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ISRAEL CHEMICALS LIMITED

(An Israeli Corporation)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

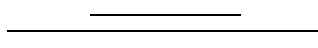
AS OF SEPTEMBER 30, 2004

(Unaudited)

ISRAEL CHEMICALS LIMITED
(An Israeli Corporation)
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2004
(Unaudited)

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November 16, 2004

The Board of Directors of
Israel Chemicals Limited
Tel-Aviv

Re: Review of unaudited condensed consolidated interim financial statements for the periods ended September 30, 2004

At your request, we have reviewed the condensed consolidated interim balance sheet of Israel Chemicals Limited (“the Company”) and its subsidiaries as of September 30, 2004 and the condensed consolidated interim statements of income, changes in shareholders’ equity and cash flows for the nine and three month periods then ended. Our review was performed in accordance with the procedures prescribed by the Institute of Certified Public Accountants in Israel. Inter alia, these procedures include: reading of the aforementioned financial statements, reading of minutes of meetings of shareholders, the board of directors and its committees, and making inquiries of Company officers responsible for financial and accounting matters.

The financial statement as of December 31, 2003 and for the year then ended were audited by other auditors whose opinion thereon, which was issued on March 28, 2004, was unqualified. The financial statement as of September 30, 2003 and for the nine and three month periods then ended were reviewed by other auditors whose review report thereon, which was issued on November 11, 2003, included a reference to the uncertainty regarding the contingent liabilities of the Company and certain subsidiaries.

We were furnished with the reports of other certified public accountants on their review of the condensed interim financial statements of consolidated subsidiaries, whose assets as of September 30, 2004 constitute approximately 27% of total consolidated assets included in the condensed consolidated interim balance sheet and whose sales constitute approximately 29% and 30% of the total consolidated sales included in the condensed consolidated interim statements of income for the nine and three month periods ended September 30, 2004. The interim financial statements of associated companies were also reviewed by other certified public accountants.

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

During our review, including perusal of the review reports of the other certified public accountants referred to above, nothing came to our attention that indicated that significant changes should be made in the aforementioned condensed statements in order for them to be considered as drawn up in conformity with generally accepted accounting principles and the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

(---)

Kesselman & Kesselman
Certified Public Accountants (Israel)
A member of PriceWaterhouseCoopers International

ISRAEL CHEMICALS LIMITED

(An Israeli Corporation)

CONDENSED CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2004

IN U.S. DOLLARS (note 1b)

	<u>September 30</u>		<u>December 31,</u>
	<u>2004</u>	<u>2003</u>	<u>2003</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>In thousands</u>		
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	21,303	27,589	27,323
Short-term investments, deposits and loans	63,485	78,497	57,807
Accounts receivable:			
Trade	363,025	232,098	262,443
Other	95,681	187,130	155,432
Inventories	512,750	505,538	540,293
T o t a l current assets	<u>1,056,244</u>	<u>1,030,852</u>	<u>1,043,298</u>
INVESTMENTS AND LONG-TERM RECEIVABLES:			
Associated companies	13,002	9,389	9,906
Other companies	53,292	53,292	53,292
Long-term deposits and receivables, net of current maturities	14,265	16,866	15,772
Inventories	15,691	17,428	14,412
Minority interest in subsidiaries	23,530	*19,988	21,838
	<u>119,780</u>	<u>116,963</u>	<u>115,220</u>
PROPERTY, PLANT AND EQUIPMENT:			
Cost	4,341,692	4,241,223	4,322,742
L e s s - accumulated depreciation	2,712,887	2,548,730	2,628,139
	<u>1,628,805</u>	<u>1,692,493</u>	<u>1,694,603</u>
OTHER ASSETS AND DEFERRED EXPENSES,			
net of accumulated amortization	131,020	139,896	138,037
	<u>2,935,849</u>	<u>2,980,204</u>	<u>2,991,158</u>

* Reclassified.

