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

ISRAEL CHEMICALS LIMITED

(An Israeli Corporation)

2002 ANNUAL REPORT

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REPORT OF INDEPENDENT AUDITORS

To the shareholders of

ISRAEL CHEMICALS LIMITED

We have audited the primary consolidated financial statements of Israel Chemicals Limited ("the Company") and its subsidiaries, expressed in New Israeli Shekels ("NIS") adjusted to reflect the changes in the exchange rate of the U.S. dollar: balance sheet as of December 31, 2002 and 2001 and the statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of certain subsidiaries, whose assets as of December 31, 2002 and 2001 constitute approximately 50% and 49%, of total consolidated assets respectively, and whose income from sales for the years ended December 31, 2002, 2001 and 2000 constitutes approximately 58%, 57%, and 81%, respectively, of total consolidated sales. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us. Likewise, we did not audit the financial statements of the associated companies (see note 4). Our opinion, insofar as it relates to amounts included for the foregoing companies, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in Israel, including those prescribed by the Israeli Auditors (Mode of Performance) Regulations, 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits and reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2002, 2001 and the consolidated results of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in Israel. Also, in our opinion, the abovementioned financial statements have been prepared in accordance with the Securities (Preparation of Annual Financial Statements) Regulations, 1993.

Based on our audits and the reports of the other auditors, dated March 27, 2003 we rendered an unqualified opinion on the financial statements referred to above.

Without qualifying our opinion, we draw attention to the uncertainty relating to contingent liabilities of the Company and certain subsidiaries, as stated in note 11c to the consolidated financial statements. In respect to certain of these contingent liabilities, provisions have been included in the consolidated financial statements, in amounts which, in the opinion of management of the said companies, are considered sufficient to cover any liability that may arise in respect thereof; no provisions have been made in respect of the contingent liabilities the amount and ultimate outcome of which cannot be determined at this stage.

The accompanying financial statements are a translation into U.S. dollars, of the abovementioned primary financial statements, in accordance with the principles described in note 2b.

(---)
Kesselman & Kesselman
Certified Public Accountants (Israel)
A member of PriceWaterhouseCoopers International
March 27, 2003

ISRAEL CHEMICALS LIMITED

CONSOLIDATED BALANCE SHEETS

	Note	December 31 2002	December 31 2001
		U.S. dollars in thousands	
A s s e t s	14		
CURRENT ASSETS:	16		
Cash and cash equivalents	2u	14,814	15,566
Short-term investments, deposits and loans	15a	16,074	25,498
Accounts receivable:	15b		
Trade		340,597	354,366
Other		180,480	171,615
Inventories	15c	506,370	491,605
T o t a l current assets		1,058,335	1,058,650
INVESTMENTS AND LONG-TERM RECEIVABLES:	16		
Associated companies	4a	9,063	6,467
Other companies	4b	53,292	52,151
Long-term deposits and receivables, net of current maturities	5	17,495	20,745
Minority interests in subsidiary		10,967	8,068
		90,817	87,431
FIXED ASSETS:	6		
Cost		4,093,095	3,842,369
L e s s - accumulated depreciation		2,395,041	2,201,658
		1,698,054	1,640,711
OTHER ASSETS AND DEFERRED CHARGES, net of accumulated amortization	7, 2i	146,239	153,604
		2,993,445	2,940,396

(---)	(---)	(---)
Yossi Rosen	**Chaim Erez**	**Akiva Mozes**
Chairman of the Board of Directors	**Director**	**President and Chief Executive Officer**

Date of approval of the financial statements :
March 27, 2003

	Note	December 31 2002	December 31 2001
		U.S. dollars in thousands	
Liabilities and shareholders' equity			
CURRENT LIABILITIES:	14;16		
Short-term credit from banks and from others	8	599,845	535,160
Debentures convertible into shares	9d	76,995	
Accounts payable and accruals:			
Suppliers and contractors		220,023	176,902
Other	15d	241,111	226,821
T o t a l current liabilities		1,137,974	938,883
LONG-TERM LIABILITIES:			
Loans and other liabilities, net of current maturities:	9;14;16		
Debentures			4,070
Debentures convertible into shares			75,018
Loans from Bank and other credit providers		610,541	765,620
		610,541	844,708
Deferred income taxes	13c	220,167	195,757
Liability for employee rights upon retirement, net of amounts funded	10	150,182	137,762
T o t a l long-term liabilities		980,890	1,178,227
COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES	11		
T o t a l liabilities		2,118,864	2,117,110
SHAEHOLDERS' EQUITY	12	874,581	823,286
		2,993,445	2,940,396

The accompanying notes are an integral part of the financial statements.

ISRAEL CHEMICALS LIMITED

CONSOLIDATED STATEMENTS OF INCOME

	Note	2002	2001	2000
		U.S. dollars in thousands (except per share data)		
SALES	18	1,980,907	1,858,781	2,008,609
COST OF SALES	15e	1,352,480	1,271,669	1,329,094
GROSS PROFIT		628,427	587,112	679,515
RESEARCH AND DEVELOPMENT EXPENSES - net	15f	28,461	32,453	33,959
SELLING, TRANSPORT AND MARKETING EXPENSES	15g	317,805	309,569	335,926
GENERAL AND ADMINISTRATIVE EXPENSES	15h	83,524	84,734	89,427
OPERATING INCOME		198,637	160,356	220,203
FINANCIAL EXPENSES - net	15i	48,703	78,456	85,871
		149,934	81,900	134,332
OTHER INCOME (EXPENSE) - net				
Write down of DSM plants to their fair value	3a		(200,000)	
Other	15j	(18,631)	(20,131)	7,062
INCOME (LOSS) BEFORE TAXES		131,303	(138,231)	141,394
TAXES	13	41,691	(33,033)	43,999
INCOME (LOSS) FROM OPERATIONS		89,612	(105,198)	97,395
SHARE IN PROFITS (LOSSES) OF ASSOCIATED COMPANIES - net	4a	(150)	(373)	366
MINORITY SHARE IN LOSSES OF SUBSIDIARIES - net		2,849	63,196	2,665
NET INCOME (LOSS)		92,311	(42,375)	100,426
EARNINGS PER SHARE:	2v	0.077	(0.035)	0.084
NUMBER OF SHARES USED FOR THE PURPOSE OF COMPUTING PER SHARE DATA - in thousands of shares		1,200,000	1,200,000	1,201,438

The accompanying notes are an integral part of the financial statements.

ISRAEL CHEMICALS LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital (note 12)	Capital surplus	Differences arising from translation of financial statements of subsidiaries	Retained earnings	Dividend approved after balance sheet date (note 19)	Cost of company shares held by a subsidiary	Total
	U.S. dollars in thousands						
BALANCE AT JANUARY 1, 2000	521,402	1,110	(15,175)	418,013			925,350
CHANGES DURING 2000:							
Net income				100,426			100,426
Dividend*				(83,215)			(83,215)
Cost of Company shares held by a subsidiary						(17,402)	(17,402)
Adjustments from translation			(6,263)				(6,263)
BALANCE AT DECEMBER 31, 2000	521,402	1,110	(21,438)	435,224		(17,402)	918,896
CHANGES DURING 2001:							
Loss				(42,375)			(42,375)
Dividend*				(50,159)			(50,159)
Adjustments from translation			(3,076)				(3,076)
BALANCE AT DECEMBER 31, 2001	521,402	1,110	(24,514)	342,690		(17,402)	823,286
CHANGES DURING 2002:							
Net income				92,311			92,311
Dividend*				(54,446)			(54,446)
Dividend approved after balance sheet date				(26,100)	26,100		
Display of Company shares held by a subsidiary				(2,237)		6,827	4,590
Adjustments from translation			8,840				8,840
BALANCE AT DECEMBER 31, 2002	521,402	1,110	(15,674)	352,218	26,100	(10,575)	874,581

* After deduction of U.S. dollars 986 thousands, 632 thousands and 487 thousands paid to a subsidiary during 2000, 2001 and 2002, respectively.

The accompanying notes are an integral part of the financial statements.

ISRAEL CHEMICALS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2002	2001	2000
	U.S. dollars in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	92,311	(42,375)	100,426
Adjustments required to reflect the cash flows from operating activities (a)	262,325	335,213	190,519
Net cash provided by operating activities	354,636	292,838	290,945
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets	(178,750)	(128,892)	(178,467)
Investment grants relating to fixed assets	12,004	7,077	13,882
Acquisition of a subsidiaries consolidated for the first time (b)	(23,091)	157	
Proceeds from disposal of investments in subsidiaries consolidated in the past (c)	(566)		19,035
Acquisition of minority shares in subsidiaries		(6,788)	(220,187)
Investments in shares of associated and another companies and loans thereto - net	(2,922)	(1,847)	(10,034)
Proceeds from disposal of associated company		6,928	
Purchase of marketable securities and long-term deposits	(1,428)	(4,675)	(5,680)
Decrease (increase) in short-term deposits and loans - net	(7,020)	5,428	(4,369)
Amounts carried to other assets and deferred charges	(3,647)	(4,765)	(6,912)
Proceeds from sale of fixed assets	12,705	29,086	10,309
Proceeds from disposal of marketable securities and long-term deposits	20,165	10,796	31,114
Net cash used in investing activities	(172,550)	(87,495)	(351,309)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceed from exercise of option granted to employees	4,590		
Purchase of shares of the Company held by a subsidiary			(17,402)
Issue of share capital in a subsidiary to minority shareholders			210
Proceeds from issuance of convertible debenture, net of issuance expenses		73,659	
Long-term loans received and other long-term liabilities undertaken	233,170	131,715	420,603
Repayment of long-term loans and discharge of other long-term liabilities	(332,606)	(312,108)	(261,957)
Dividend paid:			
To shareholders of ICL	(54,446)	(50,159)	(83,215)
To minority shareholders in subsidiaries	(544)	(400)	(3,243)
Short-term credit from banks and others - net	(33,653)	(50,681)	(13,611)
Net cash provided by (used in) financing activities	(183,489)	(207,974)	41,385
ADJUSTMENTS FROM TRANSLATION OF CASH AND CASH EQUIVALENTS OF CERTAIN NON-ISRAELI SUBSIDIARIES	651	(50)	(3,521)
DECREASE IN CASH AND CASH EQUIVALENTS	(752)	(2,681)	(22,500)
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,566	18,247	40,747
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF YEAR	14,814	15,566	18,247

ISRAEL CHEMICALS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2002	2001	2000
	U.S. dollars in thousands		
(a) Adjustments required to reflect the cash flows from operating activities:			
Income and expenses not involving cash flows:			
Minority share in subsidiaries - net	(2,849)	(63,196)	(2,665)
Share in losses (profits) of associated company	150	373	(366)
Depreciation and amortization	160,622	173,208	180,130
Deferred income taxes - net	29,515	(45,558)	24,199
Liability for employee rights upon retirement - net	2,339	10,953	20,678
Capital gains:			
On sale of fixed assets	(703)	(2,410)	(23,422)
On sale of shares in an investee company	(77)		(14,172)
On sale of shares in associated companies		(4,493)	
On issue of shares in associated companies to external parties	(2,154)		
Write off of long-term investments	811		
Amortization of production facilities	9,448	211,059	
Erosion of principal of long-term loans and other long-term liabilities - net	(8,077)	(2,674)	(6,422)
Erosion of principal of long-term deposits and receivables - net	304	1,502	1,221
Loss (gain) from marketable securities - net	883	462	(376)
	190,212	279,226	178,805
Changes in operating asset and liability items:			
Decrease (increase) in accounts receivable:			
Trade	63,920	100,123	14,133
Other	(3,516)	(2,270)	(27,008)
Increase (decrease) in accounts payable and other liabilities:			
Suppliers and contractors	14,495	(27,054)	6,808
Other	(9,683)	(14,706)	19,546
Decrease (increase) in inventories	6,897	(106)	(1,765)
	72,113	55,987	11,714
	262,325	335,213	190,519

ISRAEL CHEMICALS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2002
	U.S. dollars in thousands
(b) Acquisition of subsidiaries consolidated for the first time:	
Assets and liabilities of the subsidiaries at date of acquisition:	
Working capital (excluding cash and cash equivalents)	(1,812)
Deferred income taxes	(11,872)
Fixed assets - net	(10,711)
	(24,395)
Less - amounts paid in 2001 presented among other assets as of December 31, 2001	1,304
	(23,091)

	2002	2000
	U.S. dollars in thousands	
(c) Proceeds from disposal of investments in a subsidiaries consolidated in the past *:		
Assets and liabilities of the subsidiaries previously consolidated to date of disposal:		
Working capital (excluding cash and cash equivalents)	(903)	(10,176)
Long-term investments		547
Fixed assets - net	356	19,959
Goodwill		(182)
Long-term loans and other liabilities	(96)	(3,070)
Capital gain from sale of the investment	77	14,172
Amounts not yet received in respect of the disposal		(2,215)
	(566)	19,035

* For 2000, including a subsidiary that became jointly held and therefore proportionally consolidated.

(d) Supplementary information on investment not involving cash flows

The item "Accounts receivable - other," as of December 31 2001, included approximately $ 9.1 million from the sale of I.D.E. Technologies Ltd.("I.D.E.") and $ 8.9 million from the sale of the real estate of "I.D.E. These amounts are reflected in the statement of cash flows of 2002 under the item "proceeds from sale of fixed assets".

In addition, the item, as of December 31, 2000, included a balance of approximately $ 22.4 million proceeds from the sale of the "Millennium Tower". This balance is included in the statement of cash flow for the year 2001 under "proceeds from sale of fixed assets".

The accompanying notes are an integral part of the financial statements.

NOTE 1 - GENERAL:

a. Operations

Israel Chemicals Limited ("ICL"; "the Company"), an Israeli corporation - together with its subsidiaries and associated companies ("the Group") - is a multi-national enterprise which operates in six main business segments: fertilizers and phosphates (together comprise the fertilizers division), performance products, industrial products, agricultural products and metallurgy (magnesium) in addition the group is also involved in certain other business activities.

The main portion of the Group's production activities is carried out in Israel; most of the rest is carried out in Europe. The Group has also production activities in the United States and China and marketing offices worldwide.

Over 90% of the Group's products are sold to customers outside of Israel. As to financial data relating to business and geographical segments, and sales according to markets, see note 18.

The operations in Israel are based mainly on exploitation of natural resources in the Dead Sea - a rich source of minerals from which potash, bromine – magnesium and magnesium chloride are extracted, and in the Negev - deposits of phosphate rock. These resources are exploited by the Group's companies in Israel under concessions granted by the State of Israel (as to royalties and the concession periods, see note 11b). The exploitation of natural resources consists of extraction of the abovementioned raw materials and marketing them worldwide, as well as development, production and marketing of products based mainly on those raw materials. Part of the companies in the Group were declared as a Monopoly in Israel in respect of some of the products produced and/or sold thereby.

The products of the overseas companies consist mainly of products that fit in with the companies' activities in Israel or are in closely related fields. A Spanish subsidiary, which quarries potash, under a concession granted to it for the development of potash quarries. As to the period of validity of the concession, see note 6b(2). An English subsidiary also quarries potash from leased property, see not 11(a)(3).

The shares of ICL and debentures issued by a subsidiary are traded on the Tel Aviv Stock Exchange ("TASE").

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 certain vital State interests (see note 12b).

To the best of the knowledge of the Company's management, as of the date of issue of these financial statements, ICL and its subsidiaries are not considered "Government Companies."

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, applied on a consistent basis, are as follows:

a. Definitions

Subsidiary - a company controlled to the extent of over 50%, the financial statements of which have been consolidated with the financial statements of ICL.

Proportionately consolidated company - a jointly controlled company, none of the shareholders of which holds exclusive control, the financial statements of which are consolidated with those of the Company by the proportionate consolidation method.

Associated company - a company, that the investment in which is presented by the equity method.

Investee company - a subsidiary, a proportionately consolidated company or an associated company.

Goodwill - the difference between the cost of the investment in the investee company and the Group's share in the fair value of the underlying assets, net of the fair value of its underlying liabilities (net of taxes), at time of acquisition.

b. Financial statements translated into U.S .dollars:

1) The primary financial statements of the Group have been prepared on the basis of historical cost adjusted to reflect the changes in the exchange rate of the U.S. dollar (hereafter - the dollar; $), in accordance with pronouncements of the Institute of Certified Public Accountants in Israel (hereafter - the Israeli Institute), see (2) below. All figures in the primary financial statements are presented in adjusted new Israeli shekels (NIS) which have a uniform value - based upon the exchange rate of the dollar as of December 31, 2002.

   The attached financial statements are a translation of the aforementioned primary financial statements into dollars on the basis of the exchange rate as of December 31, 2002 - $1 = NIS 4.737.

