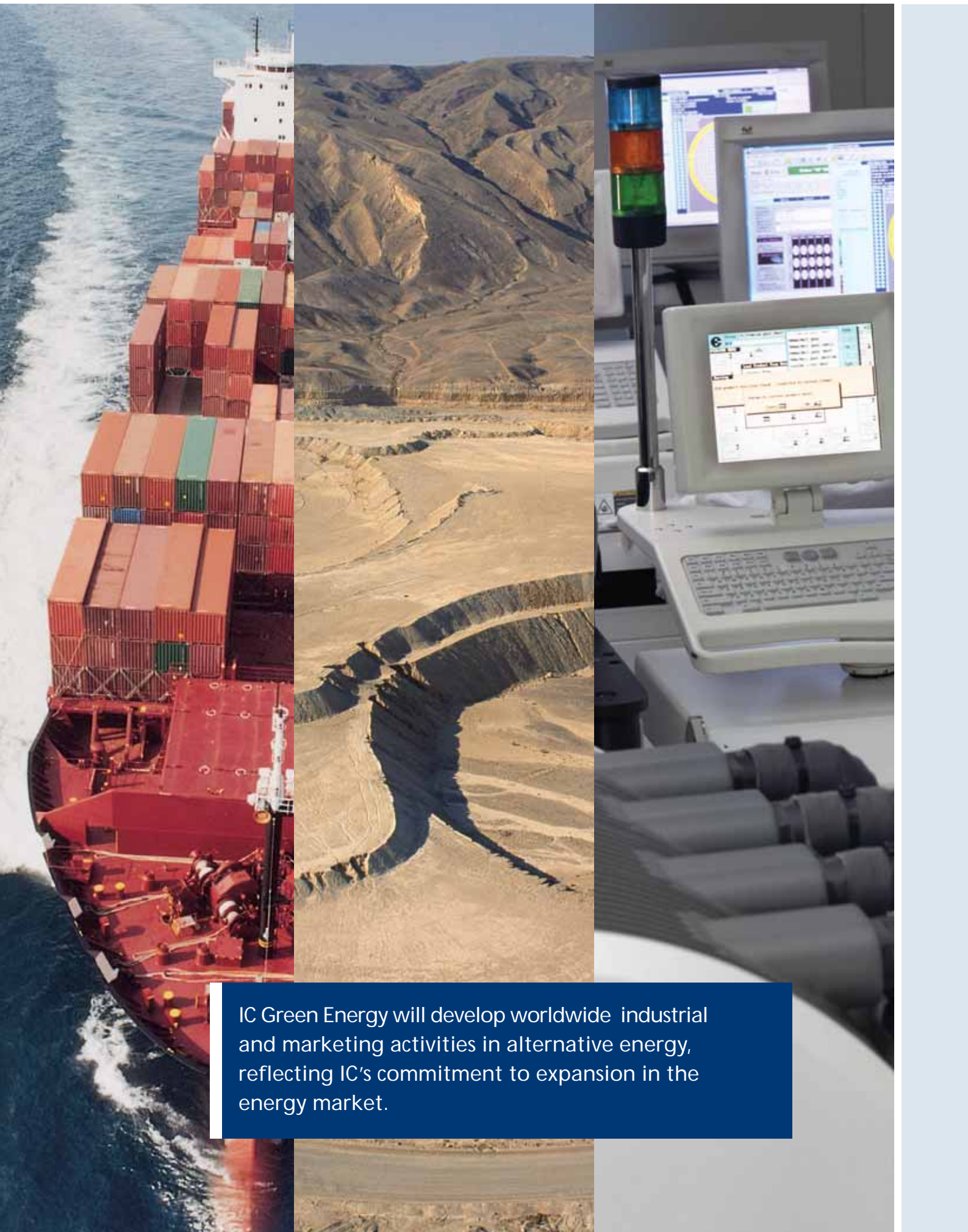
**Idan Ofer**, Chairman, Zim Integrated Shipping Services Ltd.

**Doron Goder**, President & CEO, Zim Integrated Shipping Services Ltd.

**Dov Moran**, Chairman, Tower Semiconductor Ltd.

**Russell Ellwanger**, Chief Executive Officer, Tower Semiconductor Ltd.

**Dr. Yom-Tov Samia**, President & CEO, IC Green Energy Ltd.



IC Green Energy will develop worldwide industrial and marketing activities in alternative energy, reflecting IC's commitment to expansion in the energy market.

# Letter to Our Shareholders

Dear Shareholders,

We are pleased to report sound results for Israel Corp (IC) in 2006, and the formulation of an ambitious strategy for the future. At the epicenter of the new century's first decade, ICL has committed to a serious expansion of its involvement in energy and water technologies, which it views as crucial industries of the future. IC is concurrently planning vigorous pursuit of opportunities in developing markets, particularly China and India.