Date of approval of the financial statements: November 16, 2004

Yossi Rosen
Chairman of the Board of Directors

Akiva Mozes
President and Chief Executive Officer

Avi Doitchman
CFO

	<u>September 30</u>		<u>December 31,</u>
	<u>2004</u>	<u>2003</u>	<u>2003</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>In thousands</u>		
Liabilities and shareholders' equity			
CURRENT LIABILITIES:			
Short-term credit from banks and other credit granting institutions	416,433	518,089	558,945
Accounts payable and accruals:			
Suppliers and contractors	237,902	223,270	244,050
Other	263,234	*241,112	266,693
T o t a l current liabilities	<u>917,569</u>	<u>982,471</u>	<u>1,069,688</u>
LONG -TERM LIABILITIES:			
Bank loans and others, net of current maturities	495,132	559,556	475,234
Reclamation and disposal of waste	25,809	*20,054	22,635
Deferred income taxes	187,120	255,576	209,067
Employee related obligations	203,608	166,619	187,058
T o t a l long-term liabilities	<u>911,669</u>	<u>1,001,805</u>	<u>893,994</u>
CONTINGENT LIABILITIES, see note 2			
T o t a l liabilities	<u>1,858,408</u>	<u>1,984,276</u>	<u>1,963,682</u>
MINORITY INTEREST IN SUBSIDIARIES	<u>8,058</u>	<u>*7,167</u>	<u>7,708</u>
DEBENTURES CONVERTIBLE INTO SHARES	<u>39,097</u>	<u>71,261</u>	<u>71,669</u>
SHAREHOLDERS' EQUITY	<u>1,059,456</u>	<u>917,500</u>	<u>948,099</u>
	<u>2,935,849</u>	<u>2,980,204</u>	<u>2,991,158</u>

* Reclassified.

The accompanying notes are an integral part of these condensed financial statements.

ISRAEL CHEMICALS LIMITED

(An Israeli Corporation)

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE 9 AND 3 MONTH PERIODS ENDED SEPTEMBER 30, 2004
IN U.S. DOLLARS (note 1b)

	9 months ended September 30		3 months ended September 30		Year ended December 31,
	2004	2003	2004	2003	2003
	(Unaudited)		(Unaudited)		(Audited)
	In thousands (except per share data)				
SALES	1,968,500	1,707,321	677,891	586,856	2,270,906
COST OF SALES	1,296,188	1,153,836	437,839	404,338	1,558,149
GROSS PROFIT	672,312	553,485	240,052	182,518	712,757
RESEARCH AND DEVELOPMENT EXPENSES, net	22,189	21,990	7,399	6,824	29,148
SELLING, TRANSPORTATION AND MARKETING EXPENSES	319,658	283,951	105,858	98,441	376,750
GENERAL AND ADMINISTRATIVE EXPENSES	77,034	70,554	24,725	24,494	96,171
OPERATING INCOME	253,431	176,990	102,070	52,759	210,688
FINANCING EXPENSES, net	26,819	28,739	8,246	9,583	32,314
	226,612	148,251	93,824	43,176	178,374
OTHER INCOME, net	(638)	10,686	(100)	1,088	51,403
INCOME BEFORE TAXES	227,250	137,565	93,924	42,088	126,971
TAXES	59,573	49,507	32,003	14,529	26,487
INCOME FROM OPERATIONS OF THE COMPANY AND ITS SUBSIDIARIES	167,677	88,058	61,921	27,559	100,484
SHARE IN PROFITS (LOSSES) OF ASSOCIATED COMPANIES, net	561	(426)	129	(53)	(555)
MINORITY INTERESTS	485	1,664	(244)	1,505	3,148
NET INCOME FOR THE PERIOD	168,723	89,296	61,806	29,011	103,077
NET INCOME PER NIS 1 OF PAR VALUE OF SHARES	0.134	0.075	0.050	0.024	0.084
PAR VALUE OF SHARES USED FOR THE PURPOSE OF COMPUTATION OF BASIC PER SHARE DATA - NIS in thousands	1,284,415	1,196,223	1,284,415	1,196,223	1,261,162

The accompanying notes are an integral part of these condensed financial statements.