2) The adjustment of the primary financial statements is based on the accounts of the Company and its Israeli subsidiaries, maintained in nominal NIS.

   The components of the income statements were, for the most part, adjusted as follows: the components relating to transactions carried out during the year - sales, purchases, labor costs, etc. - were adjusted on the basis of the exchange rate on transaction date; while items relating to non-monetary balance sheet items (mainly changes in inventories, depreciation and amortization) were adjusted on the same basis as the related balance sheet item. The financing item represents financial income and expenses in real terms, the erosion of balances of monetary items during the year, the changes in value of marketable securities during the year and gains and losses on transactions in derivative financial instruments (see also note 2s. below).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

As mentioned in (1) above, the primary financial statements have been drawn up in accordance with the principles of adjustment prescribed by Opinions of the Israeli Institute, on the basis of the changes in the exchange rate of the dollar. As to subsidiaries and associated companies whose financial statements are drawn up in non-dollar currencies - see (3) below.

The amounts presented in these financial statements in dollars should not be construed to represent amounts receivable or payable in dollars or convertible into dollars, except when otherwise indicated in the financial statements.

3) Foreign subsidiaries the financial statements of which are drawn up in currencies other than the dollar.

For purposes of consolidation or inclusion on the equity basis, the amounts (in foreign currency terms) included in the statements of the above companies were treated as follows:

Investee companies operating independently

Balance sheet items at the end of each period and the results of operations for each period were translated at the exchange rate of the relevant foreign currency at the end of each period. Balance sheet items at the beginning of the period and changes in shareholders' equity items during the period were translated at the relevant exchange rate at the beginning of the period or the date of each change, respectively, and then adjusted as described above through the end of the period.

Differences resulting from the above treatment are carried as a separate item under adjusted shareholders' equity (”differences from translation of financial statements of subsidiaries”).

Investee companies abroad, the activities of which are an integral part of the activities of the investor company (long arm)

The financial statements of such companies were remeasured in terms of dollars. The remeasurement was effected by way of translation of the amounts (in terms of foreign currency) on the basis of historical exchange rates in relation to the dollar.

The resulting figures were then adjusted on the basis of the changes in the exchange rate of the dollar by the same method as the financial statements of the Israeli companies in the Group were adjusted.

Differences resulting from the above treatment are included in the adjusted statements of income under financial income or expenses.

4) The amounts of non-monetary assets do not necessarily represent realization value or current economic value, but only the original historical values, adjusted to reflect the changes in the exchange rate of the dollar. In these financial statements, the term “cost” signifies adjusted cost translated as described above, into dollars.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

c. Principles of consolidation:

1) The financial statements include the accounts of ICL and its subsidiaries.

   In addition to the fully consolidated companies as above, the consolidated financial statements include the proportionate share in partnerships and an investee company under common control.

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

2) Goodwill is included among "other assets and deferred charges" and amortized in equal annual installments, commencing in the year of acquisition, as follows:

   a) Goodwill arising on acquisition of minority interests in Dead Sea Works Ltd. (hereafter - DSW) is amortized over a 20 year period.

      In management's opinion, the amortization of goodwill over a 20 year period is most appropriate to reflect the estimated period of economic benefit from DSW, because of the special circumstances and characteristics of DSW, as follows:

      DSW's main activity is the production of potash. Potash is produced using basic chemical processes and no significant technological changes in the processes are expected in the future.

      Potash is an irreplaceable commodity for agriculture.

      The demand for potash has been increasing steadily at the rate of 2%-3% per annum - about the same rate as the increase in the population of the planet.

      There are only a few large producers of potash in the world.

      ICL has held DSW for dozens of years and has extensive experience and know-how in the activities and production processes of DSW.

      DSW is profitable and has positive cash flows from operating activities, which increase steadily over the years.

   b) Goodwill arising on acquisition of other subsidiaries is amortized over periods of up to 10 years.

d. Investments in associated companies

Investments in these companies are accounted for by the equity method.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

e. Inventories

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

Products in process and finished products - on basis of moving average of periodic production costs, including the cost of overburden removal.

Raw materials and supplies - mainly on moving average basis.

Maintenance materials stores - on an average basis, see also g(1) below.

Some of the raw materials, finished products and products in process are in bulk. The quantities thereof are based on estimates (mostly done by external experts, who measure the volume and density of the inventories).

f. Investments in marketable securities and in other companies:

1) Marketable securities

Marketable securities (except investment in another company - see note 4b(1)) are stated at market value or - for participation certificates in mutual funds - redemption value. Changes in value of these securities are carried to financial income or expense.

2) Other companies

Investments in other companies are stated at cost, see also note 4b.

g. Fixed assets:

1) Fixed assets are stated at cost, net of related investment grants or, in respect of subsidiaries purchased subsequent to January 1, 1996, at their fair value at date of acquisition, net of provision for impairment 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 renewals are capitalized. Spare parts are stated at cost determined on the moving average basis, net of a provision for obsolescence. Spare parts for current use are presented among inventories.

2) The fixed assets include the capitalization of erection expenses and financial expenses during the period prior to regular operation of the plants.
The capitalization of financial expenses is calculated as follows:

a) If the asset being erected 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 finance is non-specific, then the borrowing costs that are charged to the cost of the asset are calculated using a capitalization rate of 3.4% (2001 - 5%) being the weighted average rate of all the borrowing costs, net of those relating to specific credit.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

3) As to capitalization of costs of erecting facilities for prevention of environmental pollution, see p. below.

4) Depreciation is provided by the straight-line method, on basis of the estimated useful life of the assets.

The annual rates of depreciation are as follows:

	%
Land development, roads and buildings	4-8
Installations, machinery and equipment.	*4-10
Dikes and evaporating ponds	4-17
Heavy mechanical equipment, railroad cars and containers	10-20
Furniture, office equipment, vehicles, computer equipment and other fixed assets	6-33

* At July 1, 2000, the estimated useful life of certain production facilities was changed from twenty to twenty five years. Accordingly, the depreciated balance of the facilities at the above date is depreciated over the remaining estimated useful life of the facilities - up to a maximum of 25 years.
The change was made on the basis of the opinion of Group engineers. That opinion was based on past experience with regard to the specific facilities in question, on the physical condition of the facilities and on the engineers' knowledge of anticipated technological changes and their possible future effect on the operation of the facilities.

h. Impairment of fixed and intangible assets

The Group formerly adopted SFAS 121 of the Financial Accounting Standards Board of the United States ("FASB") - "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", which related – prior to its amendment in 2002 - to fixed assets and intangibles, including goodwill related to those assets (hereafter - "long-lived assets"). Through December 31, 2002, in accordance with the provisions of the aforementioned standard, the Group regularly reviewed, in situations where an event had occurred or circumstances had changed, which might indicate that an impairment had taken place of the long-lived assets used by the Group, whether the undiscounted cash flows anticipated from those assets, exceeded the amount at which those assets were included in the accounts; when the aforementioned cash flows did not cover the amount at which the asset was presented in the accounts, it was written down to its fair value, with the resulting impairment loss being reflected in the statement of income.
As to the provisions for impairment in value, see note 3a and15j.

As to the transition to applying Accounting Standard No. 15 of the Israeli Accounting Standard Board, as from January 1, 2003, and the effect thereof on the Company, see note x(1).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

i. Other assets and deferred charges:

1) Other assets

Other assets are presented at cost and are amortized in equal annual installments as follows:

a) goodwill - see note 2c above.

b) concessions are amortized over the balance of the life of the concession, that was granted to the companies.

2) Deferred charges

Trade marks and deferred charges in respect of geological surveys are amortized in equal annual installments, mainly over 5 years, commencing in the year in which the expense was incurred.

Debenture issuance expenses are deferred and depreciated over the expected life of the debenture.

j. Pension plans:

1) Cleveland Potash Ltd. (hereafter – CPL) has a liability in respect of employee pension payments. Below are the measurement principles employed by the Company. (As to the pension plans and pension fund assets, see note 10c(2) below)

(a) The net pension expenses for each accounting period consist of the following components:

i. Current service costs - the actuarial increase in the pension liability relating to employee pension benefits in respect of the reporting period;

ii. Current interest costs - the increase in the pension liability due to the passage of time;

iii. The expected return on the fund's assets,

iv. Actuarial losses (profits) recognized during the period, as described in (c) below.

(b) The net pension liability (or the net pension fund assets), which is included in the balance sheet, reflects the difference between the following two components, computed as stated below:

i. 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;

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

ii. 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 payments made into the fund during the period, net of pension payments made during the period.

(c) The difference, at 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 (that derive 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 carried to the statements of operations 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 carried to the statements of operations, commencing from the following year, in equal annual installments over the anticipated period of employment (16 years) of the CPL employees, who are members of the plan.

2) As for the rest of the groups' pension liability –it was fully provided for, based upon actuarial calculation at balance sheet date.

k. Convertible debentures

The balance sheet item relating to the debentures - the conversion of which is not anticipated as of balance sheet date - includes the amount of the debentures as of balance sheet date with the addition of interest payable as of that date, in accordance with the terms of their issuance.

l. Deferred taxes:

1) Deferred taxes are computed in respect of differences between the amounts presented in these statements and those taken into account for tax purposes. As to the main factors in respect of which deferred taxes have been included - see note 13c.

Deferred tax balances are computed at the tax rate expected to be in effect at time of release to income from the deferred tax accounts. The amount of deferred taxes presented in the income statements reflects changes in the above balances during the period.

2) ICL has not provided deferred taxes for the future realization of investments in subsidiaries or associated companies, as it is ICL's policy to hold these investments, not to realize them.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

3) As stated in note 13a(1), some of the enterprises of subsidiaries have been granted “approved enterprise” status. Hence, dividends derived from those “approved enterprises” and received by ICL are likely to be subject to tax. No account was taken of the additional tax, since it is the group’s policy not to cause distribution of dividend which would involve additional tax liability to the group in the foreseeable future.

m. Revenue recognition

Revenue from sales of products is recognized upon shipment to the customer.

n. Research and development expenses

Research and development expenses are charged to income as incurred.

o. Transport Expenses

Transport expenses are included among Selling, Transport and Marketing Expense

p. Environmental costs

Ongoing costs of operating and maintenance of installations for prevention of environmental pollution, and anticipated provisions for costs relating to existing conditions resulting from ongoing or past operations are charged to the statements of income. Costs 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 depreciated according to the Group’s depreciation policy.

q. Allowance for doubtful accounts

The allowance for doubtful accounts has been determined for specific debts doubtful of collection. The allowance is also in respect of the trade receivables covered by the subordinated note received within the framework of the securitization transaction (see note 15b).

r. Sale of trade receivables

The Company recognizes the sale of trade receivables as a sale when the control and risks on the monetary assets have been transferred to the acquirer.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

s. Derivatives

Gains and losses on hedges of existing assets or liabilities are recognized in income commensurate with the results from those assets and liabilities. Gains and losses related to qualifying hedges of firm payment or sales commitments are deferred and included as part of the measurement of the results from the underlying hedged transactions, at the time of recognition of said results or carried to financial income or expenses when the transaction is no longer expected to take place. The net premiums paid for currency options are charged to financial expenses over the term of the options (see also note 16).

t. 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 reporting years. Actual results could differ from those estimates.

u. Cash equivalents

Highly liquid instruments, including short-term deposits with banks (with a maturity of three months or less from date of investment) that are not restricted as to withdrawal or use are considered by the Group as cash equivalents.

v. Earnings (loss) per share:

1) Earnings (loss) per share have been determined on the basis of the number of outstanding shares, with the addition of shares issuable upon exercise of warrants, which is expected, see note 12c, and net of company's shares held by a subsidiary.

2) The imputed income, net of the related income tax, assuming receipt - with retroactive effect - of the exercise increment in respect of warrants, is immaterial.

3) According to the provisions of opinion no. 55, the computation of the earning (loss) per NIS 1 of par value of shares for 2001 and 2002 does not include shares that may arise from the conversion of convertible debentures into shares, since the debentures are not likely to be converted, and since their effect on fully diluted per share data is anti-dilutive/immaterial.

w. Acquisition of Company's shares held by a subsidiary

The cost of Company's shares acquired by a subsidiary is presented as a deduction from the Company's shareholders' equity.
In the event of the shares being sold, the difference between the selling price of the shares and their cost will be carried to capital surplus (if a gain) or deducted from retained earnings (if a loss).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

x. Recently published accounting standards:

1) In February 2003, Accounting Standard No. 15 of the Israeli Accounting Standards Board ("the IASB") - "Impairment of Assets", became effective. This standard, which is based on International Accounting standard No. 36, requires a periodic assessment - at each balance sheet date - to evaluate the need for a provision for the impairment of the company's non-monetary assets - fixed assets and identifiable intangibles, including goodwill, as well as investments in associated companies. As promulgated by the standard, its provisions are to be applied as of January 1, 2003. Pursuant to the provisions of the standard, if any events have occurred or changes in circumstances have taken place, which might indicate that there has been an impairment of one or more of the above assets, the company is required to evaluate whether the carrying value of the investment in the asset is recoverable from the cash flows anticipated from that asset, and, if necessary, to record an impairment provision up to the amount needed to adjust its carrying amount to its recoverable amount. The impairment loss is carried directly to income.

   The recoverable amount of an asset is determined as being the greater of the asset's net selling price and its value in use to the company. The asset's 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.

   The company formerly applied the provisions of the U.S. standard dealing with this issue - see h above - that required an impairment loss to be recognized, only in the event that the undiscounted cash flows from the asset were less than its carrying value.

   As a result of the transition to the Israeli standard, the Company is not anticipating an asset impairment.

2) In October 2001, the IASB issued Israel Accounting Standard No. 12 - Discontinuance of Adjusting Financial Statements for inflation, which provided for the discontinuance of adjusting financial statements for the effects of inflation, as of January 1, 2003. In December 2002, Accounting Standard No. 17 was issued that postponed the date from which Accounting Standard No. 12 is to be applied until January 1, 2004. The inflation-adjusted amounts as of December 31, 2003 will be the base for the nominal-historical financial reporting in the following periods.

   Since the company's financial statements are drawn up in NIS adjusted for the changes in the U.S. dollar (as allowed by section 29(a) of Opinion 36 of the Israeli Institute), and based on the provisions in paragraph 4 to Israeli Accounting Standard No. 13, at this stage, it is expected that the implementation of these standards will have no effect on the company's reporting of its operating results of the group.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

Upon implementation of Standard No. 12, Clarifications Nos. 8 and 9 to Opinion 36 of the Institute of Certified Public Accountants in Israel will be canceled and will be replaced with effect from January 1, 2004 by Israel Accounting Standard No. 13, which was issued at the same time as Standard No. 12. Most of the provisions of Standard No. 13 correspond to the provisions, which appeared in the above-mentioned clarifications.

NOTE 3 - SUBSIDIARIES:

a. Dead Sea Magnesium Ltd. (hereafter - DSM):

1) The company holds Dead Sea Magnesium Ltd. (hereafter - DSM) (conferring 65% of ownership and 67% of control). The remaining ownership and voting rights are held by Volkswagen.

Under an agreement between ICL and Volkswagen, ICL has a right of first refusal if Volkswagen wishes to sell its shares in DSM. Moreover, if Volkswagen wishes to sell all, or part of, its shares in DSM off the stock exchange, and does not find a bona fide purchaser, it must notify ICL; in such a case, ICL is obliged 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.

2) DSM produces magnesium mainly for the car industry, and for aluminum products and the steel industry. The majority of the company's production is exported to Europe and North America.

In recent years, there has been increased competition in the world's magnesium market from magnesium producers in China (China became the West's largest supplier of magnesium). Increasing volumes of production and exports from China, together with the global economic downturn in industry in general and in the aluminum and car sectors in particular, as well as, to a lesser degree, the use of alternatives - such as recycled magnesium, etc. - have resulted in reduced demand and to a fall in prices, that has mainly been felt on the European and Japanese markets. On the other hand DSM's cost basis has remained unchanged.

In light of its continuing losses, DSM examines on a periodic basis the necessity of creating a provision in respect of impairment of its assets.

The examination conducted regarding the preparation of the DSM's 2001 financial statements concluded that a provision was required in respect of impairment of the assets of DSM.

NOTE 3 - SUBSIDIARIES (continued)**:**

The examination was conducted with the assistance of an external expert and included a comparison of the expected undiscounted future cash flows (assuming an operating period of 21 years) against the carrying value of the assets in DSM's books. Since the comparison revealed that the carrying value of the assets exceeded their undiscounted future cash flows, an impairment loss was recorded, based on the discounted future cash flows, calculated over an indefinite period using a discount rate of 10% per annum. Among the factors taken into account in making this calculation were the following: the price of magnesium on the world market - both currently and according to experts' future forecasts, the likelihood of DSM developing unique products, the present structure of production costs, the impact of the recovery plan and of a certain reduction in energy costs due to going over to using natural gas.

