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ISRAEL CHEMICALS LIMITED

(An Israeli Corporation)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

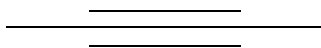
AS OF MARCH 31, 2004

(Unaudited)

ISRAEL CHEMICALS LIMITED
(An Israeli Corporation)
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2004
(Unaudited)

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May 30, 2004

The Board of Directors of
Israel Chemicals Limited
Tel-Aviv

Re: Review of unaudited condensed consolidated interim financial statements for the period ended March 31, 2004

At your request, we have reviewed the condensed consolidated interim balance sheet of Israel Chemicals Limited ("the Company") and its subsidiaries as of March 31, 2004 and the condensed consolidated interim statements of income, changes in shareholders' equity and cash flows for the three month period then ended. Our review was performed in accordance with the procedures prescribed by the Institute of Certified Public Accountants in Israel. 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, 2003, was unqualified. The financial statement as of March 31, 2003 and for the three month period then ended were reviewed by other auditors whose review report thereon, which was issued on May 22, 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 March 31, 2004 constitute approximately 28% of total consolidated assets included in the condensed consolidated interim balance sheet and whose sales constitute approximately 27% of the total consolidated sales included in the condensed consolidated interim statements of income for the three month period ended March 31, 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 MARCH 31, 2004

IN U.S. DOLLARS (note 1b)

	March 31		December 31,
	2004	2003	2003
	(Unaudited)		(Audited)
	In thousands		
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	27,379	38,223	27,323
Short-term investments, deposits and loans	61,362	19,373	57,807
Accounts receivable:			
Trade	269,677	245,281	262,443
Other	149,696	183,639	155,432
Inventories	522,776	*491,957	540,293
T o t a l current assets	<u>1,030,890</u>	<u>978,473</u>	<u>1,043,298</u>
INVESTMENTS AND LONG-TERM RECEIVABLES:			
Associated companies	9,676	9,898	9,906
Other companies	53,292	53,292	53,292
Long-term deposits and receivables, net of current maturities	13,848	16,812	15,772
Inventories	13,436	*21,871	14,412
Minority interest in subsidiaries	23,180	*18,073	21,838
	<u>113,432</u>	<u>119,946</u>	<u>115,220</u>
PROPERTY, PLANT AND EQUIPMENT:			
Cost	4,332,448	4,144,390	4,322,742
L e s s - accumulated depreciation	<u>2,664,868</u>	<u>2,448,416</u>	<u>2,628,139</u>
	<u>1,667,580</u>	<u>1,695,974</u>	<u>1,694,603</u>
OTHER ASSETS AND DEFERRED EXPENSES,			
net of accumulated amortization	135,277	144,591	138,037
	<u>2,947,179</u>	<u>2,938,984</u>	<u>2,991,158</u>

* Reclassified.

Date of approval of the financial statements: May 30, 2004

(---)

Yossi Rosen
Chairman of the Board of Directors

(---)

Akiva Mozes
President and Chief Executive Officer

(---)

Avi Doitchman
Chief Financial Officer

	March 31		December 31,
	2004	2003	2003
	(Unaudited)		(Audited)
In thousands			
Liabilities and shareholders' equity			
CURRENT LIABILITIES:			
Short-term credit from banks and other credit granting institutions	366,979	480,545	558,945
Debentures convertible into shares		77,490	
Accounts payable and accruals:			
Suppliers and contractors	225,393	231,266	244,050
Other	267,397	*235,555	*279,753
Dividend payable	25,469	26,100	
T o t a l current liabilities	885,238	1,050,956	1,082,748
LONG -TERM LIABILITIES:			
Bank loans and others	606,169	598,947	475,234
Long-term accruals - reclamation	12,707	*12,458	*9,575
Deferred income taxes	217,768	227,958	209,067
Employee related obligations	191,688	167,600	187,058
T o t a l long-term liabilities	1,028,332	1,006,963	880,934
CONTINGENT LIABILITIES, see note 2			
T o t a l liabilities	1,913,570	2,057,919	1,963,682
MINORITY INTEREST IN SUBSIDIARIES	7,929	*6,419	7,708
DEBENTURES CONVERTIBLE INTO SHARES	66,512		71,669
SHAREHOLDERS' EQUITY	959,168	874,646	948,099
	2,947,179	2,938,984	2,991,158