## Satisfactory Results

IC recorded profits of NIS 855 million in 2006 (\$202 million), as compared to profits of NIS 1,585 million the previous year (\$375 million). Cash flow from current operations totaled NIS 1,815 million in 2006 (\$430 million), as compared to NIS 3,336 million in 2005 (\$790 million).

## Far-reaching Energy Strategy

At the beginning of 2006, Israel Corp sold its holdings in Oil Refineries Ltd. (ORL) to the Government of Israel, pursuant to a settlement which was reached between the parties. During the year, the Government issued a tender for the acquisition of a major shareholding in Oil Refineries Ltd. In February, 2007, IC acquired 36.8% of ORL for a consideration of NIS 2.4 billion (\$0.6 billion).

Our experience in Israel's fuel market has been very positive. Our holdings have benefited from our

management expertise in this sector, and returns have been consistently satisfactory. We are thus pleased at our re-engagement in the sector, and believe we can make measurable contributions for growth and profit.

In our 2005 Annual Report, we told our shareholders that we plan to explore other opportunities in the energy market. The first steps in this strategy were taken in 2006, with the establishment of IC Green Energy Ltd., to develop worldwide industrial and marketing activities in alternative energy.

IC Green Energy's plan is to grow through M&As and partnerships, and our ambitious goal is to become one of the leading players in the market by 2012. Our focus is on alternative energy that is primarily derived from renewable sources, such as Biofuel (Biodiesel & Ethanol), solar energy and production of Biofuel and energy from biomass.

We strongly believe that the transition to alternative energy is no longer a question of "if" or "when", but of "how" to achieve it affordably, practically and safely. Renewable energy addresses "Three birds with one stone", to use a common phrase. It...

- > Reduces dependency on oil, unstable nations, political events and fluctuating prices
- > Addresses environmental concerns and GHG emissions
- > Promotes agriculture in developed and developing countries



We view our main markets in this sector as Europe, the US and Southeast Asia, and we consider that Eastern Europe, Africa, South America and Southeast Asia can supply resources.

With the strong financial reservoirs of IC, and its extensive management experience, we believe we can move forward rapidly to make a positive impact on this market of the future.

## Israel Chemicals Delivers Another Record Year

The year 2006 was one of record sales and expanded market penetration for ICL, our major chemicals holding, following its 2005 acquisition of the Astaris business and the expansion of its Performance Products and Industrial Products segments.

ICL's revenues increased by 9% to a record \$3.26 billion despite a seven-month slowdown in its potash sales, the result of protracted industry potash price negotiations, which temporarily delayed the shipment of significant potash orders to major customers in China and India. As a result, ICL's sales of the commodity that has traditionally been its largest revenue and profit generator were reduced. However, the growth of its Industrial Products and Performance Products segments partially compensated, demonstrating the benefit of the Company's increasing diversity.

### Measurable, visible increase in potash sales:

ICL completed negotiations with major potash customers in China and India during the second half of the year, inducing higher potash sales in 2007 in

terms of both quantities and dollars sold. In addition, world fertilizer demand is at record levels, driven by the development of emerging economies, the biofuel phenomenon and drawn-down inventories as a result of the 2006 negotiations process.

### Leveraging ICL's Specialty Phosphate strength:

The acquisitions made by ICL Performance Products during the past few years have positioned it as the world's largest provider of Specialty Phosphates with particular strength in North America, Latin America and Europe. In the year ahead, ICL will continue to build on this strength and will streamline expenses through synergies made possible by the acquisitions.

ICL's results during 2006 prove the value of a business model based on a balance of strong but diverse segments and a presence in all world markets, enabling it to deliver steady results despite significant market fluctuations. In the year ahead, ICL shall strive to take advantage of cost synergies that it has not yet realized, and to reap the benefits of strong markets and rising prices for its major product lines.

## Zim Looks Forward

Zim reported a turnover of about \$3 billion in 2006, carrying about 2.1 million TEU, as compared to a turnover of about \$2.9 billion in 2005 and the carriage of 1.98 million TEU.

Zim, today rated the 16th largest container shipping company in the world, is expected to achieve a stronger position in coming years with the very ambitious expansion of its fleet and new activities.

Five vessels of 4,250 TEU will join the fleet in 2007 and 6 in 2008-9; 4 vessels of 6,350 TEU in 2008-9; 4 vessels of 8,200 TEU in 2009; and 7 vessels of 10,000 TEU in 2009-10. These vessels will upgrade three different global services, Asia- East Coast U.S.A., Asia-Med-Pacific, and Asia-North Europe, respectively. As of December 31st, 2006, Zim operated 98 vessels, primarily container vessels of all types. Of these, 25 vessels are fully or partly owned by the company and the rest are chartered.