As a result of the aforesaid examination, DSM concluded that an impairment loss should be recorded. The impairment loss is reflected in the financial statements as follows:

	December 31, 2001
	In $ millions
Depreciated balance of company's assets before Impairment loss	298
Asset impairment loss (included under other expenses)	(200)
Balance of assets after impairment	98

The effect on the results of the Company, on 2001, net of minority interests' share and the tax effect, amounts to $ 97.5 million.

b. The purchase of shares of Iber Potash S.A. (hereafter - IP) by a subsidiary

In May 2001, DSW exercised an option granted to it and purchased, through Ashley Chemicals (HOLLAND) B.V the share of the other shareholder in IP (20%) for a consideration of approximately $ 6.9 million. The goodwill arising on acquisition is $ 2.5 million.

Following the acquisition, DSW hold 100% interest in IP.

NOTE 3 - SUBSIDIARIES (continued):

c. Agreement for the purchase of CPL

On May 1, 2002, a subsidiary in Germany completed the purchase of the entire share capital of CPL, a British company that is engaged in the mining and production of potash, from Anglo American PLC group (UK).
The aggregate acquisition cost, after adjustments arising from certain stipulations in the agreement, amounts to approximately $ 24 million (including acquisition expenses of $ 1.6 million) paid in cash. The fair value of the net assets exceeded the acquisition cost by approximately $ 15 million, which has been deducted from non-monetary assets of CPL (mainly fixed assets and inventories) proportionately to the fair value of such assets.

Following are the condensed financial statement data of CPL, excluding excess of the fair value of assets over the cost of purchase as included in these reports:

	December 31, 2002
	$ In thousands
Current assets	35,235
Fixed assets – net	35,512
Deferred taxes	11,872
Current liabilities	(19,525)
Long-term liabilities:	(18,481)

	For the year ended December 31, 2002
	$ In thousands
Sales	74,077
Cost of sales	69,412
Net loss	6,905

d. Special State share

Certain subsidiaries, DSW, Rotem Amfert Negev Ltd. (hereafter – Rotem), DSB, Bromine Compounds Ltd. (hereafter – Bromine Compounds), DSM and Tami (IMI) Institute for Research and Development Ltd., issued a special State share. As to the rights conferred upon the State as a result of holding the special State share, see note 12b.

NOTE 4 – INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER COMPANIES:

a. The changes in investments in associated companies in 2002 are as follows:

	U.S. dollars in thousands
Balance at January 1, 2002	6,467
Changes during 2002:	
Increase in long-term loans	331
Share losses – net	(150)
Investments in shares	1,449
Write off of an investment	(811)
Capital gain from issue of shares to external parties	2,154
Other	(377)
Balance at December 31, 2002	9,063

b. The investments in other companies include:

1) SQM shares are held by a foreign subsidiary and traded on the stock exchange in Chile and on the New York Stock Exchange in the United States.

During 2002, the subsidiary invested an additional $ 1.1 million in SQM. Its holding of shares in SQM entitles the subsidiary to 8.3% of the rights to profits (2001 – 8.1%) and 13.4% of the voting rights.

The value of SQM shares held by the Group, on the basis of market prices on the U.S. and Chilean stock exchanges as of December 31, 2002, approximates $ 53 million.

2) The investment in shares of "Mekoroth" Israel National Water Company Ltd. (hereafter – Mekoroth), which are held by Rotem, is presented at token value. The shares in Mekoroth were allotted to Rotem for investments made by Rotem in the past in water infrastructure. Rotem has joined a claim against Mekoroth, which was partly recognized 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 in water infrastructure and its claim that the state make an offer for its shareholding in Mekoroth – both present and claimed.

NOTE 5 – LONG-TERM DEPOSITS AND RECEIVABLES:

a. Composed as follows:

	December 31	
	2002	**2001**
	U.S. dollars in thousands	
Deposits:		
Banks	11,824	15,065
The Treasury – Accountant General		152
Other	9,284	10,455
	21,108	25,672
L e s s – current maturities	3,613	4,927
	17,495	20,745

b. Classified by currency and interest rates:

	Weighted interest rates as of December 31	December 31	
	2002	**2002**	**2001**
	%	**U.S. dollars in thousands**	
In Israeli currency – mainly linked to the Israeli consumer price index ("the Israeli CPI")	3.0	16,687	20,146
In other non-Israeli currencies (mainly dollars)	5.2	4,421	5,526
		21,108	25,672

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

	December 31	
	2002	**2001**
	U.S. dollars in thousands	
Second year	3,510	3,739
Third year	3,301	3,404
Fourth year	2,061	3,182
Fifth year	732	1,954
Sixth year and thereafter (through 2017)	6,779	7,665
Not yet fixed	1,112	801
	17,495	20,745

NOTE 6 – FIXED ASSETS:

a. Composition of assets and accumulated depreciation, grouped by major classifications, and the changes during the year ended December 31, 2001, are as follows:

	Balance at January 1, 2002	Changes during the year: Additions	Retirements	Other –net (5)	Balance at December 31, 2002
	U.S. dollars in thousands				
1) Cost (4):					
Land, land development, roads and buildings – mainly on leased land, see b. below	387,560	17,061	(2,530)	26,095	428,186
Installations, machinery and equipment	2,720,211	126,701	(10,988)	59,059	2,894,983
Dikes and evaporating ponds	341,019	14,459		14,070	369,548
Heavy mechanical equipment, railroad cars and containers	127,765	3,064	(6,106)	(459)	124,264
Furniture, office equipment, vehicles, computer equipment and other fixed assets	158,259	8,432	(6,634)	5,160	165,217
	3,734,814	169,717	(26,258)	103,925	3,982,198
Plants under construction – changes representing purchases during the year, net of transfers to fixed assets	79,968	3,070		4,990	88,028
Spare parts – non-current part	27,587		(4,718)		22,869
	3,842,369	172,787	(30,976)	108,915	4,093,095
2) Accumulated depreciation (4):					
Land development, roads and buildings	179,591	10,903	(831)	9,725	199,388
Installations, machinery and equipment	1,581,174	112,921	(7,266)	32,066	1,718,895
Dikes and evaporating ponds	228,091	13,222		12,504	253,817
Heavy mechanical equipment, railroad cars and containers	97,370	5,862	(6,010)	(344)	96,878
Furniture, vehicles, office equipment, computer equipment and other fixed assets	115,432	12,553	(4,931)	3,009	126,063
	2,201,658	155,461	(19,038)	56,960	2,395,041

NOTE 6 – FIXED ASSETS (continued):

3) Depreciated balance at balance sheets dates (4):

	December 31	
	2002	**2001**
	U.S. dollars in thousands	
Land, land development, roads and buildings	228,798	207,969
Installations, machinery and equipment	1,176,088	1,139,037
Dikes and evaporating ponds	115,731	112,928
Heavy mechanical equipment, railroad cars and containers	27,386	30,395
Furniture, office equipment, vehicles, computer equipment and other fixed assets	39,154	42,827
	1,587,157	1,533,156
Plants under construction	88,028	79,968
Spare parts	22,869	27,587
	1,698,054	1,640,711

4) The fixed assets include assets that have been fully depreciated and which are still in use. The original cost of those assets is over $ 1.014 million, as of December 31, 2002.

5) The other changes (net) during the year arise from:

	U.S. dollars in millions
Translation differences	40.9
Fixed assets of subsidiaries that were consolidated for the first time	10.7
Fixed assets of subsidiaries consolidated in the past	(0.4)
Others	0.8
	52.0

6) Investment grants

Fixed assets are net of investment grants, as follows (see note 14d):

	December 31	
	2002	**2001**
	U.S. dollars in thousands	
Amount of the grant	941,316	926,335
L e s s - accumulated depreciation	473,408	440,288
	467,908	486,067

7) As to expenses capitalized, see note 15e, 15f and 15i.

NOTE 6 - FIXED ASSETS (continued):

b. Leasehold land:

1) The Group leases the land on which most of the Israeli operations are conducted from the Israeli Lands Administration under long-term leases (for periods ending mainly between 2017-2047), 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 Israeli Land Registry.

2) A Spanish subsidiary has rights in real estate designated for the future development of new potash quarries in the amount of approximately $ 46.4 million. These rights can be utilized until 2063. The development of the new quarries has not yet commenced and accordingly no amortization of the real estate rights has yet been recorded.

c. As to pledges on the assets - see note 14.

NOTE 7 - OTHER ASSETS AND DEFERRED CHARGES:

	Original amount		Amortized balance	
	December 31		December 31	
	2002	2001	2002	2001
	U.S. dollars in thousands			
Goodwill	80,691	76,748	46,698	47,979
Concession, see note 11b	96,567	96,567	88,437	91,656
Deferred charges	21,253	19,840	11,104	13,969
	198,511	193,155	146,239	153,604

NOTE 8 - SHORT-TERM CREDIT FROM BANKS AND OTHER CREDIT GRANTING INSTITUTIONS:

a. Composed as follows:

	December 31	
	2002	2001
	U.S. dollars in thousands	
Short-term credit:		
From banks and financial institutions, (including in respect of notes that have been discounted - see note 15b)	241,389	245,565
From the parent company	12,433	25,000
	253,822	270,565
Current maturities of long-term loans and other long-term liabilities, see note 9:		
Debentures	4,047	4,221
Bank loans	340,133	259,595
Loans from other credit providers	1,843	779
	599,845	535,160

b. Classified by currency and interest rates, the amounts of the loans and credit are as follows:

	Weighted interest rates as of December 31, 2002	December 31	
		2002	2001
	%	U.S. dollars in thousands	
Short-term bank credit from banks and financial institutions:			
In dollars	2.5*	181,887	198,969
In other non-Israeli currencies (mainly the Euro)	4.1	54,699	40,579
In Israeli currency - unlinked	8.7	4,803	6,017
Short-term credit from the parent company:			25,000
In dollars	1.7**	10,955	
In Israeli currency- unlinked	9.3	1,478	
		253,822	270,565

* Interest in respect of most of this debt is determined on the basis of LIBOR + 0.35% to 0.75%.

** Interest in respect of this credit is determined on the basis of LIBOR + 0.4%.

c. As to pledges to secure the credit and restrictions imposed in respect thereof - see note 14.

NOTE 9 - LONG-TERM LOANS AND OTHER LONG-TERM LIABILITIES:

a. As follows:

	December 31	
	2002	**2001**
	U.S. dollars in thousands	
Debentures (traded on TASE)	4,047	8,291
Debentures convertible into shares, see d below	76,995	75,018
Bank loans*	918,453	1,014,206
Other loans	34,064	11,788
	1,033,559	1,109,303
L e s s - current maturities in respect of:		
Debentures	4,047	4,221
Debentures convertible into shares, see d below	76,995	
Bank loans	340,133	259,595
Loans from other credit providers	1,843	779
	423,018	264,595
	610,541	844,708

* The Group has the right to repay the bank loans before due date.

b. Classified by currency and linkage terms and interest rates (taking into account interest rate swaps), the amounts of the liabilities (including current maturities) are as follows (see also notes 2s and 16):

	Weighted interest rates as of December 31, 2002	December 31	
		2002	**2001**
	%	U.S. dollars in thousands	
Debentures - in Israeli currency - linked to the Israeli CPI	6.0	4,047	8,291
Debentures convertible into shares	4.1	76,995	75,018
Bank loans:			
In U.S. dollars	2.4*	779,547	861,615
In other non-Israeli currencies - mainly the Euro	4.5**	138,800	152,388
In Israeli currency - mainly unlinked		106	203
		918,453	1,014,206
Other loans:			
mainly in Israeli currency (capital note)		13,882	11,788
In foreign currencies- mainly UK pounds	6.5	20,182	
		1,033,559	1,109,303
Unutilized credit lines		95,000	97,500

* Interest in respect of most of this debt is determined based on LIBOR + 0.425% to 1.5%.
** Interest in respect of most of this debt is determined based on Euro LIBOR+ 0.4% to 1.0%.

NOTE 9 - LONG-TERM LOANS AND OTHER LONG-TERM LIABILITIES (continued):

c. The liabilities (net of current maturities) mature in the following years after balance sheet dates:

	December 31	
	2002	2001
	U.S. dollars in thousands	
Second year	147,423	319,989
Third year	180,883	130,271
Fourth year	39,235	150,335
Fifth year	52,082	39,359
Sixth year and thereafter, through 2009	172,138	202,743
Repayment date has not yet been fixed	18,780	2,011
	610,541	844,708

d. On October 10, 2001, the Company raised some $ 75 million (net of issue expenses) through the private placements of two series of convertible debentures. The debentures have not been registered for trading and the par value of the two series is $ 60 million (hereafter - "the Dollar Debentures") and NIS 63.5 million (hereafter - "the Shekel Debentures") (together hereafter - "the Debentures").

The outstanding principal of the debentures bears interest at an annual rate of 1.5%, which will be paid on October 10 of each year.

The principal of the debentures become due on October 10, 2007. Any balance of the principal of the debentures not converted or redeemed by the Company shall be repaid with the addition of a redemption premium of 17.3% of the principal.

The principal of the Debentures, the redemption premium and the interest are linked to the exchange rate of the dollar or are denominated in dollars, as appropriate.

The debentures may be converted on any business day, from October 10, 2002 until October 3, 2007, into ordinary shares of the Company ranking pari passu with existing ordinary shares of NIS 1 par value. Each NIS 5 par value of the Shekel Debentures may be converted into one ordinary share of NIS 1 par value, and each $ 1.1473 par value of the Dollar Debentures may be converted into one ordinary share of NIS 1 par value.

In the event that all the debentures are converted into shares, the Company's share capital would increase by NIS 64,997,000.

The Company has an option, exercisable from October 22, 2005, subject to an early notice of 30 to 60 days to redeem, under certain condition, the Debentures - either wholly or in part - at a redemption price that reflects an annual dollar yield of 4.1% up to the redemption date (taking into consideration the interest paid and the interest accumulated, in respect of the redeemed debentures, during the period preceding the redemption.

The Debenture holders have an option to order the company to redeem the debentures they hold, at a redemption price that reflects the annual dollar yield for early redemption, and to pay the annual accumulated interest up to the redemption date. This option may be exercised on October 10, 2003 and October 10, 2005, if they give written notice of their intention to do so not less than 30 days, and not more than 60 days, prior to the redemption date.

NOTE 9 - LONG-TERM LOANS AND OTHER LONG-TERM LIABILITIES (continued):

In view of the above right granted to the debenture holders, the debentures are presented under current liabilities.

e. As to the pledges made to secure liabilities and limitations imposed with respect to these pledges, see note 14c.

NOTE 10 - LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT:

a. The amounts of the liability for employee rights upon retirement and the portion funded are as follows:

	December 31	
	2002	2001
	U.S. dollars in thousands	
Liability for severance pay	115,371	137,295
Liability for pension and early retirement*	174,112	152,104
	289,483	289,399
L e s s - amount funded, see d. below	139,301	151,637
B a l a n c e - unfunded	150,182	137,762
* Including in respect of non-Israeli subsidiaries	67,135	55,391

b. Severance pay:

1) Israeli subsidiaries

Under Israeli Law and labor agreements, ICL and its Israeli subsidiaries are required to pay severance pay to dismissed employees and employees leaving employment in certain other circumstances. Severance pay is computed based on length of service and generally according to latest monthly salary (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, external pension plans for some of The Group's employees ordinarily 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, as severance pay risks as described above have been irrevocably transferred to the pension funds.

b) The Israeli companies in the Group make current deposits in managerial insurance policies in respect of managerial personnel. These policies provide coverage for severance pay liability to said personnel. Under labor 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 financial statements since they are not under the control and management of the companies.

c) As to the balance of the liabilities which are not funded as above, full provision is made in the financial statements.

NOTE 10 - LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT (continued):

2) Non-Israeli subsidiaries

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 accounts for eventual future severance payments to employees, except in cases in which employees are dismissed following the cessation of part of these subsidiaries' activities.

c. Pension and early retirement:

1) Certain Israeli and non-Israeli subsidiaries have (internal) defined benefit pension plans for their employees, certain of whom are no longer in the employ of these subsidiaries. Generally, the terms of the plans provide that the employees are entitled to receive pension payments computed (in certain cases) as a percentage of their salary near retirement, based, inter alia, upon number of years of service (in some cases up to 70% of their last base salary) or, in certain cases, based on a fixed salary.

2) CPL's pension plans:

(a) CPL has a pension liability 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 law, and the assets of the pension fund are handled 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 one 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 local rules, see also (v). below. CPL has no right to withdraw monies from the funds, even if the balance of the fund exceeds the pension liability, although it may, in such circumstances, reduce its current payments to the fund. In addition, CPL may not dissolve the pension fund.

(iii) Payments to the pension fund are allowable against tax.