* 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 3 MONTH PERIOD ENDED MARCH 31, 2004

IN U.S. DOLLARS (note 1b)

	3 months ended		Year ended
	March 31		December 31,
	2004	2003	2003
	(Unaudited)		(Audited)
	In thousands (except per share data)		
SALES	619,104	558,649	2,270,906
COST OF SALES	418,748	388,488	1,558,149
GROSS PROFIT	200,356	170,161	712,757
RESEARCH AND DEVELOPMENT EXPENSES, NET	7,770	7,171	29,148
SELLING, TRANSPORTATION AND MARKETING EXPENSES	106,425	90,310	376,750
GENERAL AND ADMINISTRATIVE EXPENSES	25,130	22,109	96,171
OPERATING INCOME	61,031	50,571	210,688
FINANCING EXPENSES, NET	8,602	6,524	32,314
	52,429	44,047	178,374
OTHER EXPENSES, NET	31	6,025	51,403
INCOME BEFORE TAXES	52,398	38,022	126,971
TAXES	21,027	12,277	26,487
INCOME FROM OPERATIONS OF THE COMPANY AND ITS SUBSIDIARIES	31,371	25,745	100,484
SHARE IN LOSSES OF ASSOCIATED COMPANIES - net	(43)	(123)	(555)
MINORITY INTEREST IN LOSSES OF SUBSIDIARIES - net	968	472	3,148
NET INCOME FOR THE PERIOD	32,296	26,094	103,077
BASIC NET INCOME PER NIS 1 OF PAR VALUE OF SHARES	0.026	0.022	0.084
PAR VALUE OF SHARES USED FOR THE PURPOSE OF COMPUTATION OF BASIC PER SHARE DATA - NIS in thousands	1,283,256	1,200,000	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 3 MONTH PERIOD ENDED MARCH 31, 2004
IN U.S. DOLLARS (note 1b)

	Share capital	Additional paid-in capital	Capital surplus	Cumulative translation adjustments	Retained earnings	Cost of Company shares held by a subsidiary	Dividend declared after the balance sheet date	Total
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 THREE MONTHS PERIOD ENDED MARCH 31, 2004 (unaudited):								
Net income					32,296			32,296
Dividend*							(25,469)	(25,469)
Conversion of debentures into shares	1,048	4,621			(91)	91		5,669
Exercise of options granted to employees				(1,427)				(1,427)
Other				9,632	424,965	(10,835)	--	959,168
BALANCE AS OF MARCH 31, 2004 (unaudited)	<u>523,821</u>	<u>10,475</u>	<u>1,110</u>	<u>9,632</u>	<u>424,965</u>	<u>(10,835)</u>	<u>--</u>	<u>959,168</u>
BALANCE AS OF JANUARY 1, 2003 (audited)	521,402		1,110	(15,674)	352,218	(10,575)	26,100	874,581
CHANGES DURING THREE MONTHS PERIOD ENDED MARCH 31, 2003 (unaudited):								
Net income					26,094			26,094
Dividend*							(26,100)	(26,100)
Purchase of Company shares by a subsidiary						(2,164)		(2,164)
Other				2,235				2,235
BALANCE AS OF MARCH 31, 2003 (unaudited)	<u>521,402</u>		<u>1,110</u>	<u>(13,439)</u>	<u>378,312</u>	<u>(12,739)</u>	<u>--</u>	<u>874,646</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	
Purchase of Company shares by a subsidiary						(2,164)		(2,164)
Conversion of debentures into shares	1,371	5,854			(893)	1,813		7,225
Exercise of options granted to employees				26,733				920
Other								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.\$ 250,000, U.S.\$ 556,000 and U.S. \$ 206,000 in the periods ended March 31, 2003, December 31, 2003 and March 31, 2004, 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 3 MONTH PERIOD ENDED MARCH 31, 2004
IN U.S. DOLLARS (note 1b)