ISRAEL CHEMICALS LIMITED
(An Israeli Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE 9 AND 3 MONTH PERIODS ENDED SEPTEMBER 30, 2004
IN U.S. DOLLARS (note 1b)

	S h a r e	A d d i t i o n a l	C a p i t a l	F o r e i g n	R e t a i n e d	C o s t o f	D i v i d e n d	T o t a l
	c a p i t a l	p a i d - i n	s u r p l u s	c u r r e n c y	e a r n i n g s	o f	d e c l a r e d	
	I	I	I	t	e	s	a	T
	n	n	n	h	a	h	f	o
	o	o	o	o	e	o	t	t
	u	u	u	u	a	u	a	o
	s	s	s	s	r	s	f	f
	e	e	e	e	e	e	e	e
	a	a	a	a	a	a	a	a
	r	r	r	r	r	r	r	r
	n	n	n	n	n	n	n	n
	d	d	d	d	d	d	d	d
	s	s	s	s	s	s	s	s
	e	e	e	e	e	e	e	e
	r	r	r	r	r	r	r	r
	n	n	n	n	n	n	n	n
	e	e	e	e	e	e	e	e
	d	d	d	d	d	d	d	d
	a	a	a	a	a	a	a	a
	t	t	t	t	t	t	t	t
	e	e	e	e	e	e	e	e
	r	r	r	r	r	r	r	r
	n	n	n	n	n	n	n	n
	e	e	e	e	e	e	e	e
	r	r	r	r	r	r	r	r
	n	n	n	n	n	n	n	n
BALANCE AS OF JANUARY 1, 2004 (audited)	522,773	5,854	1,110	11,059	392,760	(10,926)	25,469	948,099
CHANGES DURING NINE MONTHS								
ENDED SEPTEMBER 30, 2004 (unaudited):								
Net income					168,723			168,723
Dividend*					(63,471)		(25,469)	(88,940)
Conversion of debentures into shares	6,079	28,041			(5,514)	5,070		34,120
Exercise of options granted to employees				(2,102)				(444)
Other				8,957	492,498	(5,856)		1,059,456
	528,852	33,895	1,110	(15,674)	352,218	(10,575)	26,100	874,581
BALANCE AS OF SEPTEMBER 30, 2004 (unaudited)	528,852	33,895	1,110	(15,674)	352,218	(10,575)	26,100	874,581
BALANCE AS OF JANUARY 1, 2003 (audited)								
CHANGES DURING NINE MONTHS								
ENDED SEPTEMBER 30, 2003 (unaudited):								
Net income					89,296			89,296
Dividend*					(36,173)		(26,100)	(62,273)
Acquisition of Company shares by a subsidiary						(2,164)		(2,164)
Exercise of options granted to employees					(678)	1,472		794
Conversion of debentures into share capital	1,371	5,854		10,041				7,225
Other				(5,633)				10,041
	522,773	5,854	1,110	(5,633)	404,663	(11,267)	-	917,500
BALANCE AS OF SEPTEMBER 30, 2003 (unaudited)	522,773	5,854	1,110	(5,633)	404,663	(11,267)	-	917,500
BALANCE AS OF JUNE 30, 2004 (unaudited)	524,560	13,886	1,110	5,824	430,729	(5,914)	63,866	1,034,061
CHANGES DURING THREE MONTHS								
ENDED SEPTEMBER 30, 2004 (unaudited):								
Net income					61,806			61,806
Dividend declared after the balance sheet date					21		(63,866)	(63,845)
Conversion of debentures into shares	4,292	20,009			(58)	58		24,301
Exercise of options granted to employees				3,133				-
Other				8,957	492,498	(5,856)	-	3,133
	528,852	33,895	1,110	8,957	492,498	(5,856)	-	1,059,456
BALANCE AS OF SEPTEMBER 30, 2004 (unaudited)	528,852	33,895	1,110	8,957	492,498	(5,856)	-	1,059,456

ISRAEL CHEMICALS LIMITED
(An Israeli Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE 9 AND 3 MONTH PERIODS ENDED SEPTEMBER 30, 2004
IN U.S. DOLLARS (note 1b)