(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 towards its pension liability to its employees.

NOTE 10 - LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT (continued):

(b) The net pension expenses carried to the statements of operations for the year ended December 31, 2002 in respect of CPL's pension fund, are composed as follows:

	$ In thousands
Current service costs	3,552
Current interest costs	6,552
Expected return on the pension fund assets	(8,042)
Actuarial losses (gains), net, recognized in the period	-,-
Pension expenses, net, for the period	2,062

(c) The movements in the pension liability payments and the pension fund assets included in the financial statements, from the date of CPL's acquisition to the date of the financial statements, are as follows:

	$ In thousands
Actuarial liability as of acquisition date - May 1, 2002	(155,129)
Current service costs for the period	(3,552)
Current interest costs for the period	(6,552)
Actuarial gains for the period in respect of the pension liability	9,788
Translation differences for the period	(16,409)
Actuarial liability for pension payments as of December 31, 2002 (1)	(171,854)
Fair value of pension fund assets as of acquisition date - May 1, 2002	154,925
Expected return on pension fund assets for the period	8,042
Amounts deposited in the pension fund during the period	3,803
Actuarial losses for the period in respect of pension fund assets	(49,074)
Translation differences for the period	16,387
Fair value of pension fund assets as of December 31, 2002 (2)	134,083
Actuarial pension liability, net of fair value of pension fund assets as of December 31, 2002 {(1)-(2)}	(37,771)
Deferred actuarial losses as of December 31, 2002	39,286
Pension fund assets, net, included in the financial statements as of December 31, 2002	1,515

The actuarial valuation of the pension liability is carried out once a year, close to balance sheet date.

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

(i) Annual capitalization rate of 5.5% and 5.7% as of balance sheet date and acquisition date, 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 7% as of balance sheet date and acquisition date - reflects the anticipated, long-term expected return on pension fund assets; and

NOTE 10 - LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT (continued):

(iii) Annual nominal increase in the salaries of CPL employees of 3.85% and 4.2% as of balance sheet date and acquisition date, respectively - based on CPL's experience (that takes into account annual inflation at an assumed rate of 2.35% and 2.7% as of balance sheet date and acquisition date, 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 the obligation to pay pension under 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 Company.
Under the labor agreement between DSW and its employees, under certain circumstances, employees who are employed in Sdom retire at the age of 58 and receive an early pension at that age. DSW has made a full provision in respect of the additional liability resulting from the early retirement agreement.

In 2001, the Beer Sheba Regional Labor Court ruled that the retirement clause pertaining to the employees in Sdom is to be interpreted as granting a right to early retirement rather than imposing it. DSW has appealed against this ruling with the Beer Sheba Regional Labor Court.

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 Germany. The discount rates used in computation of the present value were: for Israeli companies - mainly 3.5% (linked to the Israeli CPI) and the balance - 4.8%; for non-Israeli companies - mainly 6% and the balance - 4%. The liabilities have been computed by the companies on the basis of the assumption that employee salary will increase as follows: for Israeli companies - mainly 2% per annum (linked to the Israeli CPI); for non-Israeli companies - 2%-2.5% per annum.

d. Amounts funded by the Group

The Group, at its discretion, makes deposits in funds, which are earmarked as cover for the liabilities mentioned in b and c above, which are not covered by regular deposits. These amounts are deposited in recognized pension and severance pay funds managed by major Israeli banks or by ICL itself. These funds are managed as stipulated by law and their assets are composed mainly of Israeli Governments bonds.

NOTE 11 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES:

a. Commitments:

1) Certain subsidiaries have entered into agreement with suppliers in Israel and abroad for purchase of raw materials in the regular course of business, for various periods ending within six years of December 31, 2002. The scope of the commitment for the entire period of all the agreements is approximately $ 93 million.

2) Certain subsidiaries have entered into agreements with suppliers for acquisition of fixed assets. As of December 31, 2002, the subsidiaries had commitments for investment of approximately $ 79 million in fixed assets.

3) A UK subsidiary has entered into several contracts for the lease of real estate assets that are used in the mining of potash. The lease fees are generally determined based on the quantities of potash mined in each location. The two principal leases end in 2035 and 2017. The latter may be terminated in 2007 or 2012, subject to a six months prior notice. The other contracts are mostly for periods of 35 years.

4) Certain subsidiaries are committed to pay royalties to the Government - computed at the rates of 2% or 4% of proceeds on sale of products in the research and development of which the Government participated by way of grants. The commitments are to the extent of 100% - 150% of the dollar amounts of the grants received (for products produced in Israel).

   At the time the participations 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 royalty amount payable by the Group at December 31, 2002 is $ 21.4 million.

5) In respect of securitization, see note 15b.

6) 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.

7) On December 22, 2002, a subsidiary signed an agreement for the sale of real estate rights in Beer Sheba in consideration for approximately $ 5.8 million.

   Pursuant to the agreement, possession rights to the real estate will be transferred two years after the date of signing the agreement. 20% of the consideration was paid on the date of signing the agreement, a further 20% is to be paid on the first anniversary of the signing, and the balance is to be paid when the possession rights are transferred to the purchaser.

   The capital gain that the Company expects to record in its accounts when the possession rights are transferred amounts to approximately $ 4.9 million, before tax.

b. Concessions:

1) DSW

   Pursuant to the Israeli Dead Sea Concession Law, 1961 (hereafter - the Concession Law), as amended in 1986 DSW was granted an exclusive concession for a period ending March 31, 2030 to exploit the natural resources of the Dead Sea and to lease the land needed for its plants. Upon expiration of the scheduled term of the concession, DSW has a right of first refusal to any new Dead Sea concession offered by the Government. DSW pays the Government royalties at the rate of 5% of the "value" of the products at factory gate, net of certain expenses, (including in respect of products of the Bromine Company) and lease fees.

NOTE 11 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued):

According to the concession, if in any year the production and sales of the concession product (potassium chloride exceed one million metric tons, the Government will be entitled to demand renegotiation of the royalties in respect of the excess. DSW produces over one million metric tons per year.

In a letter to DSW dated January 11, 1995, the Government agreed, if section 17 of the concession deed (which addresses the Government obligation to pave roads, lay railroad tracks and install port facilities to make it possible to transfer the concession product and ship it by sea) is not activated and its fulfillment is not demanded, it would not demand any renegotiation of the level of royalties to be paid as above, in respect of the period prior to the date of the above letter, and the period from the date of that letter to the end of the concession period, as amended or as it will be amended. However, the Government has reserved the right to demand renegotiations regarding the level of royalties with respect to the quantity of potassium chloride that exceeds 3 million metric tons in any year commencing 2010, without granting DSW any rights in respect of section 17 of the concession deed. On January 27, 1992, the Ministerial Committee for Privatization resolved that the said section 17 should be cancelled.

Total royalties paid to the State of Israel amounted to \$ 18 million, \$ 20 million and \$ 18 million in 2000, 2001 and 2002, respectively.

In consideration for the land DSM subleases from DSW, DSM is to pay royalties to the Government of Israel. Those royalties are computed on the basis of the raw material (carnallite), which is used in producing metallic magnesium. In 2006, the Government will be entitled to renegotiate the amount of royalties and the method of computation thereof for the period commencing in 2007.

In 2000, 2001 and 2002, DSM paid royalties of \$ 257,000 each year.

2) Rotem

The subsidiary of the company, Rotem Amfert Negev Ltd. (hereafter - Rotem), operates under mining concessions and permits granted by the Minister of National Infrastructure and the Israel Lands Administration, which expire in 2005.
Rotem received new mining concessions for the existing fields, with slight changes, at the Zafir site (Oron - Zin), for the period until 2021. The validity of the new concessions is subject to receiving a permit from the Israel Lands Administration for the same period. This matter is being attended to. In addition, Rotem received another mining concession, until the end of the year 2013, with respect to the Effa field. This concession, too, is conditional upon obtaining a permit for the same period from the Israel Lands Administration - which is being attended to as well. The current concession grants the company the right to mine ores of phosphate rock, phosphate lime and minerals combined with phosphate layers and to exploit them for production and marketing. The new concessions grant the subsidiary rights with respect to natural phosphate rock. Pursuant to both the law and the concessions, Rotem is required to pay royalties to the State for each ton of natural phosphorite extracted. The amount to be paid is derived from the value of the quarry and the computation method is detailed in the Mining Regulations.

NOTE 11 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued):

During 2001, Rotem was requested to reassess the mining royalties. In 2002, the Ministry of Infrastructure appointed an assessor to examine the method for calculating the level of royalties. This examination has not yet been completed.

In addition, in view of the above examination and its processes, Rotem's management has decided to make regular provisions for the payment of royalties from 2002 (the year in which Rotem received the new concessions), until such time as the level of royalties are finally determined.

In 2000, 2001 and 2002 Rotem paid royalties of $240,000, $259,000 and $284,000 to the State of Israel.

3) As to the real estate rights of subsidiary in Spain, see notes 6b.

c. Contingent liabilities:

1) In respect of guarantees at December 31, 2002, $30 million (mainly performance guarantees).

2) Since 1994, DSB, Bromine Compounds Ltd. ("Compounds") and Ameribrom, Inc. (together - "the Bromine Group") have been impleaded into several cases brought against American companies in courts in the United States (including two class actions) by approximately 30,000 plaintiffs (hereafter - the plaintiffs) claiming that they had worked on banana plantations, mainly in South America, the Caribbean, Africa and the Philippines. The plaintiffs allege that they sustained physical injury as a result of their exposure to a certain chemical many years ago when they were plantation workers, in their countries of residence. The chemical in question was produced by a number of companies, including large chemical companies, and supplied to companies engaged in banana cultivation (collectively - the defendants) over a period of approximately thirty years (1960 to 1990).

A major part of the above legal proceedings have been transferred by the U.S. courts to the courts in the plaintiffs' countries of residence. However, objections regarding various aspects of these rulings are still pending before a number of appellate levels in the United States. In most of those cases, the Bromine Companies have been directly named as defendants. At this stage, it is not possible to determine the likelihood of all or part of the said litigation reverting to the United States despite having been so transferred.
Over the years in which these proceedings took place, most of the plaintiffs have reached compromise agreements with the most of the defendants. the Bromine Companies are included in the waiver agreements signed by the plaintiffs. The effect of the abovementioned agreements on the claims for indemnification and participation that were filed against the Bromine Companies cannot be estimated at this stage. It should be noted that claims have been filed by 5,000 plaintiffs (possibly even more) who are not parties to said compromise agreements.

The Bromine Group Companies claim absence of liability and lack of jurisdiction of the courts hearing the claims in their case.
The Bromine Group Companies estimate that the quantities of chemicals supplied by them to the relevant countries and in the relevant period was, if at all, small as compared to the quantity supplied by the other producers being sued in the abovementioned litigation.

NOTE 11 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued):

Management of the Bromine Group is of the opinion that, at the relevant dates, the Bromine Group had some insurance coverage in respect of the events that are the subject of the claim. However, there is a dispute, with at least some of the insurers, as to the amount and scope of the coverage. The Bromine Group has initiated legal proceedings against said insurers with respect to the abovementioned dispute.

Lately, DBS has been informed of three claims filed in Nicaragua by 350 claimants, apparently for alleged damages from the use of aforementioned chemical product. The claimants also include a subsidiary of the Company. Since the process has not yet been served to the subsidiary, it is not required to issue a response. The statement of claim has also not been submitted to the subsidiary and, accordingly, the exact nature of the claim is not known.

Since the claims in question are for personal injury, they do not stipulate any amounts. Nevertheless, since there are thousands of plaintiffs, if they are successful in their claims, the amounts the Bromine Group will have to pay, net of the amounts recognized and paid by the insurers, could be substantial.

In view of the above, management of the Bromine Group and its legal advisors are unable to estimate the effect of these claims at this stage. Therefore, no provision has been made in the financial statements in respect of the possible outcome of these claims.

3) a) In February 2000, a civil claim was filed as a class action in the United States against subsidiaries in the Bromine Group. The plaintiffs are seeking compensation for alleged contraventions of United States' trade restraints legislation. During the reporting period, the US court gave final approval to the settlement signed during 2001 between the defendants and the plaintiffs' representatives regarding the civil action. The amounts paid in to settle the claim were charged against expense in 2000.

b) During 1999, one of the two main competitors of the Bromine Group announced that it was cooperating with the anti-trust authorities in the European Union with regard to a similar investigation.

As of the date of approval of these financial statements, the Bromine Group and their legal counsel are unable to estimate the effect of this event on the results of operations, due to the uncertainty as to its outcome. Therefore, no provision has been made in respect thereof in these financial statements.

4) Contrack Line Ltd. (hereafter - Contrack) has filed a claim against Dead Sea Works Ltd. (hereafter - DSW) and others, with the Tel Aviv District Court for infringement of a patent registered by Contrack in respect of a dredge for crushing salt mushrooms in the Dead Sea and in respect of breach of other alleged rights that Contrack claims with respect to the dredge. The Court ruled that DSW had infringed the patent. An appeal was submitted to the Supreme Court with respect to this ruling. On October 21, 2002, the Supreme Court heard the appeal. With the agreement of the parties, the court sent the matter to mediation.

Concurrent with the appeal and based on said ruling which is in mediation, by the decision of the Supreme Court, Contrack filed a financial claim in the amount of approximately U.S. $ 47 million against DSW with the Tel Aviv District Court, in respect of damages/losses caused to it.

NOTE 11 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued):

Contrack appealed to the court in order to be discharged from fees in respect of its claim. The Court has approved the payment of a minimum fee of NIS 10,000 by Contrack in respect of a claim amount of U.S. $ 20 million. This ruling was appealed by both sides. The ruling on these appeals has been deferred until a ruling is issued regarding the appeals pending before the Supreme Court (or until the completion of mediation proceedings in this claim).

DSW has included a provision which it believes, based on the opinion of its legal counsel and taking into account developments in the aforementioned proceedings, will be sufficient to cover any exposure arising from such proceedings.

5) Ecological damage:

a) The local authorities in Germany are demanding that a German subsidiary of Rotem (hereafter the “German company”), along with the company that leases its land ("the Lessor"), remove waste consisting of metal oxides, that was placed on the land by the German company, and later - by the Lessor - claiming that the waste could cause groundwater contamination. On November 10, 2000, the German company and the Lessor reached an agreement with the local authorities as to the waste mentioned above. The German company included a provision of approximately $ 2 million in its accounts in respect of this agreement, based on its estimated share in the anticipated expenses.

b) The Bromine Group manufacture, store and sell dangerous chemical products. Accordingly, they are exposed to risks resulting from environmental damage. The Bromine Companies invest substantial amounts in order to meet environmental orders and standards. The financial statements include a provision amounting to approximately $ 8.8 million, which, in the opinion of the Bromine Companies' management, on the basis of information available to it, is adequate to cover possible liabilities in respect of environmental damage in which the Bromine Companies are involved.

c) In January 1998, a report was submitted to the Ministry of the Environment and to the Ramat Hovav Local Industrial Council. The report contains data relating to underground pollution in the Ramat Hovav region, where a plant of the Bromine Companies is located, along with other chemical plants. The report includes recommendations regarding steps to be taken to prevent infiltration of pollutants into the ground in the Ramat Hovav area and to prevent the spreading thereof.

   At this stage, the Bromine Companies and their legal counsel cannot estimate the extent to which they will be held responsible for the above and the expenses they may incur in respect thereof, among other reasons, because the report and the results thereof are very incomplete. Therefore, no provision has been made in these financial statements in respect of this matter.

   During 1998, the investigators who issued the above report, began a four year jointly funded research project (of which the above subsidiary’s share is $ 600,000) for the purpose of advancing the implementation of the recommendations of the above report.

NOTE 11 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued):

As of the approval date of these financial statements, the subsidiary has not yet received the final results of the research project, and is unable to assess the implications of the report, should there be any. Accordingly, no provision has been made in these financial statements in respect of this report.

d) In previous years, soil contamination was found on a certain part of the land leased in the Netherlands by Amsterdam Amfert Fertilizers B.V. ("Amfert"). Management of Amfert is of the opinion, based on the policy currently in practice with respect to enforcement of environmental protection laws, and taking into account the fact that the authorities approved construction of a warehouse on the contaminated land, that the likelihood that the ecological authorities of the Dutch Government will require that the contaminated land be cleaned up is low. Upon granting the permit for construction of the warehouse, the authorities related to the contamination as being severe, but decided that, at that stage, there was no need to clean it up. Consequently, Amfert's management does not intend to initiate the cleaning up of the contamination, as it may be very costly. However, the question may become relevant only if and when Amfert's plant will be closed and the land will revert to the Port Authority.