Zim continues to strengthen its shipping-related services, which include freight forwarding, customs brokerage, off-dock container terminals, warehousing, trucking, container care, container building plant, logistics and insurance. To offer the best services, Zim holds a full or partial interest in companies that provide such services as repairs and maintenance of containers, maritime communications and navigation equipment, electronics and more.

Zim continues its major Global IT project covering and defining business best practices. This strategy will lead to an advanced Managerial Information System that will strengthen all operations.

In November 2006 Zim signed an agreement with China Railway Container Transport Corporation for a joint venture which will invest \$2 billion to build large-scale rail container terminals in 18 selected cities in China by 2010.

## Tower Semiconductor

2006 was an exceptional year for Tower, as the company achieved major milestones and recorded outstanding financial and operational performances. During all 2006 quarters, Tower achieved record revenues, and grew its positive EBITDA. Moreover, in the fourth quarter of 2006, Tower recorded positive cash flow from operations, for the first time since Fab2 was established. This, coupled with doubling revenues throughout 2006 (excluding \$8 million from a technology agreement in 2005), reflect the success of vigorous efforts to meet ambitious business goals.

In Q4 2006 Tower hit a \$220 million annual revenue run rate, almost double than the run rate in Q4 2005, while the company's 2006 revenue growth year-over-year was 99% (excluding the above-mentioned technology agreement in 2005), far beyond foundry industry average growth rates. Furthermore, Tower is in advanced stages of ramping up its Fab 2 capacity by 50 percent (to 24,000 wafers per month) based on its customer pipeline, which was reinforced by forecasted market conditions. To support the capital investment needed for the capacity growth, IC invested \$100 million in Tower, the lender banks refinanced the company's long-term debt, and Tower raised from the public an additional \$60 million in H2-2006.

During 2006, new contracts with leading customers were signed. These included the expansion of 0.13-micron manufacturing capacity with a purchase commitment by SanDisk Corporation, and a foundry agreement with International Rectifier for wafer production. Additional customers whose

products were announced are: Zoran, Atheros, Wavion, Alien Technology, Winbond, Ikanos, Panavision SVI, SuperPix, Coppergate and e2v.

In 2007, Tower plans to maintain its exceptional design support and customized business solutions to help customers sustain long-term, reliable performance, while delivering on-time and on-budget results. Tower will continue to provide highly flexible, customized, manufacturing solutions to fulfill the culminating variety of customer needs worldwide, while concurrently increasing its own financial performance through growing revenues and Fab efficiency and cost-control. We trust that these combined activities will fuel Tower's growth for years to come.

## A Strong Strategy for a Bright Future

As reported above, we begin 2007 with new holdings and strong prospects for expansion into new domains and markets.

Our acquisition of the significant holding in Oil Refineries Ltd. and the establishment of IC Green Energy, led by Major Gen. (Res.) Dr. Yom Tov Samia, are key pieces in our game-board for the future.

Still another market which we believe is primed for growth is water technology. Such rapidly progressing nations as China and India find that their plans are being stymied by water constraints. While our participation in this market has been relatively modest to date, primarily through water desalination

technologies, we believe we can leverage our contacts and resources to establish a sizeable footprint in water technologies.

Furthermore, as part of our strategy to expand operations to new industries and geographic markets, Quantum LLC, a fully owned daughter company of IC, has recently entered a long term Joint Venture Agreement with an Asian automobile manufacturer. The JV's purpose is to manufacture motor vehicles implementing advanced technology, and marketing and distributing motor vehicles worldwide under a premium brand. The JV will be provided with the technology required for the production of the JV models according to a license agreement to be executed between the parties. The parties have agreed to explore the expansion of the cooperation between them to additional joint ventures.

The establishment of the JV is subject to the approvals of its establishment and to the approvals of the JV's Agreement and of the JV's Article of Association by the competent authorities in the state in which the JV is due to be formed, and to the receipt of a Business License from the appropriate authority.

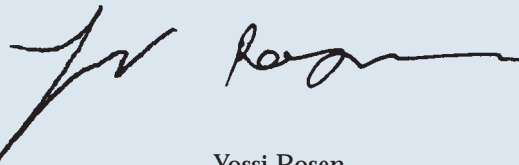
The scope of the investment is \$225 million in capital and a commitment to provide the JV with an additional \$180 million in other guarantees during the years 2008-2010 if required.

In our shipping business, IC's strategy is to become a full service-provider, and we are thus acting to obtain a license for air cargo, which will operate under IC's masthead.



We are also proud that in 2006 our contributions to the community redoubled as we answered the call for financial and personal assistance in Israel's North during the war with Lebanon. We continue to view our commitment to the community as a cornerstone of our business strategy.

Our shareholders, customers and employees can continue to rely on us for business achievements that are fiscally sound, socially and environmentally responsible, and a contribution to the well-being of the world's citizens. We thank them for their trust and confidence in our future.