	Share capital	Additional paid-in capital	Capital surplus	Foreign currency translation adjustments	Retained earnings	Cost of Company shares held by a subsidiary	Dividend declared after the balance sheet date	Total
	I n t h o u s a n d s							
BALANCE AS OF JUNE 30, 2003 (unaudited)	521,765	1,571	1,110	(10,760)	375,718	(11,474)	35,865	913,795
CHANGES DURING THREE MONTHS ENDED SEPTEMBER 30, 2003 (unaudited):								
Net income					29,011			29,011
Erosion of dividend					71		(35,865)	(35,794)
Exercise of option granted to employees					(137)	207		70
Conversion of debentures into share capital	1,008	4,283						5,291
Other				5,127				5,127
BALANCE AS OF SEPTEMBER 30, 2003 (unaudited)	<u>522,773</u>	<u>5,854</u>	<u>1,110</u>	<u>(5,633)</u>	<u>404,663</u>	<u>(11,267)</u>	<u>-,-</u>	<u>917,500</u>
BALANCE AS OF JANUARY 1, 2003 (audited)	521,402		1,110	(15,674)	352,218	(10,575)	26,100	874,581
CHANGES DURING THE YEAR 2003 (audited):								
Net income					103,077			103,077
Dividend*					(36,173)		(26,100)	(62,273)
Dividend declared after balance sheet date					(25,469)		25,469	-,-
Acquisition of Company shares by a subsidiary						(2,164)		(2,164)
Exercise of options granted to employees					(893)	1,813		920
Conversion of debentures into shares	1,371	5,854						7,225
Other				26,733				26,733
BALANCE AS OF DECEMBER 31, 2003 (audited)	<u>522,773</u>	<u>5,854</u>	<u>1,110</u>	<u>11,059</u>	<u>392,760</u>	<u>(10,926)</u>	<u>25,469</u>	<u>948,099</u>

* After deduction of dividends to a subsidiary in the amount of U.S.\$ 556,000, U.S.\$ 488,000 and U.S. \$ 556,000 in the periods ended September 30, 2003, 2004 and for the year ended December 31, 2003, respectively.

The accompanying notes are an integral part of these condensed financial statements.

ISRAEL CHEMICALS LIMITED

(An Israeli Corporation)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 9 AND 3 MONTH PERIODS ENDED SEPTEMBER 30, 2004
IN U.S. DOLLARS (note 1b)

	9 months ended		3 months ended		Year ended
	September 30		September 30		December 31,
	2004	2003	2004	2003	2003
	(Unaudited)		(Unaudited)		(Audited)
	In thousands				
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income for the period	168,723	89,296	61,806	29,011	103,077
Adjustments to reconcile net income to net cash flows from operating activities (a)	97,483	286,453	(2,482)	57,134	350,164
Net cash provided by operating activities	<u>266,206</u>	<u>375,749</u>	<u>59,324</u>	<u>86,145</u>	<u>453,241</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	(83,428)	(98,679)	(32,795)	(27,650)	(135,488)
Investment grants received	2,763	7,904	225	4,870	10,074
Acquisition of newly consolidated subsidiary					(1,632)
Sale of investment in formerly consolidated subsidiaries (b)	19,624				
Investments in shares of associated companies and loans thereto - net	(3,358)	42	(2,916)	225	(328)
Investments of marketable securities and long-term deposits	(3,133)	(1,500)	(1,918)	(1,101)	(6,199)
Decrease (increase) in short-term deposits and loans - net	(8,906)	(61,880)	45,873	(58,113)	(43,572)
Amounts carried to other assets and deferred charges	(2,822)	(1,699)	(49)	(380)	(2,413)
Proceeds from sale of property, plant and equipment	7,362	1,653	5,830	851	3,326
Proceeds from disposal of marketable securities, investments and long-term deposits	3,891	2,982	779	1,017	6,829
Net cash provided by (used in) investing activities	<u>(68,007)</u>	<u>(151,177)</u>	<u>15,029</u>	<u>(80,281)</u>	<u>(169,403)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from exercise of options granted to employees	501	724			724
Issuance of share capital to minority					225
Long-term loans received and other long-term liabilities undertaken	224,226	81,101	2,630	36,235	105,907
Repayment of long-term loans and discharge of other long-term liabilities	(176,845)	(254,714)	(43,662)	(37,236)	(377,805)
Dividend paid:					
To shareholders of the Company	(88,940)	(62,273)	(63,845)	(35,794)	(62,273)
To minority shareholders in subsidiaries		(150)			(646)
Short-term credit from banks and others - net	(163,059)	25,332	28,064	23,714	63,887
Acquisition of company shares by a subsidiary		(2,164)			(2,164)
Net cash used in financing activities	<u>(204,117)</u>	<u>(212,144)</u>	<u>(76,813)</u>	<u>(13,081)</u>	<u>(272,145)</u>
ADJUSTMENTS FROM TRANSLATION OF BALANCES OF CASH AND CASH EQUIVALENTS OF CERTAIN NON-ISRAELI SUBSIDIARIES					
	(102)	347	40	78	816
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,020)	12,775	(2,420)	(7,139)	12,509
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>27,323</u>	<u>14,814</u>	<u>23,723</u>	<u>34,728</u>	<u>14,814</u>
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>21,303</u>	<u>27,589</u>	<u>21,303</u>	<u>27,589</u>	<u>27,323</u>