At present, the company incurs insignificant costs with respect to the monitoring of the contamination. In management's opinion, the previous owner of the ground is responsible for the contamination, since it occurred prior to Amfert's purchase of the site and it was not brought to the attention of Amfert prior to its occupation of the site. The question of responsibility for any damages to third parties is being litigated and has not yet been resolved.

e) On May 29, 2001, a class action was filed against Fertilizers and 3 other entities (hereafter - the defendants), under Section 10 to the Law for the Abatement of Environmental Nuisances (Civil Claims), 1992. According to the claim, the defendants have been polluting the Kishon River. The claimants request the Court to order to cease the pollution of the Kishon River and to restore it to its state prior to the discharge of the sewage.

On June 13, 2001, May 22, 2002 and December 31, 2002, additional claims have been filled against Fertilizers and several other entities, in the amount of approximately $ 24 million, alleging that the defendants discharged sewage into the Kishon River which, according to the plaintiffs, was the cause of the cancer which they developed. These claims add on to other claims for personal injury and economic damage allegedly caused to the plaintiffs as a result of the pollution of the Kishon River which, according to the plaintiffs, was caused by Fertilizers and others.

In the opinion of Fertilizers' management, which is based on the opinion of its legal counsel, the exposure relating to these claims cannot be estimated at this stage. Therefore, no provision was included in the accounts of the Company in respect thereof.

NOTE 11 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued):

f) In February 2002, the Israel Union for Environmental Defense (hereafter - IUED) submitted a Water Appeal to the Water Tribunal in Haifa, in which it requests that the Water Commissioner be required to issue orders against two subsidiaries of the Company, obligating them, inter alia, to redress and/or to reinstate the salinity of the "Havurat Yehuda" aquifer (in which, inter alia, the "Effa 13" bore is located) to its original levels and/or take all necessary actions in order to prevent a recurring alleged pollution. The appeal further requests that the orders obligate said subsidiaries to immediately stop the permeation of industrial effluents into the sub-terrain and to pump the polluted water from the "Effa 13" as well as other bores - this in order to minimize the spreading of the pollution and to control the rising salinity levels, while utilizing the polluted water instead of unpolluted water extracted from other sources.

The management of those subsidiaries believe that they have good defense against the appeal and that they can prove that such orders must not be issued and that the pollution was not caused by the subsidiaries. In addition, the subsidiaries' management claim that the Water Tribunal is not authorized to issue a ruling in this case and that IUED has no standing in this proceeding. Furthermore, another subsidiary of the Company has expressed its willingness to purchase the water from the "Effa 13" bore. The Water Commissioner has notified the Court that he does not believe that remedies are in order, since if there was any contamination, it was terminated, and since practical solutions for the use of the aquifer water are being examined, under which a solution for the alleged contamination would be reached in any event. The appeal is pending before the Court and deliberations have not yet been held in respect thereof.

As the relieves required under the appeal, in relation to the measures that the subsidiaries will be obliged to take with regard to the pollution, are very general and cannot be quantified, it is impractical to estimate, at this stage, the potential cost of the actions, if any, that the subsidiaries may be required to take.

g. Environmental restoration relating to mining operations

1) A UK subsidiary has included a provision of approximately $ 5.2 million in its financial statements for the restoration of mines. The provision was determined according to the discounted cash flows, which are based on the estimate of the future expenditures required for the closing of the mine. The anticipated closing date of the mine is based on a geological valuation of the remaining quantities of potash in the mine and of the remaining resources of the subsidiary.

2) In accordance with Spanish law, regarding the quality of the environment in respect of areas affected by mining activities, two subsidiaries in Spain submitted a program for the cleanup and remediation of a mining waste site. The program is intended to continue for 24 years and 36 years for each of the aforementioned subsidiaries, respectively. In accordance with estimates prepared by the two subsidiaries regarding the amount of waste to be cleaned up, an accrual in the amount of $ 3.1 million was recorded.

NOTE 11 - COMMITMENTS, CONCESSIONS AND CONTINGENT LIABILITIES (continued):

6) In addition to the contingencies referred to in sections (2) to (5) above, a number ofclaims are pending against the Company and various subsidiaries (including lawsuits). In respect of claims in an amount up to $ 47 million at December 31, 2002, the Company and subsidiaries have created provisions at that date of $1 million; in addition, $ 42 million of the above claims are covered by insurance. In the opinion of the companies' management, based on the opinions of their legal counsel, these amounts are sufficient to cover any liabilities that might arise. As to claims in an amount up to $ 8 million at December 31, 2002 - in the opinion of management of the companies involved, based on the opinions of their legal counsel, it is not yet possible to evaluate the claims' chances, and therefore, no provision has been included in the financial statements in respect of these claims.

NOTE 12 - SHARE CAPITAL:

a. The share capital is composed as follows in 2001-2002:

1) As follows:

	Issued and paid	Authorized
Ordinary Shares of NIS 1 par value	1,199,999,999	1,484,999,999
Special State Share of NIS 1 par value	1	1

2) As of December 31, 2002, a wholly-owned subsidiary holds 9,168,134 ICL ordinary shares of NIS 1 par value (December 31, 2001 - 15,000,000 shares) primarily for the purpose of selling them to employees in an event of exercising the warrants mentioned in c(1) below.

During January 2003, the subsidiary acquired additional 2,196,632 ordinary shares of ICL.

b. Rights conferred by the shares

The Ordinary Shares confer upon their holders voting rights (including appointment of directors by 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 outside of the ordinary course of business.

Voluntary liquidation or change, 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.

NOTE 12 - SHARE CAPITAL (continued):

The acquisition or holding of 25% or more of the issued share capital of ICL (including an augmentation of an existing holding), even if there was previously an understanding regarding a holding of less than 25%.

Any percentage of holding of shares in the Company, which confer upon their holder the right, ability or actual possibility to appoint, directly or indirectly, such number of directors in the Company equal to half, or more than half, of the directors actually appointed in the Company.

c. **Employee warrant plans:**

(i) On August 16, 1999, an extraordinary general meeting of the shareholders approved the resolution taken by ICL's Board of Directors on July 21, 2000 regarding a plan for a private offering of 4.2 million warrants to the Chief Executive Officer (allotted on October 5, 1999) and of 3 million warrants to the Chairman of the Board of Directors (allotted on January 26, 2000), at no cost. Each warrant is convertible into one ordinary share of NIS 1 par value of ICL. The ordinary shares allotted upon exercising the warrants will have all the rights of ICL ordinary shares. ICL allocated an additional 7.8 million warrants to a trustee, under the same terms and conditions. In the meetings of the Board of Directors as of March 22, 2000 and May 28, 2000, it was resolved to allot all future options held by the trustee to employees of the Company and its subsidiaries. The allotment of the warrants will be carried out in accordance with section 102 of the Income Tax Ordinance. The entitlement to the warrants is as follows: one third at the date of the Board of Directors' resolution, one third after one year and one third after two years, subject to the terms of the plan. The warrants are exercisable as from the end of two years from the date of the entitlement; any warrants not exercised within two years from the date upon which they become exercisable, will expire. In addition, rules have been established to govern the event of termination of service or employment of warrant recipients. The exercise price for all of the shares allotted until December 31, 2000 is NIS 3.7 per share, linked to the last Israeli CPI published prior to June 21, 1999, subject to adjustments as determined by the plan. The fair value of each warrant, computed using the Black-Scholes option-pricing model as prescribed by stock exchange regulations, was NIS 2.24 as of that 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 offer warrants (the determining date for implementation of the abovementioned offering) - NIS 4.76. The exercise price of the next batches will be set at the average quoted price of one ordinary share of NIS 1 par value over the four months preceding the date of entitlement for each batch, at a discount of 15% linked to the Israeli CPI, but not more than NIS 3.7 linked to the Israeli CPI, subject to adjustments as determined by the plan.

The Tel-Aviv Stock Exchange has approved the listing of the shares issuable under this plan.

On January 30, 2003, the Company's board of directors approved the amendment of the terms of the stock option plan, so that upon exercise of the option warrants, employees would be allotted shares in the amount of the benefit to which they are entitled. On February 24, 2003, the general meeting of the Company's shareholders approved such amendmend in connection with options allotted to the chairman of the board of directors and to the general manager of the Company.

NOTE 12 - SHARE CAPITAL (continued)**:**

(ii) During year 2002, the Chief Executive Officer and the Chairman of the Board of Directors of the Company exercised options into1.4 million and 1 million Company shares, respectively. In addition, a further 3,431,866 options were exercised by others into the Company's shares during the year 2002.

(iii) On January 23, 2003 (hereafter - "the effective date"), the Company's board of directors approved a plan for the private allotment of 25 milion 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 option warrants to the Company's general manager and 3.4 million option warrants to the chairman of the board of directors, at no consideration. The private allotment to the chairman of the board of directors was approved by the general meeting on February 24, 2003.

The warrants are exercisable as follows: one third after 12 month from the determined date, one third after 21 months from the determined date and one third after 30 months from the determined date. In addition, rules have been established to govern the event of termination of service or employment of warrant recipients. The exercise price was set at NIS 4.25 per share. The fair theoretical value of each warrant, computed using the Black-Scholes option-pricing model as prescribed by stock exchange regulations, was NIS 1.62 as of that 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 offer warrants (NIS 4.56).

d. In determining the amount of retained earnings available for distribution as a dividend, the Companies Law stipulates that the cost of the Company's shares acquired by a subsidiary (that are presented as a separate item within the framework of the shareholders' equity) have to be deducted from the amount of retained earnings, presented within the framework of the Company's shareholders' equity.

e. The closing price per share on Tel-Aviv Stock Exchange, as of December 31, 2002, was NIS 4.849.

NOTE 13 - TAXES ON INCOME:

a. Taxation of the Israeli companies (hereafter - the companies):

1) Tax benefits under the Israeli Law for the Encouragement of Capital Investments , 1959 ("the investment law").

Production facilities of some of the Israeli subsidiaries have been granted "approved enterprise" status under the Investment Law. Income derived from these subsidiaries' approved enterprises is subject to a reduced company tax rate of 25% (instead of the regular tax rate - see (4) below) for a period of seven years (in respect of the magnesium plant - since the magnesium company is a foreign investment company - for a period of ten years), commencing in the year in which the specific approved enterprise first generates taxable income (limited to twelve years from commencement of production or fourteen years from date of approval, whichever is earlier). "Approved Enterprises" in nationally preferred Zone A, approved after January 1, 1997 are exempt from tax on undistributed profits for the first two years of operations and are taxed at a rate of 25% for the subsequent five years. In addition, these companies are entitled to claim accelerated depreciation on the fixed assets of the approved enterprise.

NOTE 13 - TAXES ON INCOME (continued)**:**

The taxable income to be attributed to any approved enterprise in any tax year is generally computed as a ratio of the "real" (net of inflation) increase - linked to the Industrial Output Index or to the dollar - in the subsidiary's turnover in that year to its turnover in the year before the approved enterprise commenced its manufacturing activities.

The tax benefits are conditional upon the fulfillment of certain conditions. In the event of failure of the subsidiaries which own approved enterprises to comply with these conditions, the tax benefits and other benefits could be cancelled, in whole or in part, and the subsidiaries might be required to refund the amount of the cancelled benefits (including the investment grants received, see notes 6a(6) and 14d), with the addition of Israeli CPI linkage differences and interest. Management is of the opinion that the subsidiaries are in compliance with the abovementioned conditions.

2) Measurement of results for tax purposes under the Israeli 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 2b, the financial statements are drawn up in dollars. The difference between the change in the Israeli CPI and in the exchange rate of Israeli currency relative to the dollar - both on annual and cumulative bases - effects the difference between the amount of the actual tax and the amount of reported income.

b) Under the inflationary adjustments law, the Israeli industrial subsidiaries, see (3) below, are entitled to claim accelerated depreciation on fixed assets.

3) The Israeli Law for Encouragement of Industry (Taxation), 1969 ("the Industry Law"):

a) Pursuant to the "Industry Law", a company qualifies as an "Industrial Company" if it is resident in Israel and at least 90% of its income in any tax year is derived from an "Industrial Enterprise" it owns. An "Industrial Enterprise" is defined as an enterprise whose major activity in a given tax year is industrial production activity. The principal Israeli subsidiaries are "industrial companies" as defined by this law.

b) A "Parent Company" is defined as (1) an Industrial Company which controls another Industrial Company and whose industrial enterprises operate similar product lines; and (2) a company which is not an Industrial Company but controls an Industrial Company and at least 80% of the assets of which is invested in shares or loans for periods exceeding three years) in industrial companies in which it holds at least 50% of the voting rights and equity. "Control" is defined as the holding of at least two-thirds of the voting rights and the right to appoint directors.

Pursuant to the Industry Law, a Parent Company is entitled to file a consolidated tax return together with its subsidiaries in Israel whose Industrial Enterprises operate "similar product lines".

NOTE 13 - TAXES ON INCOME (continued)**:**

Some of ICL's Israeli subsidiaries and ICL itself qualify as a Parent Company. ICL files consolidated tax returns with most of its subsidiaries in Israel, which allows ICL to utilize, for tax purposes, the losses (if any) of its subsidiaries and the losses (if any) of ICL against taxable income of other subsidiaries.

4) The tax rate applicable to income not derived from an "approved enterprise" is 36%.

5) Losses carried forward to future years

Carryforward losses of ICL and the subsidiaries with which it files a consolidated tax return (see (3)(b) above) aggregate approximately $ 172 million December 31, 2002; December 31, 2001 - approximately $ 207 million. Carryforward losses of subsidiaries that do not file a consolidated tax return with ICL - in respect of which deferred taxes were created - amount to approximately $ 75 million at December 31, 2002; approximately $ 12 million at December 31, 2001.

The balances of carryforward losses of subsidiaries that do not file a consolidated tax return with ICL, in respect of which deferred taxes were not created, amount to approximately $ 151 million as of December 31, 2002; December 31, 2001 - approximately $ 80 million.

Capital losses for tax purposes carries forward to future years aggregate approximately $ 111 million as of December 31, 2002. These losses can only be utilized against capital gains. No deferred taxes were created in respect of these capital losses.

Under the inflationary adjustments law, carryforward losses are linked to the Israeli CPI, and can be utilized indefinitely.

6) Tax assessments

ICL has received final tax assessments for its consolidated tax returns through tax year 1981, and the subsidiaries included in the consolidation for tax purposes - through tax year 1989.

ICL has held negotiations with the tax authorities regarding tax years 1982 to 1989, but has not yet reached agreements on some issues. ICL has created a provision in its accounts in an amount management considers sufficient to cover its tax liabilities for these years.

Certain other subsidiaries (which are not consolidated for tax purposes) have received final assessments through tax years between 1986 and 1998.

b. Non-Israeli subsidiaries:

1) Tax laws

Non-Israeli subsidiaries are taxed under tax laws in their countries of residence.

2) Tax assessments

These subsidiaries have received final assessments through tax years between 1993 and 2001.

NOTE 13 - TAXES ON INCOME (continued):

c. Deferred income taxes:

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

	In respect of balance sheet items				In respect of	
	Depreciable fixed assets	Inventories	Provisions for employee rights	Other	carryforward tax losses (see a(6) above)	Total
	U.S. dollars In thousands					
Balance at January 1, 2000	341,238	(2,776)	(23,467)	(10,129)	(105,210)	199,656
Changes in 2000:						
Translation differences	(282)			(15)		(297)
A proportionately consolidated company which was previously fully consolidated				621		621
Deferred taxes in respect of valuation of fixed assets at their fair value	6,031					6,031
Amounts carried to income	31,367	(2,944)	(5,821)	4,597	(3,000)	24,199
Balance at December 31, 2000	378,354	(5,720)	(29,288)	(4,926)	(108,210)	230,210
Changes in 2001:						
Translation differences	(175)			(30)		(205)
Amounts carried to income	(98,036)	9,219	(5,120)	4,298	44,081	(45,558)
Balance at December 31, 2001	280,143	3,499	(34,408)	(658)	(64,129)	184,447
Changes in 2002:						
Translation differences	559			16		575
Deferred Income taxes in respect of a subsidiary consolidated for the first time					(11,872)	(11,872)
Amounts carried to income	24,778	(6,303)	5,190	(18,265)	24,115	29,515
Balance at December 31, 2002	305,480	(2,804)	(29,218)	(18,907)	(51,886)	202,665

* See note 3c.

2) Presented in the balance sheets as follows:

	December 31	
	2002	2001
	U.S. dollars in thousands	
Among current assets	(17,502)	(11,310)
Among long term liabilities	220,167	195,757
	202,665	184,447

3) For companies in Israel - the deferred taxes are computed mainly at the applicable weighted average rates of 30%-33%. As to companies outside of Israel - see b above.