Idan Ofer  
Chairman of the Board

Yossi Rosen  
President and CEO

We believe we can leverage our contacts and resources to establish a sizeable footprint in water technologies.



# Reaching out to the community

As a business corporation striving for excellence in performance and development in every field, IC and its companies - ICL, Zim and Tower, have made communal responsibility a top priority. We reach out financially and personally to nurture various aspects of the community and to create a measurable impact.

We allocate significant financial and human resources to healthcare, scientific, cultural and art institutions, special education schools in the Negev and various educational activities. In 2006, IC contributed about NIS 24 million (\$6 million) to these causes, with the flagship projects including the adoption of clubs for children and youth at risk, IC's Pharmaceuticals Fund for Healthcare in Israel, Alut, and special projects, such as food for needy families, and, most recently in 2006, assistance to the beleaguered North during the Lebanese War.

## Clubs for Children and Youth at Risk

This ambitious multi-year project, was launched in 2001. The clubs are located in Dimona, Arad, Yeruham and Beer Sheba in Southern Israel and Kiryat Ata, Kiryat Motzkin, Kiryat Haim, Haifa and Migdal Haemek in the North. Their goal is to make a positive impact that will lead to real change, empowering the participants to realize their potential and to benefit from opportunities.

The children, aged 6-17, come after school, remaining until the evening, so that the club serves as a model home and family. These children, who have been designated as being at risk, come from unfortunate backgrounds where their parents cannot care for them properly because of economic, physical or mental health problems. The clubs provide a nurturing environment that motivates and empowers

the children to cope with educational and social challenges. At the clubs, the children receive hot, nutritious meals, help with studies, and, perhaps more important, caring attention and affection.

The clubs are operated in cooperation with the Ministry of Education and local municipalities. They have earned high praise accolades from social workers and pedagogues in Israel, having achieved measurable results.

At the beginning of 2007, the project encompassed 57 clubs.

## Pharmaceuticals Fund for Healthcare in Israel

The Fund was officially launched in September 2005 by Sammy Ofer, IC, ICL and Zim, providing NIS 35 million for critical medications not covered by Israel's healthcare system. Our goal is to alleviate, at least in some measure, the difficult medical reality suffered by many patients with severe illnesses, who cannot afford life-saving, very expensive medications not covered by the healthcare system.

## Alut-the Association for Autistic Children

IC's relations with Alut began in 1999, and grew stronger steadily. Towards 2006, IC and ICL's boards of directors took the decision to contribute NIS 2.5 million for the establishment of a village for autistic children in Beer Sheva.

IC's involvement in Alut is thus enabling the establishment of two homes for autistic children, responding to the needs of dozens of families, some of whom have been on a waiting list for as long as 10 years. Alut supports thousands of autistic people and their families.

## Assistance to Needy Families During the Holidays

In light of growing economic gulfs between the needy and the well-off, IC has expanded its tradition of sending holiday gift packages to its friends to include needy families, hospitals, clubs for disadvantaged youth, and financially hard-pressed senior citizens.

## Rising to the Challenge

At no time was the spirit of financial and personal giving more apparent than during the Lebanese War in the summer of 2006. With citizens fearful for their lives spending virtually all their days and nights in shelters, unable to work, go to school, or even shop, the need was overwhelming and the responsiveness of IC's management and employees was as sincere as it was comprehensive. Moreover, it continued long after the war, as the North's residents began to piece their lives together. Concrete support for our fighting soldiers was also on the agenda.

Various IC companies also led initiatives of their own, such as a day camp at Tower, so that its employees, who mostly hail from the North, could have peace of mind; food packages from ICL companies in the South, "fun days" for youngsters from the North, and more.

The responsiveness of IC's management and employees during the Lebanese War was as sincere as it was comprehensive.







ICL is one of the world's most integrated chemical companies, and manufactures an expanding range of higher-margin downstream products based on this strength.

# Israel Chemicals Ltd.

*"In 2006, ICL once again validated the importance of a diversified business platform and a significant presence in all major markets."*

ICL is one of the world's leading fertilizer and specialty chemical companies. With exclusive concessions to extract high quality, low cost minerals from Israel's Dead Sea, ICL is a major player in its key markets:

- #1 producer of elemental bromine (one-third of global production)
- #1 in specialty phosphates
- #1 in pure phosphoric acid
- #6 producer of potash (#2 potash supplier in Europe)
- #1 supplier of PK (compound potash and phosphate fertilizers) in Europe
- #3 producer of magnesium in the Western world
- Major player in specialty chemical high margin niche markets and specialty fertilizers

