ISRAEL CHEMICALS LIMITED

(An Israeli Corporation)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AT SEPTEMBER 30, 2001

(Unaudited)

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(An Israeli Corporation)

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November 25, 2001

The Board of Directors of
Israel Chemicals Limited
Tel-Aviv

Re: <u>Review of unaudited condensed consolidated interim financial statements for the periods ended September 30, 2001</u>

At your request, we have reviewed the condensed consolidated interim balance sheet of Israel Chemicals Limited ("the Company") and its subsidiaries at September 30, 2001 and the condensed consolidated interim statements of income, changes in shareholders' equity and cash flows for the nine and three month periods then ended, expressed in new Israeli shekels (NIS) adjusted on the basis of the changes in the exchange rate of the U.S. dollar. 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.

We were furnished with the reports of other auditors on their review of the condensed interim financial statements of subsidiaries, whose assets at September 30, 2001 constitute approximately 49% of total consolidated assets included in the condensed consolidated interim balance sheet as of September 30, 2001 and whose sales constitute approximately 57% and 55% of the total consolidated sales included in the condensed consolidated interim statements of income for the nine and three month periods ended September 30, 2001. The interim financial statements of associated companies were also reviewed by other auditors.

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 auditors 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 with the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

We draw attention to the uncertainty in respect of contingent liabilities of the Company and certain subsidiaries, as discussed in note 11c to the 2000 annual financial statements and note 3 to these condensed financial statements. In respect of certain of these contingent liabilities, provisions have been included in these condensed financial statements in amounts which, in the opinion of management of the said companies, are considered sufficient to cover any liability that may arise as a result thereof; no provisions have been made in respect of other contingent liabilities the amounts or ultimate outcome of which cannot be determined at this stage.

The accompanying financial statements are a translation into U.S. dollars of the abovementioned unaudited consolidated interim statements in adjusted NIS, in accordance with the principles described in note 2b to the 2000 annual financial statements.

Sincerely yours,

ISRAEL CHEMICALS LIMITED
(An Israeli Corporation)
CONDENSED CONSOLIDATED BALANCE SHEET
AT SEPTEMBER 30, 2001
TRANSLATED INTO U.S. DOLLARS (note 1b)

	September 30		December 31,
	2001	**2000**	**2000**
	(Unaudited)		**(Audited)**
	In thousands		
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	22,031	22,391	18,247
Short-term investments, deposits and loans	28,308	54,114	34,547
Accounts receivable:			
Trade	362,919	468,503	453,493
Other	182,465	216,611	200,721
Inventories	486,745	480,426	492,071
T o t a l current assets	1,082,468	1,242,045	1,199,079
INVESTMENTS AND LONG-TERM RECEIVABLES:			
Associated companies	5,978	5,585	10,857
Other companies	52,151	51,037	51,037
Long-term deposits and receivables, net of current maturities	23,329	27,198	25,505
	81,458	83,820	87,399
FIXED ASSETS:			
Cost	4,121,572	3,919,827	3,970,644
L e s s - accumulated depreciation	2,252,357	2,011,828	2,059,264
	2,869,215	1,907,999	1,911,380
OTHER ASSETS AND DEFERRED CHARGES, net of accumulated amortization	154,437	116,151	158,187
	3,187,578	3,350,015	3,356,045

Date of approval of the financial statements: November 25, 2001

Yossi Rosen
Chairman of the Board of Directors

Akiva Mozes
President and Chief Executive Officer

Avi Doitchman
Chief Financial Officer

	September 30		December 31,
	2001	2000	2000
	(Unaudited)		(Audited)
	In thousands		
Liabilities and shareholders' equity			
CURRENT LIABILITIES:			
Short-term credit from banks and other credit granting institutions	517,881	414,157	552,105
Accounts payable and accruals:			
Suppliers and contractors	164,987	201,467	208,615
Other	217,599	244,516	243,936
Dividend payable	23,816	33,574	
T o t a l current liabilities	924,283	893,714	1,004,656
LONG-TERM LIABILITIES:			
Loans and other liabilities (net of current maturities):			
Debentures	8,340	13,542	8,934
Bank loans	887,931	1,077,885	980,317
	896,271	1,091,427	989,251
Deferred income taxes	258,120	245,643	252,837
Liability for employee rights upon retirement, net of amount funded with severance pay funds	134,787	124,218	129,985
T o t a l long-term liabilities	1,289,178	1,461,288	1,372,073
CONTINGENT LIABILITIES, see note 3			
T o t a l liabilities	2,213,461	2,355,002	2,376,729
MINORITY INTEREST IN SUBSIDIARIES	50,267	94,213	60,420
SHAREHOLDERS' EQUITY	923,850	900,800	918,896
	3,187,578	3,350,015	3,356,045