ISRAEL CHEMICALS LIMITED
 (An Israeli Corporation)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE 9 AND 3 MONTH PERIODS ENDED SEPTEMBER 30, 2004
 IN U.S. DOLLARS (note 1b)

	9 months ended September 30		3 months ended September 30		Year ended December 31,
	2004	2003	2004	2003	2003
	(Unaudited)		(Unaudited)		(Audited)
	In thousands				
(a) Adjustments to reconcile net income to net cash flows from operating activities:					
Income and expenses not involving cash flows:					
Minority share in subsidiaries - net	(485)	(1,664)	244	(1,505)	(3,148)
Associated companies - Share in losses (profits) - net	(561)	426	(129)	53	555
Depreciation and amortization	121,102	125,311	39,491	42,001	169,368
Deferred income taxes - net	(15,148)	35,999	(3,345)	16,667	(14,793)
Liability for employee rights upon retirement - net	18,703	9,384	5,819	(1,601)	23,874
Capital losses (gains) on:					
Sale of property, plant and equipment	(5,494)	(256)	(4,940)	(550)	1,749
Sale of share in consolidated company (b)	(4,569)				
Sale of share in associated company					466
Write down of production facilities	5,439	3,843			21,540
Erosion of principal of long-term loans and other long-term liabilities - net	(676)	(4,539)	(101)	(3,723)	(591)
Erosion of principal (interest and linkage differences) of long-term deposits and receivables - net	318	(1,116)	8	467	3,234
Gain from marketable securities	(57)	(479)	(18)	74	(465)
	<u>118,572</u>	<u>166,909</u>	<u>37,029</u>	<u>51,883</u>	<u>201,789</u>
Changes in operating asset and liability items:					
Decrease (increase) in trade receivable	(108,666)	120,381	(69,679)	(15,923)	100,577
Decrease (increase) in other receivables	47,382	(7,999)	34,987	5,640	31,309
Increase (decrease) in suppliers and contractors	7,710	3,941	(4,740)	3,433	13,497
Increase (decrease) in other payables	324	9,516	(448)	4,646	28,053
Decrease (increase) in inventories	28,914	(8,228)	(830)	7,825	(28,837)
Increase (decrease) in reclamation and disposal of waste	3,247	1,933	1,199	(370)	3,776
	<u>(21,089)</u>	<u>119,544</u>	<u>(39,511)</u>	<u>5,251</u>	<u>148,375</u>
	<u>97,483</u>	<u>286,453</u>	<u>(2,482)</u>	<u>57,134</u>	<u>350,164</u>
(b) Sale of investments in formerly consolidated subsidiary:					
Assets and liabilities of the subsidiary consolidated to date of disposal:					
Working capital (excluding cash and cash equivalents)	2,264				
Property plant and equipment, net	11,947				
Deferred income taxes	1,899				
Deferred charges	125				
Long-term liabilities	(1,180)				
Capital gain from sale of investment	4,569				
	<u>19,624</u>				

The accompanying notes are an integral part of these condensed financial statements.