ICL is one of the world's most integrated chemical companies, leveraging its low-cost sources of potash, phosphates and bromine to manufacture an expanding range of higher-margin downstream products, including specialty food-grade and technical phosphates and phosphate salts (used by the processed meat, dairy and baked goods industries), bromine-based flame retardants and clear brines, and other specialty chemicals for a broad range of industries. ICL is also differentiated by its high level of technological expertise and

know-how, advantages that enable it to continuously improve its production techniques and to serve and support its customers. ICL is a balanced, diversified company with three core segments, ICL Fertilizers, ICL Industrial Products and ICL Performance Products, plus a number of smaller businesses, including ICL Metallurgy/Dead Sea Magnesium and Tova Transportation. ICL holds 50% at I.D.E. Technologies, a recognized global leader in water treatment and desalination solutions that has built over 350 facilities in nearly 40 countries around the world. Now I.D.E. is one of the cornerstones of IC's commitment to expand its presence in water technologies.

A truly multi-national organization, ICL's major production facilities are located in Israel, Europe, North America, South America and China. In addition, ICL has established extensive marketing and logistics networks throughout the world, and has a dedicated team of over 9,000 employees.

### Moving Forward

To extend its leadership in all target markets, ICL is pursuing a focused strategy designed to optimize its operational synergies, expand its production of higher-value downstream products, and maximize its cash flow. Expressing this strategy, ICL continues to invest in expanded mining and manufacturing capacities and to strengthen its marketing and customer support capabilities. In parallel, ICL maintains its efforts to identify and realize the synergies made possible through its vertically integrated operations and worldwide presence.



## ICL Fertilizers

### Overview

With concessions for the Dead Sea and areas in the Negev Desert, ICL has access to low-cost raw material for its potash production, and is the world's sixth largest potash producer as well as serving as an integrated producer of a variety of products based on the phosphate rock that it extracts from the Negev Desert. ICL is also the world's largest provider of Specialty Phosphates. Eighty percent of its phosphate rock production is used to manufacture phosphate fertilizers and phosphoric acid for specialty fertilizers and downstream, higher-margin products.

ICL Fertilizers' main markets are Europe, Brazil, China and India.

The combination of world population growth, increasing nutrition requirements, greater adoption of balanced fertilizing strategies in developing regions (India, China and others), and the use of biofuels, is expanding the demand for potash and phosphate-based fertilizers, while the increased deployment of sophisticated agricultural techniques is raising demand for specialty fertilizers.

For the first three quarters of 2006, ICL Fertilizer's sales were impacted by lengthy potash price negotiations in China, which temporarily froze some of its potash contracts. However, in late 2006 negotiations with its major customers in India and China were completed, paving the way for higher sales in terms of both quantities and price per ton in 2007.

ICL is particularly well positioned to benefit from an environment of rising fertilizer demand and

prices. It is one of the industry's low-cost potash producers because of its proximity to natural resources, and, due to the geographical location of its plants, has easy access to the Mediterranean Sea, the Red Sea and other key ports. ICL is thus the lowest-cost shipper to many of the world's largest fertilizer markets.

### Moving Forward

In its commodity business, ICL plans continued expansion of potash production and expansion of activities in regions where ICL Fertilizers has logistic and market advantages, such as India, China and Brazil.

Concurrently, ICL will continue to take measures to reduce the cost and environmental impact of the production of phosphate rock and related products.

In addition, ICL Fertilizers plans to continue enhancing its leadership in the area of specialty fertilizers, expanding its capacity for its innovative products in the areas of fertigation and soluble fertilizers.

## ICL Industrial Products

### Overview

With direct access to the world's most concentrated source of bromine, and the integration of state-of-the-art technologies, ICL is the world's largest producer of elemental bromine, 80% of which is used in the production of higher-margin flame retardants, clear brines for the oil and gas industry, water treatment and other industrial uses. ICL is also a major producer of magnesia, chlorine and other Dead Sea salts.

ICL's Industrial products are marketed primarily to Western Europe, the US, China, Japan and Taiwan.

### Record Year

Driven by a significant rise in the selling prices of most of its products, ICL Industrial Products' operating income grew by 35% in 2006.

### Moving Forward

Direct access to raw materials, the world's largest fleet dedicated to bromine shipment, and world-class technical and marketing teams give ICL industrial products differentiating competitive advantages.

Already offering a diversified industrial product mix, ICL continues to develop new uses for existing products and to raise the proportion of higher-margin specialty products in its portfolio.

China, today one of the most attractive markets in the world, is being targeted by ICL as a major growth accelerator for its products. ICL has an established history and presence in China, which will now be leveraged for further expansion.

### ICL Performance Products Overview

After acquiring the business and assets from Astaris LLC in November 2005, as well as Adicon in Brazil, ICL Performance Products became the world's leading Specialty Phosphates powerhouse and one of the industry's most vertically-integrated players. Its expansion throughout the world, including in North and South America, as well as Europe and the Far East, enabled the segment to generate sales of over \$1 billion in 2006.