NOTE 13 - TAXES ON INCOME (continued):

4) The balance of undepreciated cost of certain depreciable fixed assets includes amounts which will not be allowed for tax purposes by way of depreciation or as cost upon realization of the assets. These amounts are regarded as permanent differences (in respect of which no deferred taxes are to be provided) in accordance with Opinion No. 40 of the Institute of Certified Public Accountants in Israel. The amount of this balance is not material.

d. Taxes on income included in the income statements:

1) Composed as follows:

	2002	2001	2000
	U.S. dollars in thousands		
For the reported period:			
Current	12,176	12,525	19,800
Deferred, see c. above	29,515	(45,558)	24,199
	41,691	(33,033)	43,999

2) Following is a reconciliation of the theoretical tax expense, assuming all income is taxed at the regular tax rates (see a(4) above) and the tax expense presented in the consolidated statements of income:

	2002	2001	2000
	U.S. dollars in thousands		
Income (loss) before taxes on income, as reported in the statements of income	131,303	(138,231)	141,394
Theoretical tax expense (income)	47,269	(49,763)	50,902
L e s s - tax benefit (expenses) arising from reduced tax rate applicable to an "approved enterprise"	5,004	(20,621)	3,099
	42,265	(29,142)	47,803
A d d (deduct) - 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	(2,831)	(2,123)	(5,679)
Difference in respect of foreign subsidiaries	(1,731)	(653)	(1,189)
Increase in taxes resulting from tax losses of subsidiaries not consolidated for tax purposes, in respect of which no deferred taxes were created	9,224	12,047	7,783
Decrease in taxes resulting from tax losses of subsidiaries not consolidated for tax purposes, in respect of which deferred taxes were created for the first time	(4,206)		
Increase in taxes resulting from permanent differences - tax effect - disallowed expenses, net of exempt income	7,050	5,453	2,385
"Nahal" deduction	(8,080)	(13,300)	(9,595)
Capital gains on realization of subsidiaries, net		(1,479)	(5,040)
Other differences		(3,836)	7,531
Taxes on income included in the income statements	41,691	(33,033)	43,999

NOTE 14 - PLEDGES AND RESTRICTIONS PLACED IN RESPECT OF LIABILITIES:

a. Part of the Group has committed itself under "negative pledge" provisions to certain Israeli banks 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 3f). A similar negative pledge commitment was made to holders of debentures issued by a subsidiary of ICL, whereby ICL undertook not to register any pledges on its assets to secure any liabilities whatsoever, other than those already registered on its assets, without registering a corresponding pledge in favor of the debenture-holders, as long as the debentures are outstanding. Nevertheless, ICL is entitled to register fixed or floating charges of any rank on any assets purchased in the future in respect of loans or credit received for such purchase.

b. Fixed and floating charges have been registered (not including a. above) on assets of the Group, as security for liabilities (including a pledge on IP's shares), as follows:

	December 31	
	2002	2001
	U.S. dollars in thousands	
Current liabilities (excluding current maturities)		2,500
Long-term loans and other long-term liabilities (including current maturities)	121,707	136,245
	121,707	138,745

c. ICL has undertaken various obligations in respect of loans and credit from non-Israeli banks (mentioned in a. above). Among others, it undertook 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 "charges permitted to be registered" on its present or future assets or income.

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

In respect of the convertible debentures, ICL has undertaken not to register pledges on any of its assets in favor of a third party, for the purpose of securing debentures, promissory notes or other securities that may be registered for trade on a stock exchange, unless it also grants, on the same date, pari passu, identical securities to the holders of those debentures.

NOTE 14 - PLEDGES AND RESTRICTIONS PLACED IN RESPECT OF LIABILITIES (continued):

d. Under the Law for the Encouragement of Capital Investments, 1959, 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 13a(1)).

The above companies have registered floating charges on all their assets in favor of the State of Israel as security for compliance with the terms attaching to the grants.

e. In order to ensure that the terms of the securitization are met, the Company has registered a general assignment of all its trade receivables in favor of the company who purchased the receivables, which are to be included in the securitization from time to time, as well as all rights, documents or collateral arising from such debts or that are related to them.

NOTE 15 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION:

Balance sheets:

a. Short-term investments, deposits and loans:

	December 31	
	2002	2001
	U.S. dollars in thousands	
Marketable securities*	3,698	18,855
Deposits with banks and financial institutions and short-term loans	8,763	1,716
Current maturities of long-term deposits and receivables	3,613	4,927
	16,074	25,498
* Composed as follows:		
Debentures - mainly Government of Israel bonds	2,329	9,685
Participation certificates in mutual funds most of the assets of which are invested in Government of Israel bonds	1,369	9,170
	3,698	18,855

NOTE 15 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):

b. Accounts receivable:

	December 31 2002	December 31 2001
	U.S. dollars in thousands	
1) (a) Trade - open accounts:		
Outside Israel*	176,455	318,293
In Israel	48,944	48,450
Subordinated note (b)	128,014	
	353,413	366,743
L e s s - allowances for doubtful accounts	12,816	12,377
	340,597	354,366
* Including notes that have been discounted amounting to **	12,288	10,400
(b) Sale of trade receivables under a securitization transaction:		
Trade receivables included as part of the securitization transaction as of balance sheet date	221,049	
L e s s - consideration in respect of said trade receivables, net	153,537	
Subordinated note	67,512	
Consideration, net, received subsequent to balance sheet date in respect of trade receivables sold	60,502	
Subordinated note and debts in respect of sale of trade receivables	128,014	

** The Company regularly factors a portion of its trade receivables with banks and enters into agreements to secure the payment of trade receivables.

The balance of the notes factored with the banks under with-recourse agreements are presented under the heading trade receivables and, at the same time, the related credit received from the bank is included under the heading of short-term credit from banks.

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

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

NOTE 15 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):

The expected volume of the financial resources that will be available for acquiring the trade receivables is approximately $ 250 million, the acquisition will be on an ongoing basis, which will enable the Acquiring Companies to utilize the proceeds received from customers whose debts were sold, to acquire new trade receivables.

The Companies will sell their trade receivables to the Acquiring Company over 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 is entitled to cease extending the period for the sale of the trade receivables in compliance with 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 related to the anticipated period from the sale to the repayment of the trade receivable.

Upon the acquisition of the trade receivables, the Acquiring Companies will pay most of the balance in cash and the remainder in a subordinated note, which will be repayable after the collection of the related debt. The ratio of the cash consideration varies according to the composition and nature of the customer portfolio.

The Companies will bear all the losses that may be incurred, if any, by the Acquiring Companies 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 an absolute sale. The Acquiring Company will have no recourse rights in respect of amounts paid to the Companies, with the exception of debts in respect of which a commercial dispute should arise 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, overdue supply, etc.).

The core principle of the accounting treatment for the sale of the trade receivables within the framework of a securitization agreement is that the sale of the trade receivables is recognized only for that part in respect of which the control and risks have passed irrevocably to the acquirer. Accordingly, the balances on 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 made out for the amount of the difference between the balance of the trade receivables included in the securitization transaction and the aforesaid consideration and the list of debtors in respect of the sale of trade receivables, which have been sold and the consideration in respect thereof has been received subsequent to balance sheet date.

The loss resulting from the trade receivables is expensed at the time of the sale and presented under financial expenses.

The Companies will handle the collection of trade receivables sold under the securitization transaction on behalf of the Acquiring Company.

NOTE 15 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):

2) Other:

	December 31	
	2002	**2001**
	U.S. dollars in thousands	
Claims from the Government:		
Excess of payments over Provisions for income taxes, net (including accrued interest and differences)	76,562	73,510
Investment grants receivable	11,923	8,966
Other	11,356	8,238
Prepaid expenses	25,947	19,120
Receivable in respect of sale of the "Millenium Tower" and a real estate asset in IDE	839	17,947
Deferred taxes	17,502	11,310
Sundry	36,351	32,524
	180,480	171,615

c. Inventories:

Raw materials	74,264	73,233
Products in process	62,407	66,607
Finished products	304,572	290,558
Spare parts and maintenance supplies	60,495	57,844
Payments on account and materials in transit	4,632	3,363
	506,370	491,605

d. Accounts payable and accruals - other:

	December 31	
	2002	**2001**
	U.S. dollars in thousands	
The Government - mainly in respect of royalties	15,051	11,940
Employees and provisions for employee benefits	107,476	102,164
Accrued expenses	24,352	27,970
Income taxes payable	12,000	9,664
Sundry	82,232	75,083
	241,111	226,821

NOTE 15 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):

Statements of income:

e. Cost of sales*

	2002	2001	2000
	U.S. dollars in thousands		
Materials	434,881	439,950	439,588
Power and energy	145,088	143,997	163,428
Labor and related expenses	329,537	295,403	298,650
Subcontracted work	158,515	151,868	169,545
Depreciation and amortization	136,820	148,193	154,442
Other production expenses	139,243	83,051	92,514
Transport and port expenses	8,478	12,339	13,234
	1,352,562	1,274,801	1,331,401
Increase in inventories of finished products and products in process	(82)	(3,132)	(2,307)
	1,352,480	1,271,669	1,329,094
* Net of amounts capitalized to fixed assets under construction	13,324	6,823	8,127

f. Research and development expenses - net:

	2002	2001	2000
Amount of expenses*	28,871	32,671	35,097
L e s s - grants and participations, see note 11a(4)	410	218	1,138
	28,461	32,453	33,959
* Net of amounts capitalized to fixed assets under construction	440	941	1,262

g. Selling, transporting and marketing expenses:

	2002	2001	2000
Transport and insurance	220,514	210,736	228,769
Payroll and related expenses	43,709	42,591	45,528
Agents' commissions	16,931	19,182	21,058
Other	36,651	37,060	40,571
	317,805	309,569	335,926

h. General and administrative expenses:

	2002	2001	2000
Payroll and related expenses	49,103	49,839	52,997
Other*	34,421	34,895	36,430
	83,524	84,734	89,427
* Including in respect of doubtful debts	2,210	(999)	(785)

NOTE 15 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):

i. **Financial expenses -** net*:

	2002	2001	2000
	U.S. dollars in thousands		
Long-term loans and other liabilities	49,428	63,239	63,518
Short-term credit from banks and others	4,816	27,265	35,440
Long-term deposits and receivables	453	(439)	201
Short-term deposits and loans	(6,460)	(11,708)	(11,826)
Short term investments - net	466	99	(1,462)
	48,703	78,456	85,871
* Net of amounts capitalized to fixed assets under construction	840	1,246	1,607

j. **Other income (expenses)** - net:

	2002	2001	2000
Capital gains (losses): (1)	2,934	6,903	37,399
Reorganization plan (2)	(6,866)	(6,472)	(27,435)
Settlement of claims (3)			(3,677)
Write-down of production plants and others (4)	(9,448)	(12,944)	
Write off of long term investments	(811)		
Temporary and initiated shut-down production in some of the Company's Facilities (5)		(7,579)	
Goodwill amortization	(3,863)	(3,844)	(1,555)
Sundry -net	(577)	3,805	2,330
	(18,631)	(20,131)	7,062

(1) a. On June 29, 2000, ICL entered into an agreement to sell its ownership rights in the "Millenium Tower" for approximately $ 22.3 million. The capital gain recorded in respect of this transaction was approximately $ 14 million.

b. On September 28, 2000, I.D.E entered into an agreement to sell its real estate in Ra'anana for $ 16.5 million. The capital gain recorded by ICL in respect of this transaction was approximately $ 12.5 million.

c. In 2002, Nutrisi (a 50% held company, which is included by the equity method) and another company outside the Group established, by way of transfer of assets, a new company - NU3 - which is equally owned by the parties. Subsequently, and as a result of the decrease in the percentage of indirect holding in the assets transferred to NU3 from 50% to 25%, the Group recorded a capital gain of approximately NIS 2.2 million.

NOTE 15 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):

d. On September 19, 2000, the Company entered into an agreement for the sale of 50% of the shares of I.D.E. to Delek Investments and Properties Ltd. The capital gain and the net income on this sale are approximately $14 million.

e. On February 13, 2001, DSW sold all of its holdings (49.48%) in Dead Sea Laboratories Ltd., a company which is engaged in the manufacturing, marketing and selling of cosmetics and beauty care products under the brand name “Ahava”, in consideration of $ 6.9 million. The capital gain and the net income on this sale are approximately $4.5 million.

(2) a. For the purpose of improving the competitive position and profitability of the Company's fertilizer segment, on September 14, 2000, the appropriate forums of the Company and of the subsidiaries, DSW and Rotem, approved plans which included actions designed to take advantage of the synergy of the two said subsidiaries, by combining their management, marketing and overland and marine shipping functions.

Furthermore, the Companies above undertook efficiency measures for the purpose of decreasing its manufacturing costs. These activities include the early retirement of certain employees which was effected in October 2000, the retirement of additional employees subsequent thereto, the merging of the information and logistics systems and the offices of the above companies, as well as the undertaking of certain additional actions. The total expenses recorded by the Group in respect of the abovementioned actions, aggregated $ 27.4 million.

b. In the years 2002 and 2001, the company included in the consolidated statement of income, expenses in respect of reorganization plans of various subsidiaries.

(3) In 2000 and 2001, DSW signed an agreement with the Ports Authority regarding the operating costs of the bulk potash installation at Ashdod Port during the period between April 1992 and December 1999.

The favorable difference between the amount paid pursuant to the agreement and the amount provided by the Company in its previous years’ accounts in the amount of $ 2.3 million. As to the settlement of claims in the United States, see note 11c(3).

(4) During 2001, IP resolved to discontinue, in 2003, the mining of potash in one of its mines. The financial statements for the year 2001 include a provision of $ 10.2 million ($ 8.4 million in respect of impairment of value of fixed assets and $ 1.8 million for a voluntary retirement plan in respect of the closing of the mine). During 2002, the management of IP decided decidide to postpone the date for the closure of the mine. No new date for its closure has yet been decided.

NOTE 15 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):

In 2001, there was a significant decrease in the sales of fused magnesia by a partnership of Periclase (hereafter - the partnership), due to a decrease in the quantities sold and a reduction in the price thereof, which results, inter alia, from the introduction of new competition to the sector. Accordingly, and in light of the forecast for sales of fused magnesia by the partnership, the partnership examined the necessity of a provision for the impairment in value of the fused magnesia facility. Following this examination and based on the cash flows anticipated in the next five years, the partnership made a provision, as above, of approximately \$ 9 million. The Company's share in the write-down is approximately \$ 4.5 million.

Following the continued decrease in selling prices of fused magnesia products, which led to reduced manufacture and sale of such products, the management of Periclase has decided to idle some of the manufacturing facilities of such products. As a result, in 2002 Periclase made a provision of approximately \$ 1.1 million for the decrease in value of the facilities that were or are expected to be idled shortly.

In 2002, Fertilizers and Chemicals Ltd. depreciated production facilities, whose depreciated cost aggregated approximately \$ 4.8 million. The facilities were depreciated partly in view of the decision to terminate the production of TCCA and partly due to obsolescence. In addition, the facility of a German subsidiary used in the production of phosphorous acids was depreciated due to obsolescence. The depreciated cost of this facility aggregated approximately \$ 3.2 million.

(5) The item includes current expenses of some of Rotem's facilities in which production was discontinued for set periods during the year, as part of an inventory depreciation plan

NOTE 16 - 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 interest rates and foreign exchange rates. Financial instruments (including derivative financial instruments) 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 place collateral for these derivatives.

NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued):

b. Interest rate risk management

The Group enters into interest rate swaps, mainly to alter interest rate exposure according to its expectations regarding the level of future interest rates.

Under interest rate swaps, the Group agrees with banks in Israel and overseas to exchange, at specified intervals, floating rate interest amounts calculated by reference to agreed notional amounts bearing fixed interest rates.

At December 31, 2002, the Group has interest rate swap agreements (for periods of up to 3 years) under which it receives a floating rate of interest, based on LIBOR (as of December 31, 2002 1.42%) and pays an average fixed rate interest of 5.7% - an imputed amount of $ 20 million. Most of these transactions are combined with options written by the Group, according to which, if the floating interest, based on LIBOR, reaches 7% ,the transactions will be null and void. These transactions will be discharged in 2003.

In addition to these transactions, the Group purchased caps to secure a ceiling of LIBOR interest rates of 5.5 % which cover, as of December 31, 2002, a notional amount of $ 10 million. The Group also purchased and wrote interest options which serve to fix LIBOR within the range of 2.5% to 6% (collar); the notional amount of such collars is $ 76 million as of December 31, 2002.

c. Foreign exchange risk management

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 firm or anticipated (budgeted) for up to one year sales of products and purchases of goods and services, will be affected by changes in exchange rates.

These transactions are principally for the exchange of Euro, German marks, Japanese yen and new Israeli shekels into dollars, and vice versa.