	3 months ended March 31		Year ended December 31,
	2004	2003	2003
	(Unaudited)		(Audited)
	In thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income for the period	32,296	26,094	103,077
Adjustments to reconcile net income to net cash flows from operating activities (a)	59,637	171,224	350,164
Net cash inflow provided by operating activities	<u>91,933</u>	<u>197,318</u>	<u>453,241</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(29,428)	(38,625)	(135,488)
Investment grants received	1,332	1,861	10,074
Acquisition of subsidiaries consolidated for the first time			(1,632)
Investments in shares of associated companies and loans thereto - net	(442)	(955)	(328)
Investments of marketable securities and long-term deposits		(256)	(6,199)
Increase in short-term deposits and loans - net	(11,672)	(3,198)	(43,572)
Amounts carried to other assets and deferred charges	(2,773)	(733)	(2,413)
Proceeds from sale of property, plant and equipment	1,342	639	3,326
Proceeds from disposal of marketable securities, investments and long-term deposits	2,703	1,713	6,829
Net cash outflow used in investing activities	<u>(38,938)</u>	<u>(39,554)</u>	<u>(169,403)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of options granted to employees			724
Issuance of share capital to minority shareholders in a subsidiary			225
Long-term loans received and other long-term liabilities undertaken	191,535	15,035	105,907
Repayment of long-term loans and discharge of other long-term liabilities	(71,674)	(139,307)	(377,805)
Dividend paid:			
To shareholders of the Company			(62,273)
To minority shareholders in subsidiaries			(646)
Short-term credit from banks and others - net	(171,943)	(8,014)	63,887
Purchase of company shares by a subsidiary		(2,164)	(2,164)
Net cash outflow used in financing activities	<u>(52,082)</u>	<u>(134,450)</u>	<u>(272,145)</u>
ADJUSTMENTS FROM TRANSLATION OF BALANCES OF CASH AND CASH EQUIVALENTS OF CERTAIN NON-ISRAELI SUBSIDIARIES			
	(857)	95	816
INCREASE IN CASH AND CASH EQUIVALENTS	56	23,409	12,509
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>27,323</u>	<u>14,814</u>	<u>14,814</u>
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>27,379</u>	<u>38,223</u>	<u>27,323</u>

ISRAEL CHEMICALS LIMITED
 (An Israeli Corporation)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE 3 MONTH PERIOD ENDED MARCH 31, 2004
 IN U.S. DOLLARS (note 1b)

	3 months ended		Year ended
	March 31		December 31,
	2004	2003	2003
	(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	(968)	(472)	(3,148)
Associated companies - Share in losses - net	43	123	555
Depreciation and amortization	41,264	40,490	169,368
Deferred income taxes - net	11,067	7,717	(14,793)
Liability for employee rights upon retirement - net	7,270	14,883	23,874
Capital losses (gains) on:			
Sale of property, plant and equipment	(171)	441	1,749
Sale of share in associated company			466
Write down of production facilities		3,400	21,540
Erosion of principal of long-term loans and other long-term liabilities - net	(1,151)	(5,035)	(591)
Erosion of principal (interest and linkage differences) of long-term deposits and receivables - net	630	(668)	3,234
Loss (gain) from marketable securities	4	(124)	(465)
	<u>57,988</u>	<u>60,755</u>	<u>201,789</u>
Changes in operating asset and liability items:			
Decrease (increase) in trade receivable	(11,830)	98,622	100,577
Decrease (increase) in other receivables	4,000	(2,591)	31,309
Decrease (increase) in inventories	20,911	(4,840)	(28,837)
Increase (decrease) in suppliers and contractors	(4,903)	15,060	13,497
Increase (decrease) in other payables	(6,529)	4,218	31,829
	<u>1,649</u>	<u>110,469</u>	<u>148,375</u>
	<u>59,637</u>	<u>171,224</u>	<u>350,164</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 March 31, 2004 and for the three month period 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>
3 months ended March 31:		
2004	3.4	(0.1)
2003	(1.1)	0.8
Year ended December 31, 2003	(7.6)	(1.9)