Leveraging low-cost raw materials produced by ICL Fertilizers, ICL Performance Products produces a broad variety of downstream products for food and industrial applications. Its particular strength is the development of customized specialty phosphates tailored to meet demanding performance requirements in the food, detergent, footwear, paper, metallurgy, electronics, construction, pharmaceutical and water treatment industries.

ICL Performance Products operates worldwide and has recently strengthened its presence in North America. Its global manufacturing and marketing capabilities ensure short delivery times and excellent customer support.

### Moving Ahead

With the goal of increasing its profitability, in 2007 ICL Performance Products will seek to take full advantage of the significant synergies made possible through its acquisitions of the past several years. ICL will consider additional growth opportunities through internal expansion and M&As.





ICL Performance Products is the world's leading Specialty Phosphates company and one of the industry's most vertically-integrated and profitable players.





Zim is now geared, more than ever, to operating a super modern homogenous fleet, elevating its schedule integrity and shortening transit time to its customers.





# Zim Integrated Shipping Services Ltd.

*"New vessels, ambitious IT Projects and Efficiency Plan are positioning Zim for continued growth and profitability"*

Zim Integrated Shipping Services Ltd., is the 16th largest container shipping company in the world.

Zim operates a large, modern fleet that offers a variety of global services and close to 40 regional services, reaching every continent and calling on hundreds of ports around the world. Zim has a recognized reputation for providing fast, reliable and competitive door-to-door global services, based on its integrated sea, land and air transportation systems.

Through a network of global subsidiaries and affiliated companies in Israel and abroad, Zim is engaged in a wide range of activities. This network includes shipping agencies acting as the Company's general agents, while the subsidiaries offer various transport-related services such as logistics, freight-forwarding, land transport, river transport, and more.

## A World-Class Fleet

On December 31, 2006 Zim operated 98 vessels, primarily container vessels of all types. Twenty five are fully or partly owned by the company, and the rest are chartered.

A versatile fleet of about 480,000 TEU containers are used to serve Zim's clients. This fleet consists of various sizes of regular containers, reefer containers as well as specialized equipment such as flat-rack and open-top containers.

All Zim vessels comply with international Safety Management Regulations. Zim is pledged to maintain the highest standards of safety and quality, and to adhere to marine environment protection procedures.

## Global and Regional Services

Zim offers global services, providing a fixed-day weekly schedule for the main global trade routes in the Pacific, Atlantic, Far East and Europe.

Operating seven major hubs around the globe, namely Kingston, Pusan, Shekou, Singapore, Colombo, Haifa and Barcelona, Zim provides comprehensive connections within its services and between primary and secondary ports. Covering Europe, the United States, Central and South America, Africa and Asia, with close to 40 services, Zim's regional network offers customers excellent connections that work together seamlessly for key source/destination locations.

Zim offers a variety of specialized services to supplement its regular container lines including; car carriers, conventional cargo, and refrigerated containers.

Through the introduction of new tonnage, as described in the Letter to Shareholders, Zim is now geared, more than ever, to operating a super modern homogenous fleet on main haul routes, elevating its schedule integrity and shortening transit time to its customers. Zim's network expansion will allow a larger variety of services to clients, multiple weekly services on main haul trades and a quicker transit time to final destinations. With the current build-up of its presence in Europe, Zim expects to strengthen its position with global clients, gain stronger world-wide recognition and strengthen its brand name.

## All Under One Roof

Zim offers a range of shipping-related services including freight forwarding, customs brokerage, off-dock container terminals, warehousing, trucking, container care, logistics and insurance. These services are customized to the client's needs.

## Information Technologies (IT) services

When Zim committed to highly ambitious growth objectives for the coming years, it became very clear that its IT solution would be a critical success factor.

AgenTeam was launched as the platform that will enhance current IT solutions and position Zim as operating a state-of-the-art industry leading software solution.

Now, with newly developed IT tools, the level of services to customers will be upgraded to attract new global customers and reinforce relations with current clients.

## Meeting IC's China Strategy

Zim is a key player in IC's strategy of an expanded presence in China.

Zim operates a number of strings from China to the U.S. and Europe, providing clients with a reliable weekly service. In addition, ZIM Logistics (China) Co. Ltd. (ZLC) is a wholly-owned subsidiary of Zim Integrated Shipping Services Company. The company is mainly engaged in NVOCC, sea and air freight management, customs brokerage, warehousing and distribution in 15 branches spread over the east coast of China.

Zim has entered into a joint venture with one of the leading container manufacturers in China. This is an expression of Zim's strategy for vertical integration and more control of its resources and will promote better and more competitive services to its clients.

In November 2006 ZIM signed an agreement with China Railway Container Transport Corporation for a joint venture which will invest \$2 billion to build large-scale rail container terminals in 18 selected cities in China by 2010.