The amounts relating to foreign currency derivatives are as follows:

	Notional amounts at December 31, 2002
	U.S. dollars in millions
Forward contracts - for exchange of:	
Euro into dollars	32.5
Japanese yen into Dollars	9.1
Dollars into Euro	16.6
Dollars into Israeli currency	9
Other currencies into dollars and other currencies	0.7

NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued):

	Notional amounts at December 31, 2002
	U.S. dollars in millions
Options purchased and written (cylinder options):	
Dollars for Euro	11
Dollars for Israeli currency	63.7
Dollars for Japanese yen	23.5
British pound for Dollars	1.5
Options written for exchange of British pound into Dollars	0.5
Options written for exchange of NIS into Dollars	14.6

d. Linkage terms of monetary balances that are not in dollars or linked thereto:

1) Composed, as of December 31, 2002, as follows:

	In non-dollar currencies or linked thereto*	In Israeli currency	
		Linked to the Israeli CPI	Unlinked
	U.S. dollars in thousands		
Assets:			
Current assets	238,346	54,029	74,805
Non-current assets (including current maturities)	1,626	11,797	4,890
	239,972	65,826	79,965
Liabilities:			
Current liabilities	224,211	46,296	163,769
Long-term loans and other long-term liabilities (including current maturities)	223,341	4,089	96,478
	447,552	50,385	260,247

* Of which $ 123,070 and $ 269,134 relate to assets and liabilities, respectively, in respect of companies operating independently

NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued):

2) Data regarding the exchange rate and the Israeli CPI:

	Exchange rate of one dollar	**Israeli CPI***
At end of year:		
2002	NIS 4.737	182.01 points
2001	NIS 4.416	170.91 points
2000	NIS 4.041	168.53 points
1999	NIS 4.153	168.53 points
Increase (decrease) during the year:		
2002	7.3%	6.5%
2001	9,3%	1.4%
2000	(2.7)%	-,-

* Based on the index for the month ending on each balance sheet date, on the basis of 1993 average = 100.

e. Concentration of credit risks

Most of the Group's cash and cash equivalents and short-term marketable securities at December 31, 2002 and 2001 were deposited with Israeli and European banks. The Company's marketable securities represent mainly Israeli Government bonds and mutual funds that invest mainly 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 accounts. A part of the trade receivables is also insured by foreign trade risk insurance.

f. Fair value of financial instruments

The financial instruments of the Group consist mainly of non-derivative assets: cash and cash equivalents, short-term investments, deposits and loans, accounts receivable, and non-current investments and receivables, and of non-derivative liabilities: short-term credit, accounts payable and accruals, long-term loans and other long-term liabilities; the Group also has derivatives.

In view of their nature, the fair value of the financial instruments included in working capital of the Group is usually identical or close to their carrying value. The fair value of long-term deposits and receivables and long-term loans and other long-term liabilities also approximates the carrying value, since they bear interest at rates close to the prevailing market rates.

The fair value of derivatives at December 31, 2002, is generally identical or close to their carrying value. The fair value of these instruments generally reflects the estimated amounts that the Group would receive, net, in order to terminate the contracts at the reporting dates.

As to the fair value of SQM shares - see note 4b(1).

NOTE 17 - "INTERESTED PARTIES" AS DEFINED IN THE ISRAELI SECURITIES (PREPARATION OF ANNUAL FINANCIAL STATEMENTS) REGULATIONS, 1993:

a. Remuneration and benefits to interested parties:

	2002	2001	2000
	U.S. dollars in thousands		
To interested parties employed by ICL	842	824	1,186
To interested parties not Employed by ICL - directors	407	353	383
Number of people to whom these benefits related: Interested parties employed by ICL	1	1	1
Interested parties not Employed by ICL - directors	21	16	15

As to the warrants allotted to the Company's C.E.O. and to its Chairman of the board of directors - see note 12c.

As to management fees to the parent company, see note 11a(6).

b. Balances with interested parties:

	2002	2001
	U.S. dollars in thousands	
Long-term deposits, net of current maturities	8,549	16,552
Current maturities of long-term deposits	2,130	3,613
Other current liabilities	773	1,360
Long-term liabilities: Long-term loans, net of current maturities	111,705	317,050
Current maturities of long-term liabilities to interested parties	130,644	66,652
Current liabilities (excluding current maturities of long-term liabilities, see also note 8)	39,958	114,429

c. Data regarding transactions carried out in the ordinary course of business with entities, which are, or are likely to be, included within the definition of "interested parties" including banks, are not presented separately, as identification thereof is impracticable. Management believes that such transactions were substantially carried out at arm's length.

d. The Israeli Securities Authority has granted ICL an exemption from the requirement to describe transactions with related parties in the Company and with companies held by such related parties, in the annual financial statements. Management is of the opinion that such transactions are generally carried out at arm's length.

NOTE 18 - BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS:

a. Business segment data:

	Fertilizers										
	Potash	Phosphate	Eliminations	Total	Industrial Products	Agricultural Products*	Performance Products	Metallurgy	Other operations	Eliminations	Consolidated
	2002										
	U.S. dollars in thousands										
Income statement data:											
Revenue:											
Unaffiliated customers	498,466	379,850		878,316	483,378	85,150	444,237	63,063	26,763		1,980,907
Intersegment	79,882	47,730	(21,241)	106,371	10,380		3,898	14,317	25,520	(160,486)	
Total revenue	578,348	427,580	(21,241)	984,687	493,758	85,150	448,135	77,380	52,283	(160,486)	1,980,907
Operating income (loss)	120,745	6,182	(85)	126,842	10,114	25,717	42,765	(13,343)	3,355	12,196	207,646
Unallocated corporate expenses											(9,009)
Operating income (loss)											198,637
Financial expense											(48,703)
Goodwill amortization	2,732	254		2,986	805			72			(3,863)
Other expenses (excluding goodwill amortization)											(14,768)
Taxes on income											(41,691)
Share in profits of associated companies											(150)
Minority											2,849
Net income											92,311
Other data:											
Segment assets	858,207	652,858	(24,661)	1,486,404	833,636		338,195	124,653	52,649	(37,595)	2,797,942
Unallocated corporate assets											195,503
Consolidated total assets											2,993,445
Segment liabilities	185,591	106,652	(23,333)	268,910	163,590		157,105	18,467	13,287	(36,936)	584,423
Unallocated corporate liabilities											1,534,441
Consolidated total liabilities											2,118,864
Capital expenditure	109,900	12,913		122,813	38,032		21,631	1,374	2,212		186,062
Unallocated Capital expenditure											97
Total capital expenditure											186,159
Depreciation and amortization	44,536	40,673		85,209	51,729		19,961	5,026	5,117		167,042
Unallocated depreciation and amortization											1,099
Total depreciation and amortization											168,141

* See note 18 (b) (1) (b)

NOTE 18 - BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS:

a. Business segment data:

	Fertilizers										
	Potash	Phosphate	Eliminations	Total	Industrial Products	Agricultural Products*	Performance Products	Metallurgy	Other operations	Eliminations	Consolidated
	2001										
	U.S. dollars in thousands										
Income statement data:											
Revenue:											
Unaffiliated customers	394,567	391,650		786,217	487,879	93,571	394,375	67,186	29,553		1,858,781
Intersegment	77,659	45,154	(17,856)	104,957	15,720		2,164	15,115	27,183	(165,139)	
Total revenue	472,226	436,804	(17,856)	891,174	503,599	93,571	396,539	82,301	56,736	(165,139)	1,858,781
Operating income (loss)	112,898	6,788	(146)	119,540	12,368	29,575	32,714	(27,473)	(459)	4,670	170,935
Unallocated corporate expenses											(10,579)
Operating income (loss)											160,356
Financial expense											(78,456)
Goodwill amortization	2,713	254		2,967	805			72			(3,844)
Other expenses (excluding goodwill amortization)											(216,287)
Taxes on income											33,033
Share in profits of associated companies											(373)
Minority											63,196
Net income											(42,375)
Other data:											
Segment assets	700,245	698,304	(1,658)	1,396,891	877,389		297,235	135,154	57,618	(21,517)	2,742,770
Unallocated corporate assets											197,626
Consolidated total assets											2,940,396
Segment liabilities	115,282	115,159	(306)	230,135	137,246		133,783	19,729	15,349	(21,186)	515,056
Unallocated corporate liabilities											1,602,054
Consolidated total liabilities											2,117,110
Capital expenditure	43,921	14,767		58,688	41,916		14,895	3,092	7,261		125,852
Unallocated Capital expenditure											1,811
Total capital expenditure											127,663
Depreciation and amortization	58,498	43,201		101,699	51,926		15,057	14,219	3,897		186,798
Unallocated depreciation and amortization											373
Total depreciation and amortization											187,171

* See note 18 (b) (1) (b)

NOTE 18 - BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS:

a. Business segment data:

	Fertilizers										
	Potash	Phosphate	Eliminations	Total	Industrial Products	Agricultural Products*	Performance Products	Metallurgy	Other operations	Eliminations	Consolidated
	2000										
	U.S. dollars in thousands										
Income statement data:											
Revenue:											
Unaffiliated customers	427,318	412,926		840,244	567,653	101,020	395,573	74,662	29,457		2,008,609
Intersegment	88,134	42,296	(19,587)	110,843	18,374		2,346	17,044	32,245	(180,852)	
Total revenue	515,452	455,222	(19,587)	951,087	586,027	101,020	397,919	91,706	61,702	(180,852)	2,008,609
Operating income (loss)	108,897	5,439	928	115,264	49,704	33,146	37,079	(15,290)	(1,439)	11,878	230,342
Unallocated corporate expenses											(10,139)
Operating income (loss)											220,203
Financial expense											(85,871)
Goodwill amortization	1,229	254		1,483				72			(1,555)
Other expenses (excluding goodwill amortization)											8,617
Taxes on income											(43,999)
Share in profits of associated Companies											366
Minority											2,665
Net income											100,426
Other data:											
Segment assets	753,730	767,894	(5,222)	1,516,402	924,006		298,418	363,472	53,413	(20,688)	3,135,023
Unallocated corporate assets											226,522
Consolidated total assets											3,361,545
Segment liabilities	136,170	115,893	(4,096)	247,967	162,206		122,228	20,204	18,502	(20,442)	550,665
Unallocated corporate liabilities											1,831,564
Consolidated total liabilities											2,382,229
Capital expenditure	140,861	23,812		164,673	82,080		12,066	10,800	25,627		295,246
Unallocated Capital expenditure											2,337
Total capital expenditure											297,583
Depreciation and amortization											179,857
Unallocated depreciation and amortization											273
Total depreciation and amortization											180,130

* See note 18 (b) (1) (b)

NOTE 18 - BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS (continued)**:**

b. Information on business and geographical segments:

1) Business segments

As from 2002, the Company applies the provisions of Israel Accounting Standard No. 11. Comparative data for the years 2001 and 2000 have been restated, in order to comply with the provisions of the Standard.

(a) The Group operates in six principal segments - Fertilizers, Performance Products, Industrial Products, Agricultural products and Metallurgy. These activities are the basis on which the group reports its primary segment information:

Fertilizers - mining, processing and marketing of potash, phosphate and related products, limestone and sand stone and fertilizers (including compound and specialty fertilizers). This division is comprised of two segments: potash and phosphates.

Industrial Products - extraction of bromine, magnesium and chlorine from Dead Sea salts; production and marketing of various bromine compounds, inter alia as fire retardants, and bromides for industry, agriculture and treatment of sea water, as well as various magnesium products and chlorine based products for general use.

Agricultural products - production and marketing of fumigation and cleansing products for agricultural land.

Performance products - production and marketing of downstream phosphate-based products, including phosphoric acids (food grade and technical grade), phosphate salts, food additives, hygiene products for the food industry, as well as other products, mainly based on aluminum compounds, including chemicals for the paper and water industry, the pharmaceuticals and cosmetics industry, thermoplastic materials, etc.

Metallurgy - Production and marketing of pure magnesium and magnesium alloys, mainly for the aluminum and vehicle industries. This activity is carried out by DSM.

The other activities include mainly the water desalination business, logistic services to third parties.

(b) There is a series of multilateral international agreements designed to reduce the depletion of the ozone layer by various chemical substances, including methyl bromide, so that production, consumed quantities and supervised use of methyl bromide produced by the Bromine Companies which include under the Segment “Agricultural Products” (whose annual sales in the 3 years ended December 31, 2002 amounted to approximately 4.5% of consolidated Group sales) will be reduced in countries party to the agreements, as follows:

(1) In developed countries - from 1999 - by 25% relative to the amount produced in 1991; from 2002 - by 50%; from 2003 - by 70%, and from 2005 - complete cessation.

NOTE 18 - BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS (continued):

(2) In developing countries - a freeze, from 2002-2004, according to average production and consumption in the years 1995-1998, in 2005 - a reduction of 20% and from 2015 - complete cessation.

After cessation of production and usage of methyl bromide as above, additional production will be permitted only for exceptional uses, and only after reasonable steps have been taken to reduce the usage and its discharged into the atmosphere.

Anticipated sales of methyl bromide of the Bromine Group and profits thereon will decrease as a result of the reduction in production and sales.

The Bromine Group is seeking alternatives to methyl bromide.

2) Geographical segments

Following are data regarding the distribution of the group's consolidated sales by geographical market, based on customer's location:

	2002	2001	2000
	U.S. dollars in thousands		
Outside Israel*:			
Europe	898,815	777,419	849,640
Asia	383,896	383,604	431,441
North America	238,635	268,887	280,985
South America	218,976	201,963	205,366
Other	85,362	67,884	70,632
	1,825,684	1,699,757	1,838,064
In Israel	155,223	159,024	170,545
	1,980,907	1,858,781	2,008,609

Following are data regarding the distribution of the group's consolidated sales by geographical market, based on assets' location:

	2002	2001	2000
	U.S. dollars in thousands		
Israel	1,276,472	1,300,662	1,406,297
Europe	712,253	582,951	591,851
United States	66,822	58,240	76,988
Other	6,916	4,095	6,089
	2,062,463	1,945,948	2,081,225
Transfers - mainly from Israel	(81,556)	(87,167)	(72,616)
	1,980,907	1,858,781	2,008,609

NOTE 18 - BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS (continued):

Following are data regarding the operating income by geographical market location**:**

	2002	2001	2000
	U.S. dollars in thousands		
Israel	184,594	143,508	192,155
Europe	12,893	17,604	22,528
United States	618	(460)	5,121
Other	532	(296)	399
	198,637	160,356	220,203

Following are data reflecting the carrying value of segment assets and additions to property, plant, equipment, and intangible assets by geographical area in which the assets are located:

	Carrying value of segment assets		Additions to property, plant, equipment, and intangible assets	
	December 31		December 31	
	2002	2001	2002	2001
	U.S. dollars in thousands			
Israel	2,190,488	2,257,028	70,722	104,467
Europe	696,247	569,349	105,310	16,632
United States	85,746	101,119	2,523	3,940
Other	20,964	12,900	7,604	2,624
	2,993,445	2,940,396	186,159	127,663

Following are data or depreciation and amortization by geographical area:

	2002	2001	2000
	U.S. dollars in thousands		
Israel	119,460	129,250	131,263
Europe	41,058	50,676	41,372
United States	7,075	6,695	6,675
Other	548	550	820
	168,141	187,171	180,130

3) Segment assets and liabilities

Segment assets include all 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.

NOTE 18 - BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS (continued):

Segment liabilities include all operating liabilities and consist principally of trade payables, wages, and taxes currently payable and accrued liabilities (including severance pay).

4) Inter-segment transfers

Segment revenue, segment expenses and segment results include transfers between business segments and between geographical segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. Those transfers are eliminated in consolidation.

NOTE 19 – SUBSEQUENT EVENT

On March 27, 2003, the Company's Board of Directors decided to distribute cash dividends in the amount of U.S. $ 26,350,000 (net dividend, after deduction of dividend to subsidiary, is U.S $ 26,100,000).