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, 2001

TRANSLATED INTO U.S. DOLLARS (note 1b)

	9 months ended September 30		3 months ended September 30		Year ended December 31,
	2001	2000	2001	2000	2000
	(Unaudited)				(Audited)
	In thousands (except per share and number of shares data)				
SALES - net	1,300,717	1,394,680	449,779	481,430	1,839,206
COST OF SALES	1,006,426	1,043,533	351,135	360,394	1,388,460
GROSS PROFIT	294,291	351,147	98,644	121,036	450,746
RESEARCH AND DEVELOPMENT EXPENSES - net	24,500	26,922	7,248	8,766	33,959
SELLING AND MARKETING EXPENSES	72,335	80,046	24,094	25,624	107,157
GENERAL AND ADMINISTRATIVE EXPENSES	65,063	68,027	21,443	21,605	89,427
OPERATING INCOME	132,393	176,152	45,859	65,401	220,203
FINANCIAL EXPENSES - net	60,122	62,670	17,208	24,429	85,871
	72,271	113,482	28,651	40,612	134,332
OTHER INCOME (EXPENSES) - net	(2,268)	6,600	(4,501)	(1,668)	7,062
INCOME BEFORE TAXES ON INCOME	70,003	120,082	24,150	38,944	141,394
TAXES ON INCOME, see note 4	18,083	36,434	8,377	11,262	43,999
INCOME FROM OPERATIONS OF THE COMPANY AND ITS SUBSIDIARIES	51,920	83,648	15,773	27,682	97,395
SHARE IN PROFITS (LOSSES) OF ASSOCIATED COMPANIES - net	(471)	434	(229)	237	366
MINORITY INTEREST IN LOSSES OF SUBSIDIARIES - net	4,955	2,013	665	2,166	2,665
NET INCOME FOR THE PERIOD	56,404	86,095	16,209	30,085	100,426
BASIC NET INCOME PER NIS 1 OF PAR VALUE OF SHARES – in dollars	0.047	0.072	0.014	0.025	0.084
PAR VALUE OF SHARES USED FOR THE PURPOSE OF COMPUTATION OF PER SHARE DATA – NIS in thousands	1,200,000	1,192,018	1,200,000	1,190,000	1,201,438

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

ISRAEL CHEMICALS LIMITED

(An Israeli Corporation)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE 9 AND 3 MONTH PERIODS ENDED SEPTEMBER 30, 2001
TRANSLATED INTO U.S. DOLLARS (note 1b)

	Share capital	**Capital surplus**	**Differences from translation of financial statements of subsidiaries**	**Retained Earnings**	**Cost of Company Shares Held by a Subsidiary**	**Total**
	In thousands					
BALANCE AT JANUARY 1, 2001 (audited)	521,402	1,110	(21,438)	435,224	(17,402)	918,896
CHANGES DURING THE 9 MONTHS ENDED SEPTEMBER 30, 2001 (unaudited):						
Net income				56,404		56,404
Dividend				(50,133)		(50,133)
Other			(1,317)			(1,317)
BALANCE AT SEPTEMBER 30, 2001 (unaudited)	521,402	1,110	(22,755)	441,495	(17,402)	923,850
BALANCE AT JULY 1, 2001 (unaudited)	521,402	1,110	(28,250)		(17,402)	
CHANGES DURING THE 3 MONTHS ENDED SEPTEMBER 30, 2001 (unaudited):						
Net income				16,209		16,209
Dividend				(23,816)		(23,816)
Other			5,495			5,495
BALANCE AT SEPTEBER 30, 2001 (unaudited)	521,402	1,110	(22,755)	441,495	(17,402)	923,850
BALANCE AT JANUARY 1, 2000 (audited)	521,402	1,110	(15,175)	418,013		925,350
CHANGES DURING THE 9 MONTHS ENDED SEPTEMBER 30, 2000 (unaudited):						
Net income				86,095		86,095
Dividend				(83,746)		(83,746)
Cost of Company shares held by a subsidiary					(17,402)	(17,402)
Other			(9,497)			(9,497)
BALANCE AT SEPTEMBER 30, 2000 (unaudited)	521,402	1,110	(24,672)	420,362	(17,402)	900,800
BALANCE AT JULY 1, 2000 (unaudited)	521,402	1,110	(19,684)	423,851	(17,402)	909,277
CHANGES DURING THE 3 MONTHS ENDED SEPTEMBER 30, 2000 (unaudited):						
Net income				30,085		30,085
Dividend				(33,574)		(33,574)
Other			(4,988)			(4,988)
BALANCE AT JUNE 30, 2000 (unaudited)	521,402	1,110	(24,672)	420,362	(17,402)	900,800
BALANCE AT JANUARY 1, 2000 (audited)	521,402	1,110	(15,175)	418,013		925,350
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2000 (audited):						
Net income				100,426		100,426
Dividend				(83,215)		(83,215)
Cost of Company shares held by a subsidiary					(17,402)	(17,402)
Other			(6,263)			(6,263)
BALANCE AT DECEMBER 31, 2000 (audited)	521,402	1,110	(21,438)	435,224	(17,402)	918,896

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, 2001
TRANSLATED INTO U.S. DOLLARS (note 1b).