ISRAEL CHEMICALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2 - CONTINGENT LIABILITIES:

- a. Fertilizers and Chemicals Ltd. (herein after: Fertilizers) of ICL Fertilizers segment is located on the banks of the Kishon River. Since it was established, for decades, Fertilizers has been discharging sewage into the Kishon River. It should be noted that besides Fertilizers, there are additional principal bodies and several other dozens of factories and local authorities discharging sewage into the Kishon River.

On May 29, 2001 a class action was filed against Fertilizers and 3 other defendants under the Law for the Abatement of Environmental Nuisances (Civil Claims), 1992. The State of Israel and dozens of factories and local authorities were joined as third parties to the claim. The claim alleges that the defendants have been polluting the Kishon River. The claimants request the courts to order to cease the discharge of the sewage into the Kishon River and to restore the river to its state prior to the discharge of the sewage. A petition to strike off the claim has been filed but has not been decided.

On June 13, 2001, May 22, 2002, December 31, 2002, March 20, 2003, and December 8, 2003, additional monetary claims were filed against Fertilizers and 9 additional defendants (including the State of Israel) in the amount of approximately \$ 33 million, in addition to punitive damages for the discharge of sewage into the Kishon river which, according to the 47 claimants (most of them fisherman) was the cause of the cancer they developed. Dozens of factories and local authorities were joined as third parties to this claim as well.

In April 2004, a claim was filed against 4 defendants by 63 former soldiers (in addition to another claim previously filed by a former soldier and his wife), alleging that severe physical damages were caused to them from contact with poisonous materials in the water of the Kishon River. The soldiers' claim is in the amount of approximately \$40 million, \$21 million punitive damages and other material damages which were not quantified in the claim (including loss of future earnings, medical expenses, etc.). One of the defendants has issued a third party notice against Fertilizers, as well as against many other factories and authorities, including the State of Israel.

During the years 2001-2004 a series of claims were filed against Fertilizers and other entities for property damages caused by corrosion due to contact with Kishon waters by ship owners and Israel Shipyards in the amount of approximately \$ 6.5 million.

All of the above proceedings are pending in court in preliminary stages.

In the estimation of ICL management, based upon the opinion of its legal counsel handling these claims, the exposure relating to the claims cannot be estimated at this stage and therefore no provision was included in the Company's financial statements in respect thereof.

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

ISRAEL CHEMICALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3 - BUSINESS SEGMENTS

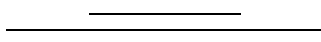
	Fertilizers		Industrial products	Agricultural products	Performance products	Metallurgy	Other operations	Eliminations and unallocated expenses	Consolidated
	Potash	Phosphate							
Three month period ended March 31, 2004 (unaudited):									
Total revenue	206,645	135,540	133,327	16,180	139,154	21,217	18,672	(43,454)	619,104
Operating income (loss)	46,385	(1,500)	4,675	3,514	7,823	(1,755)	915	167	61,031
Three month period ended March 31, 2003 (unaudited):									
Total revenue	192,920	121,692	127,001	11,256	117,012	19,717	13,538	(38,901)	558,649
Operating income (loss)	36,123	1,112	3,727	2,063	9,577	(3,810)	329	296	50,571
Year ended December 31, 2003 (audited):									
Total revenue	765,427	497,038	477,856	82,987	516,609	73,809	67,573	(182,081)	2,270,906
Operating income (loss)	151,348	3,080	3,264	21,039	35,622	(11,873)	4,655	2,488	210,688

ISRAEL CHEMICALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4 - SUBSEQUENT EVENT

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 \$ 21.2 million. The income anticipated to be realized from the sale after completion of the transaction is \$ 6 million to be recognized in 2004.



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