ISRAEL CHEMICALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL:

- a. The condensed consolidated interim financial statements of Israel Chemicals Limited (hereafter - the Company) and its subsidiaries (together - the Group) as of September 30, 2004 and for the nine and three month periods then ended ("the interim statements") have been prepared in a condensed form, in accordance with accounting principles generally accepted for interim financial statements and with the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. The generally accepted accounting principles applied in preparation of the interim statements are consistent with those applied in preparation of the annual consolidated financial statements; nevertheless, the interim statements do not include all the information and notes which are required for the annual consolidated financial statements.

b. First-time presentation of financial statements in dollars:

Through December 31, 2003, the Company prepared its financial statements on the basis of historical cost adjusted for the changes in the general purchasing power of Israeli currency (hereafter - "NIS"), based upon changes in the exchange rate of the US dollar (hereafter - "the dollar"), as permitted under section 29a of Opinion 36 of the Institute of Certified Public Accountants in Israel.

Taking into account the provisions of section 4 of Accounting Standard No. 13 - "Effect of Changes in Foreign Currency Exchange Rates" - issued by the Israel Accounting Standards Board (hereafter - "the IASB"), and since the dollar is the principal currency used in the Company's operations, the Company draws up and presents, commencing January 1, 2004, its financial statements in dollars. This presentation maintains continuity of the measurement basis, as formerly applied in the Company's financial statements.

The comparative figures in dollars included in these financial statements are based on the adjusted financial statements for the prior reporting periods, as previously presented, after being divided by the exchange rate of the dollar at the end of each of those prior reporting periods.

- c. The changes in the exchange rate of the dollar and in the Israeli consumer price index in the reported periods were as follows:

	Exchange rate of the U.S. dollar	Israeli consumer price index
	<u>%</u>	<u>%</u>
9 months ended September30:		
2004	2.4	1.2
2003	(6.2)	(1.5)
3 months ended September30:		
2004	(0.3)	(0.2)
2003	3.0	(1.0)
Year ended December 31, 2003	(7.6)	(1.9)

ISRAEL CHEMICALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2 - CONTINGENT LIABILITIES:

a. Kishon River

One of ICL's subsidiaries is situated near Haifa Bay, Israel. For many years, wastewater from its plant and from municipalities and other plants has been diverted to the Kishon River near Haifa. Since the 1980's, a treatment facility has been in operation that reduces the concentration of certain polluting materials from wastewater discharges by these plants.

In 2001, a class action was filed against the subsidiary and three other third-party entities alleging that the defendants polluted the Kishon River. The plaintiffs requested the court to order the defendants to cease the pollution of the Kishon River and to restore the Kishon River to the state it was in prior to the discharge of the waste. The State of Israel and other third-party defendants were joined in this claim.

In 2000, following reports that members of the Israeli military who trained in the Kishon River had developed cancer, a committee was appointed by the Israeli Chief of Staff to examine whether any materials in the area of the Kishon River may be a health risk and whether these materials may have caused cancer to personnel who trained in the river. The committee concluded that there was no scientific proof of a causal connection between the pollution of the river and the cancer of most of the personnel. A minority opinion concluded that there was a causal connection. This report, which was issued in 2003, is not admissible as evidence in an Israeli court.

In addition, a number of lawsuits have been filed against a variety of defendants, including the State of Israel, municipalities and governmental bodies, as well as one of ICL's subsidiaries. These lawsuits seek aggregate personal injury and property damages of approximately \$ 137.6 million, in addition to other non-quantifiable damages, including as loss of future earnings and medical expenses, arising from alleged pollution of the Kishon River.

The Company does not believe that the amount of its financial exposure relating to the Kishon River circumstances described above can be estimated at this time, since the pending claims are still in a preliminary stage and the Company may be subject to additional claims. Therefore, no provision has been included in the consolidated financial statements in respect of these claims. However, the cost of restoring the Kishon River, and liabilities for personal injuries and property damages, could be very substantial. Should the Company be required to participate in any of these remediation or damage costs, its results of operations could be materially adversely impacted.

- b.** For additional details in connection with the contingent liabilities, see note 19c of the Company's financial statements as of December 31, 2003.