The Joint Venture will provide improved service, including schedule block train services, container handling, storage, repair, customer declaration and logistics; The project will greatly expand Zim's business coverage in China and enable Zim to provide comprehensive rail-sea service within inner China to all over the world.



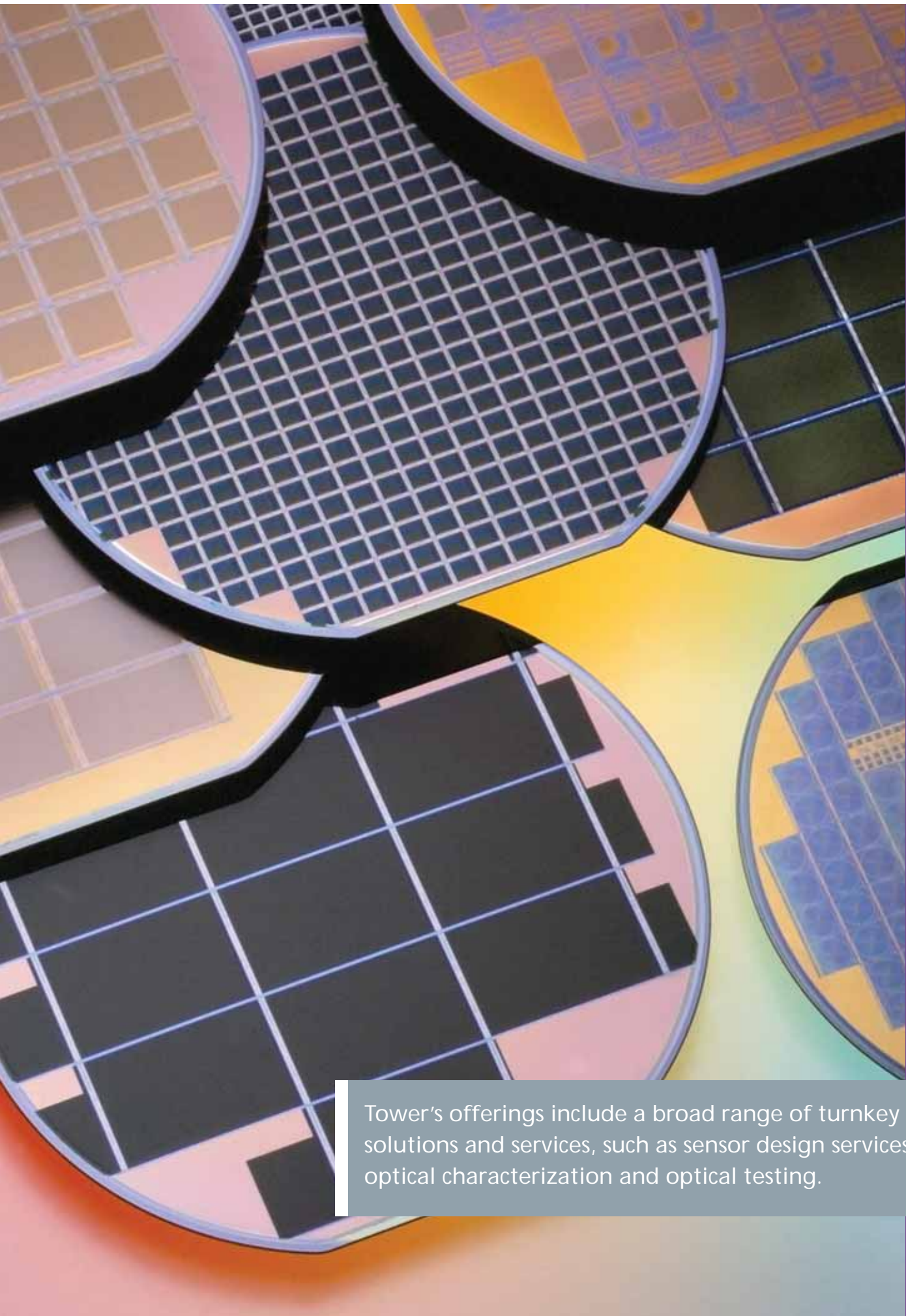








The level of services to customers will be upgraded to attract new global customers and reinforce relations with current clients.



Tower's offerings include a broad range of turnkey solutions and services, such as sensor design services, optical characterization and optical testing.



# Tower Semiconductor Ltd.

*"In 2006, Tower Semiconductor doubled its annual sales, shifted from negative to positive EBITDA, moved to positive cash flow from operations in the fourth quarter of 2006 and tripled the number of its large customers"*

Tower Semiconductor Ltd. is a pure-play, independent specialty foundry established in 1993, which delivers customized solutions in a variety of advanced CMOS technologies. The company offers manufacturing services of integrated circuits (ICs) with geometries from 1.0- to 0.13-micron. It also provides complementary technical services and design support. In addition to digital CMOS process technologies, Tower is focused on specialized technologies such as CMOS image sensors, mixed signal and RF-CMOS technologies and embedded non-volatile memory solutions.