ISRAEL CHEMICALS LIMITED
DETAILS OF INVESTEES
AT DECEMBER 31, 2002

Percentage of shareholding			
Shares conferring	**Voting shares**	**Subsidiary Company**	**Holding Company**
100.00	100.00	Dead Sea Works Ltd.	Israel Chemicals Ltd.
100.00	100.00	Dead Sea Bromine Company Ltd.	Israel Chemicals Ltd.
100.00	100.00	Rotem Amfert Negev Ltd.	Israel Chemicals Ltd.
100.00	100.00	Dead Sea Periclase ltd.	Israel Chemicals Ltd.
100.00	100.00	Mifalei Tovala Ltd.	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 Chemicals Ltd.
100.00	100.00	Negev Industrial Minerals Ltd.	Israel Chemicals Ltd.
100.00	100.00	ICL Financing and Issuing Ltd.	Israel Chemicals Ltd.
100.00	100.00	“Ferson” Chemicals Ltd.	Israel Chemicals Ltd.
100.00	100.00	ICL Fine Chemicals Ltd.	Israel Chemicals Ltd.
100.00	100.00	Tami (IMI) Institute for R&D Ltd.	Israel Chemicals Ltd.
25.00	25.00	P.A.M.A. (Energy Resources Development) Ltd.	Israel Chemicals Ltd.
66.67	65.00	Dead Sea Magnesium Ltd.	Israel Chemicals Ltd.
100.00	100.00	Ashli Chemicals Ltd. , England	Dead Sea Works Ltd.
100.00	100.00	Potash Technology Industries Ltd., Israel	Dead Sea Works Ltd.
100.00	100.00	Ashli Chemicals B.V., Holland	Dead Sea Works Ltd.
100.00	100.00	Turris Werke GmbH , Germany	Dead Sea Works Ltd.
92.50	92.50	Potash Technology Industries B.V, Holland	Ashli Chemicals B.V., Holland
100.00	100.00	Iberpotash S.A. , Spain	Ashli Chemicals B.V., Holland
100.00	100.00	Eurocil Luxemburg S.A	Ashli Chemicals B.V., Holland
100.00	100.00	Trafico de Mercancias S.A.,Spain	Iberpotash S.A. , Spain
100.00	100.00	Societe Generale des Sels et Potasas S.A.R.L. ,France	Iberpotash S.A. , Spain

APPENDIX

ISRAEL CHEMICALS LIMITED
DETAILS OF INVESTEES
AT DECEMBER 31, 2002

Percentage of shareholding			
Shares conferring	**Voting shares**	**Subsidiary Company**	**Holding Company**
33.33	33.33	Sino Israel Qinqhai Potash Company Ltd.China	Potash Technology Industries B.V, Holland
100.00	100.00	Y.H.M.S. Investment Establishment, Liechtenstein	
20.50	20.50	Potabrasil Ltd. , Brasil	Y.H.M.S. Investment Establishment, Liechtenstein
8.80	8.83	Cogepotasse, Ltd. Belgium	Y.H.M.S. Investment Establishment, Liechtenstein
100.00	100.00	Cleveland Potash ltd (CPL), U.K	Turris Werke GmbH , Germany
100	100	Eurocil Luxemburg S.A - Swiss finance barnch, Switzerland	Eurocil Luxemburg S.A
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	Ameribrom Inc. U.S.A.	Dead Sea Bromine Company Ltd.
100.00	100.00	Bromokem (Far East) Ltd. , Japan	Dead Sea Bromine Company Ltd.
100.00	100.00	Landchem Ltd. ,South Africa	Dead Sea Bromine Company Ltd.
100.00	100.00	Bromine and Chemicals Ltd., England	Dead Sea Bromine Company Ltd.
100.00	100.00	Euro Clearon Netherlands B.V, The Netherlands	Dead Sea Bromine Company Ltd.
50.00	50.00	Tateho Dead Sea Fused Magnesia Co., Israel	Dead Sea Bromine Company Ltd.
50.00	50.00	Tetrabrom Technologies Ltd., Israel	Bromine Compounds Ltd.
50.00	50.00	Dead Sea M.F.R. (1993) - Registered Partnership	Bromine Compounds Ltd.
26.00	26.00	Chemada Fine Chemicals Ltd., Israel	Bromine Compounds Ltd.
50.00	50.00	L.B Compounds Ltd., Israel	Bromine Compounds Ltd.
51.00	51.00	Soiltech Ltd., Israel	Bromine Compounds Ltd.
100.00	100.00	rketing שBromine Compounds M (2002) ltd., Israel	Bromine Compounds Ltd.
100.00	100.00	Broomchemie B.V., The Netherlands	Eurobrom B.V . ,The Netherlands
100.00	100.00	Traital S.A. , France	Eurobrom B.V . ,The Netherlands

APPENDIX

ISRAEL CHEMICALS LIMITED
DETAILS OF INVESTEES
AT DECEMBER 31, 2002

Percentage of shareholding			
Shares conferring	**Voting shares**	**Subsidiary Company**	**Holding Company**
100.00	100.00	Broomchemie Holdings B.V., The Netherlands	Eurobrom B.V . ,The Netherlands
100.00	100.00	Bromisia Ltd. , Brazil	Eurobrom B.V . ,The Netherlands
60.00	60.00	L.Y.G.D.S.B. ,China	Eurobrom B.V . ,The Netherlands
100.00	100.00	Transbrom (Europe) B.V., The Netherlands	Eurobrom B.V . ,The Netherlands
100.00	100.00	D.S.B. Co. Bejing ,China	Eurobrom B.V . ,The Netherlands
50.00	50.00	J.V 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	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	Eurocil Holding B.V., The Netherlands	Rotem Amfert Negev Ltd.
100.00	100.00	Pekafert B.V., The Netherlands	Rotem Amfert Negev Ltd.
51.00	51.00	Negev Star Ltd.	Rotem Amfert Negev Ltd.
100.00	100.00	Edom Mining and Development Ltd.	Rotem Amfert Negev Ltd.
25.25	25.25	Agro-Vant, Israel	Rotem Amfert Negev Ltd.
100.00	100.00	Fertilizers and Chemicals Ltd.	Rotem Amfert Negev Ltd.
100.00	100.00	Keter Tovala Ltd.	Edom Mining and Development Ltd.
100.00	100.00	Rotem Holding G.M.B.H. , Germany	Eurocil Holding B.V., The Netherlands
50.00	50.00	Nutrisi Holding. , Belgium	Eurocil Holding B.V., The Netherlands
100.00	100.00	Amsterdam Fertilizers B.V., The Netherlands	Eurocil Holding B.V., The Netherlands
92.00	92.00	Rotem Kimyevi Maddeler Sanayi ve Ticaret A.S, Turkey	Eurocil Holding B.V., The Netherlands
100	100	Incap B.V, Holland	Eurocil Holding B.V., The Netherlands
100.00	100.00	P.M. Chemicals S.P.A. , Italy	Eurocil Holding B.V., The Netherlands

APPENDIX

ISRAEL CHEMICALS LIMITED
DETAILS OF INVESTEES
AT DECEMBER 31, 2002

Percentage of shareholding			
Shares conferring	**Voting shares**	**Subsidiary Company**	**Holding Company**
100.00	100.00	Intracil Chemicals B.V., The Netherlands	Eurocil Holding B.V., The Netherlands
100.00	100.00	Euro Clearon B.V., The Netherlands	Eurocil Holding B.V., The Netherlands
100.00	100.00	BKG Puriphos B.V, The Netherlands	Eurocil Holding B.V., The Netherlands
100.00	100.00	R.A.C. investments Ltd. , Cayman Islands	BKG Puriphos B.V, The Netherlands
100.00	100.00	Asia Brom Ltd , Hong Kong	BKG Puriphos B.V, The Netherlands
100.00	100.00	Inversiones R.A.C. Chile Ltd. , Chile	R.A.C. investments Ltd. , Cayman Islands
13.44	8.13	S.Q.M. Chile	Inversiones R.A.C. Chile Ltd. , Chile
100.00	100.00	Asia Brom Resource Management Ltd ,Hong Kong	Asia Brom Ltd , Hong Kong
100.00	100.00	Asia Brom Ltd Shanghai Representative office ,China	Asia Brom Ltd , Hong Kong
100.00	100.00	Bromine Compounds Trading Company Ltd, Hong Kong	Asia Brom Resource Management Ltd ,Hong Kong
50.00	50.00	D.D.F.R Corporation Ltd , Hong Kong	Asia Brom Resource Management Ltd ,Hong Kong
100.00	100.00	BK Giulini Hong Kong Limited, Hong Kong	Asia Brom Resource Management Ltd ,Hong Kong
100.00	100.00	Asia Finance Resaurces Ltd., Hong kong	Asia Brom Resource Management Ltd ,Hong Kong
100.00	100.00	Bromine Compounds Trading Company Ltd, Beijin	Bromine Compounds Trading Company Ltd, Hong Kong
100.00	100.00	Eurocil G.M.B.H. , Germany	Rotem Holding G.M.B.H. , Germany
100.00	100.00	B.M. Chemie GmbH , Germany	Rotem Holding G.M.B.H. , Germany
0.50	0.50	Giulini Chemie GmbH , Germany	Rotem Holding G.M.B.H. , Germany
100.00	100.00	Fibrisol Service Ltd. , Great Briteain	Rotem Holding G.M.B.H. , Germany
100.00	100.00	B.K. Giulini Corporation Simi Vally, U.S.A.	Rotem Holding G.M.B.H. , Germany
100.00	100.00	Fibrisol Australia Pty. Ltd., Australia	Rotem Holding G.M.B.H. , Germany
100.00	100.00	Sofima S.A, France	Rotem Holding G.M.B.H. , Germany
100.00	100.00	B.K Giulini Argentina S.A	Rotem Holding G.M.B.H. , Germany

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Percentage of shareholding			
Shares conferring	**Voting shares**	**Subsidiary Company**	**Holding Company**
100.00	100.00	Gerhard Ruff G.M.B.H. Germany	Rotem Holding G.M.B.H. , Germany
100.00	100.00	Osterrichische Anti Germ Gerhard Ruff & Co. G.M.B.H., Austria	Rotem Holding G.M.B.H. , Germany
51.00	51.00	Shanghai Tari International Ltd., China	Rotem Holding G.M.B.H. , Germany
51.00	51.00	Yunnan B.K Giulini Qunli Phosphate Co. Ltd., China	Rotem Holding G.M.B.H. , Germany
100.00	100.00	Penngar S.A, France	Rotem Holding G.M.B.H. , Germany
34.65	34.65	Fibrisol Muscalla GmbH, Germany	Rotem Holding G.M.B.H. , Germany
73.00	73.00	Private Fleischeerschule 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
99.50	99.50	BK Giulini Japan Ltd. , Japan	Rotem Holding G.M.B.H. , Germany
27.00	27.00	Private Fleischerschule GmbH, Germany	Fibrisol Muscalla GmbH, Germany
58.00	58.00	B.K. Giulini Chemie GmbH & Co. OHG, Germany	Eurocil G.M.B.H. , Germany
25.00	25.00	Beijing Giulini Water Treatment Co. Ltd, China	B.K. Giulini Chemie GmbH & Co. OHG, Germany
65.00	65.00	Fibrisol Muscalla GmbH, Germany	B.K. Giulini Chemie GmbH & Co. OHG, Germany
100.00	100.00	Philopharm GmbH , Germany	B.K. Giulini Chemie GmbH & Co. OHG, Germany
100.00	100.00	Hoyermann Chemie GmbH , Germany	B.K. Giulini Chemie GmbH & Co. OHG, Germany
100.00	100.00	B.K. Mercosur S.A. , Uruguay	B.K. Giulini Chemie GmbH & Co. OHG, Germany
100.00	100.00	Fibrital S.a.r.l. ,Italy	B.K. Giulini Chemie GmbH & Co. OHG, Germany
100.00	100.00	Rhenoflex GmbH , Germany	B.K. Giulini Chemie GmbH & Co. OHG, Germany
100.00	100.00	B.K. Giulini Chemie GmbH & Co. OHG, represntative office,	B.K. Giulini Chemie GmbH & Co. OHG, Germany
100.00	100.00	Gurit Worbla GmbH , Germany	Rhenoflex GmbH , Germany
100.00	100.00	Flexotex GmbH , Germany	Rhenoflex GmbH , Germany
90.00	90.00	Rhenoflex Dreyer ,S.A.R.L., France	Rhenoflex GmbH , Germany

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Percentage of shareholding			
Shares conferring	**Voting shares**	**Subsidiary Company**	**Holding Company**
100.00	100.00	Rhenoflex Portogal Componentes Para Calcado Lda., Portugal	Rhenoflex GmbH , Germany
100.00	100.00	Rhenoflex U.K. Ltd. , Great Britain	Rhenoflex Dreyer ,S.A.R.L., France
99.50	99.50	Giulini Chemie GmbH , Germany	B.M. Chemie GmbH , Germany
100.00	100.00	Turris Assekuranz GmbH, Germany	B.M. Chemie GmbH , Germany
100.00	100.00	Turris Food Services Ltd., Russia	Giulini Chemie GmbH , Germany
100.00	100.00	Rotem do Brasil Ltd. , Brasil	Giulini Chemie GmbH , Germany
100.00	100.00	Tari International N.Z Ltd.,New Zealand	Giulini Chemie GmbH , Germany
100.00	100.00	Tari International S.A Ltd. , South Africa	Giulini Chemie GmbH , Germany
42.00	42.00	B.K. Giulini Chemie GmbH & Co. OHG, Germany	Giulini Chemie GmbH , Germany
0.35	0.35	Fibrisol Muscalla GmbH, Germany	Giulini Chemie GmbH , Germany
10.00	10.00	Rhenoflex Dreyer ,S.A.R.L., France	Giulini Chemie GmbH , Germany
5.00	5.00	Tari Service Polska Sp.z.o.o, poland	Giulini Chemie GmbH , Germany
95.00	95.00	B.K.G-Rotem Quimica do Brasil Ltd., Brasil	Rotem do Brasil Ltd. , Brasil
100.00	100.00	Nutrichem NV, Benelux	Nutrisi Holding. , Belgium
50.00	50.00	Fenasa S.A Spain	Nutrisi Holding. , Belgium
50.00	50.00	NU3 NV, Belgium	Nutrisi Holding. , 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
100.00	100.00	Amsterdam Fertilizers B.V., UK Branch, UK	Amsterdam Fertilizers B.V., The Netherlands
100.00	100.00	Amsterdam Fertilizers B.V., France branch	Amsterdam Fertilizers B.V., The Netherlands
95.00	95.00	Amsterdam Fertilizers Deutschland O.H.G. Germany	Amsterdam Fertilizers B.V., The Netherlands
100.00	100.00	Stodiek Dunger GmbH ,Germany	Amsterdam Fertilizers Deutschland O.H.G. Germany

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Percentage of shareholding			
Shares conferring	**Voting shares**	**Subsidiary Company**	**Holding Company**
100.00	100.00	Palazia Dunger GmbH Germany	Amsterdam Fertilizers Deutschland O.H.G. Germany
5.00	5.00	Amsterdam Fertilizers Deutschland O.H.G. Germany	Palazia Dunger GmbH Germany
100.00	100.00	Intracap Insurance Ltd., Isle of Man	Incap B.V, Holland
100.00	100.00	Clearon Holdings Inc. , U.S.A.	Euro Clearon B.V., The Netherlands
100.00	100.00	Clearon Corp. , U.S.A.	Clearon Holdings Inc. , U.S.A.
100.00	100.00	Clearon Technologies, U.S.A.	Clearon Holdings Inc. , U.S.A.
100.00	100.00	Clearon Trading, Barbados	Clearon Corp. , U.S.A.
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 - Licoris Ltd., Israel	Fertilizers and Chemicals Ltd.
49.50	49.50	Agriphuzia	Fertilizers and Chemicals Ltd.
50.00	50.00	Agripo I services Ltd.	Industrial Chemical Equipment Ltd., Israel
1.00	1.00	Agriphuzia, Israel	Agripo I services Ltd.
50.00	50.00	Dead Sea M.F.R. (1993), Israel	Dead Sea Periclase ltd.
100.00	100.00	Speciality Technologies Europe B.V., The Netherlands	Dead Sea Periclase ltd.
100.00	100.00	Scora S.A, France	Speciality Technologies Europe B.V' Holand
50.00	50.00	Sherut Rail & Road Transportaion Services Registered Partnership,	Mifalei Tovala Ltd.
50.00	50.00	M.T.T. Environmental Services Registered Partnership, Israel	Mifalei Tovala Ltd.
33.33	33.33	M.M.M. Company United Landfill Industries (1998) Ltd., Israel	Mifalei Tovala Ltd.
33.33	33.33	T.M.I.R, Israel	Mifalei Tovala Ltd.
100.00	100.00	Ambient Technologies Inc., USA	I.D.E. Technologies Ltd.
100.00	100.00	IDE Canaries S.A., Spain	I.D.E. Technologies Ltd.

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ISRAEL CHEMICALS LIMITED

DETAILS OF INVESTEES

AT DECEMBER 31, 2002

Percentage of shareholding			
Shares conferring	**Voting shares**	**Subsidiary Company**	**Holding Company**
95.00	95.00	LWP, 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.
50.00	50.00	OTID desalination partnership	I.D.E. Technologies Ltd.
50.00	50.00	West Galiley Desalination Company	I.D.E. Technologies Ltd.
50.00	50.00	Potassium Nitrate Ltd., Israel	(IMI)Tami Institute for R&D Ltd.
50.00	50.00	Novetide Ltd. Israel	(IMI) Tami Institute for R&D Ltd.
77.78	99	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., USA	Dead Sea Magnesium Inc.