NOTE 3 - SALE OF CONSOLIDATED SUBSIDIARY

In February 2004, the Company entered into an agreement to sell shares of the subsidiary, Negev Industrial Minerals Ltd. (as well as a sister company related thereto) in exchange for cash and the payment of liabilities, in the total amount of \$ 19.6 million. The transaction was completed during the second quarter. The Company included a capital gain of \$ 4.6 million from the sale.

ISRAEL CHEMICALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4 - BUSINESS SEGMENTS

	Fertilizers		Total	Industrial products	Agricultural products	Performance products	Metallurgy	Other operations	Eliminations and unallocated expenses	Consolidated
	Potash	Phosphate								
Nine months ended September 30, 2004 (unaudited):										
Total revenue	668,130	421,079	1,070,183	422,932	72,884	429,398	65,142	61,856	(153,895)	1,968,500
Operating income (loss)	168,883	6,850	175,438	14,994	24,007	38,160	(3,427)	3,866	393	253,431
Nine months ended September 30, 2003 (unaudited):										
Total revenue	575,352	383,049	941,074	359,780	59,008	377,225	56,216	49,848	(135,830)	1,707,321
Operating income (loss)	126,486	6,849	133,850	3,693	15,434	27,395	(9,407)	3,849	2,176	176,990
Three months ended September 30, 2004 (unaudited):										
Total revenue	227,602	153,330	373,219	138,708	34,357	145,576	21,539	21,376	(56,884)	677,891
Operating income (loss)	64,020	7,483	70,997	3,565	12,826	13,405	(216)	1,696	(203)	102,070
Three months ended September 30, 2003 (unaudited):										
Total revenue	190,682	150,264	334,623	111,776	30,016	125,925	16,670	17,506	(49,660)	586,856
Operating income (loss)	37,299	1,265	38,611	(2,575)	8,879	8,197	(2,979)	1,367	1,259	52,759
Year ended December 31, 2003 (audited):										
Total revenue	765,427	497,038	1,234,153	477,856	82,987	516,609	73,809	67,573	(182,081)	2,270,906
Operating income (loss)	151,348	3,080	155,493	3,264	21,039	35,622	(11,873)	4,655	2,488	210,688

ISRAEL CHEMICALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 5 - TAXES

On September 29, 2004, the Israeli Parliament passed the Income Tax Ordinance Amendment (No. 140 and Ad Hoc Provision) Law, 2004 (hereafter - the Amendment), which provides for the gradual reduction - commencing from January 1, 2004 - in the rate of corporate tax from 36% to 30%, in the following manner: the rate for 2004 will be 35%, in 2005 - 34%, in 2006 - 32%, and in 2007 and thereafter - 30%. The Amendment was signed at the beginning of July 2004 by the officials authorized by the State of Israel to approve it, and was published in the Official Gazette of the Government of Israel on July 11, 2004.

Following the amendment in the tax rates as prescribed by the law and additional adjustments in the tax rates according to which the deferred taxes are computed, based on the tax rates expected to be applicable when the reserve is utilized, a decrease of \$ 18 million in the Company's income tax expenses (current and deferred), for the nine months period ended September 30, 2004, was recorded.

NOTE 6 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT

In July 2004, the Israel Accounting Standards Board issued Israel Accounting Standard No. 19 - "Taxes on Income", which is based on International Accounting Standard No. 12, that prescribes the accounting treatment (recognition criteria, measurement, presentation and disclosure) required for taxes on income.

This accounting standard is to be applied to financial statements covering periods commencing on, or after, January 1, 2005; earlier adoption is encouraged.

The company is in the opinion that the adoption of the standard will not have a material effect on its results of operations, financial position and cash-flows.

NOTE 7 - SUBSEQUENT EVENTS

On October 29, 2004, flash floods in river beds flooded extensive areas in some of the Company's facilities in Sdom and resulted in the spillage of water and silt into the evaporating ponds in the Dead Sea.

As a result of the floods, the power station and the production in some of the Company's facilities in Sdom were shut down for several days.

Due to the floods the company suffered property damages and lost of profits.

At this stage, the Company is unable to estimate the extent of the damages. Nevertheless, in the opinion of the Company's management, there is insurance coverage for the damages, subject to the payment of a deductible in the net amount of approximately \$ 8.5 million