To provide world-class customer service, Tower maintains two manufacturing facilities. Fab 1 has process technologies from 1.0- to 0.35-micron on 150mm wafers, while Fab 2 features 0.18-, 0.16- and 0.13-micron process technologies on 200mm wafers.

Tower has been a public company since 1994 and its shares are traded on the NASDAQ (TSEM) and on the Tel Aviv Stock Exchange (TSEM).



## 2006 Summary

2006 was a great year for Tower. The company announced two essential activities: the first, in response to its customer's forecasted future demand, it decided to expand the capacity of Fab 2 by more than 50%. The second was to restructure its long-term debt, in order to provide Tower with greater financial flexibility, and stronger a balance sheet and P&L report.

Financially, there were improvements across all key financial metrics when compared to 2005. Tower's sales reached \$187.4 million, and the company exited 2006 with an annual revenue run-rate of \$220 million. It realized more than \$60 million year over year improvement in EBITDA (excluding the effect of a previously announced technology agreement in 2005), representing a significant swing from negative in 2005, and, for the first time since Fab 2 was established, achieved positive cash from operations in the fourth quarter of 2006.

Operationally, Fab 1 annual shipments doubled in 2006 as compared to 2005 and Fab 2 shipments almost tripled. Both Fabs are running at utilization rates above 90% as of the end of 2006.

During 2006 the company tripled the number of large customers to twelve.

Driving these business and operational improvements is the ability of Tower to quickly respond to customer needs and their evolving product development roadmaps and also to react quickly to market changes. The first and foremost value at Tower is being close to our customers.

## Specialized Capabilities CMOS Image Sensors

As early as 1993, Tower recognized the market potential for using CMOS process technology for a digital camera-on-a-chip, which would integrate a CMOS image sensor, filters and digital circuitry. Tower's advanced CMOS image sensor process is intended to meet the established, growing demand for optical sensors aimed at consumer, industrial, medical and automotive applications.

Tower's offerings include a broad range of turnkey solutions and services, such as sensor design services, optical characterization and optical testing. The CMOS image sensors manufactured by Tower deliver outstanding image quality for a broad spectrum of digital imaging applications.

## Mixed Signal and RF

Tower's mixed signal process offerings are supported by a wide range of devices, both active and passive, which are specifically tailored for demanding mixed signal applications. Its mixed signal offerings focus on comprehensive and accurate modeling and characterization to support precision analog circuit design. Tower's partnerships with leading analog EDA and IP companies enable easy access to the company's process with reduced design cycle time.

Most recently, Tower began to specialize in RF (Radio Frequency) technologies. It now offers a full-suite of solutions, including elements to develop receivers and transmitters for high frequency, which are implemented in a plain CMOS process. Tower already has a number of customers that are engaged in providing leading products for wireless data-communications.



## Embedded Non-Volatile Memory Solutions

Tower's embedded non-volatile memory solutions (NVM) offer a manufacturing process that merges its customers' CMOS digital logic and analog design with Tower's unique NVM modules into a true NVM System-on-Chip (SoC). Tower's solutions include microFLASH®, which was co-developed with Saifun and based on Saifun NROMtm technology and NOVeAtm, by Virage Logic, which was verified on Tower's 0.18 micron process technology. Several additional NVM technologies are currently in advanced stages of transfer to manufacturing.

## Quality Service Provider

Committed to quality, Tower has implemented an integrated management system based on ISO-9001:2000, ISO/TS 16949, ISO-14001 and ISO-17799 standards, as well as Israeli safety standard SI OHSAS 18001. This commitment expresses itself throughout Tower's processes - starting with managerial procedures, and continuing through operating policies and practices all the way to testing and monitoring of in-process and end-of-line results.

During 2006, Tower was awarded the Platinum Mark by the Standards Institute of Israel for quality, safety, information security and environmental systems. The prestigious Platinum Mark Award is annually received by a very select number of companies based in Israel.

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# IC Green Energy Ltd.

One of the major and most pressing challenges facing the 21st century is the issue of energy sources and their application. This challenge is multi-dimensional: affecting economic progress; the safety and preservation of the very environment we live in; political stability in both developed and developing nations; and the social equilibrium and health of hundreds of millions of the world's citizens.

IC, with its substantial resources, global presence and contacts, and strong managerial experience in industry and technology, is committed to becoming a prominent player in the alternative energy market. IC Green Energy is the expression of that commitment.

IC Green Energy's plan is to grow through M&As and partnerships, related to alternative energy that is primarily derived from renewable sources, such as Biofuel (Biodiesel & Ethanol), solar energy and production of Biofuel and energy from biomass.

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