	9 months ended September 30		3 months ended September 30		Year ended December 31,
	2001	**2000**	**2001**	**2000**	**2000**
	(Unaudited)				**(Audited)**
	In thousands				
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income for the period	56,404	86,095	16,209	30,085	100,426
Adjustments required to reflect the cash flows From operating activities (a)	151,379	127,657	97,906	24,538	196,019
Net cash provided by operating activities	207,783	213,752	114,115	54,623	296,445
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of fixed assets	(91,511)	(137,225)	(34,235)	(42,829)	(178,467)
Investment grant relating to purchase of fixed assets	6,214	9,089	400	1,409	13,882
Acquisition of subsidiaries consolidated for the first time	157				
Proceeds from disposal of investments in subsidiaries consolidated in previous years (b)		4,421		(848)	19,035
Acquisition of minority's shares in subsidiaries	(6,788)	(149,630)			(220,187)
Associated and other companies - investments in shares and changes in loans thereto - net	(1,412)	(4,505)	(202)	(3,359)	(10,034)
Proceeds from disposal of investment in an associated company	6,928				
Investments in marketable securities and long-term deposits	(4,916)	(6,043)	(1,719)	(3,129)	(5,680)
Decrease (increase) in short-term deposits and loans - net	5,866	(4,470)	358	(1,069)	(4,369)
Amounts carried to other assets and deferred charges	(1,253)	(1,946)	(696)	(574)	(6,912)
Proceeds from sale of fixed assets	28,288	3,199	104	1,487	10,309
Proceeds from disposal of marketable securities and long-term deposits	5,641	14,955	2,414	5,559	31,114
Net cash used in investing activities	(52,786)	(272,155)	(33,576)	(43,353)	(351,309)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Cost of Company shares held by a subsidiary		(17,402)			(17,402)
Issue of share capital in a subsidiary to minority shareholders		91		25	210
Long-term loans received and other long-term liabilities undertaken	103,388	366,915	41,366	147,915	420,603
Repayment of long-term loans and discharge of other long-term liabilities	(233,029)	(235,258)	(164,821)	(127,056)	(261,957)
Dividend paid:					
To shareholders of the Company	(26,317)	(50,172)			(83,215)
To minority shareholders in subsidiaries	(400)	(2,053)	(400)	(385)	(3,243)
Short-term credit from banks and others – net	5,767	(18,439)	49,966	(24,475)	(19,111)
Net cash provided by (used in) financing activities	(150,591)	43,682	(73,889)	(3,976)	35,885
ADJUSTMENTS FROM TRANSLATION OF BALANCES OF CASH AND CASH EQUIVALENTS OF CERTAIN NON-ISRAELI SUBSIDIARIES	(622)	(3,635)	(327)	(2,471)	(3,521)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,784	(18,356)	6,323	4,823	(22,500)
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	18,247	40,747	15,708	17,568	40,747
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	22,031	22,391	22,031	22,391	18,247

ISRAEL CHEMICALS LIMITED

(An Israeli Corporation)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 9 AND 3 MONTH PERIODS ENDED SEPTEMBER 30, 2001
TRANSLATED INTO U.S. DOLLARS (note 1b)

	9 months ended September 30		3 months ended September 30		Year ended December 31,
	2001	**2000**	**2001**	**2000**	**2000**
	(Unaudited)				**(Audited)**
	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	(4,955)	(2,013)	(665)	(2,166)	(2,665)
Associated companies - share in losses (profits) - net	471	(434)	229	(237)	(366)
Depreciation and amortization	128,008	134,058	43,245	42,449	180,130
Deferred income taxes – net	14,983	20,464	12,598	5,380	24,199
Liability for employee rights upon retirement – net	5,675	17,770	2,012	15,759	20,678
Capital losses (gains) on:					
Sale of fixed assets	1,130	(23,496)	452	(12,187)	(23,422)
Sale of shares in an investee company		(15,549)		(15,549)	(14,172)
Sale of shares in an associated company	(4,538)				
Erosion of principal of long-term loans and other long-term liabilities – net	(879)	(8,189)	(266)	(3,566)	(6,422)
Erosion of (exchange and linkage differences on) principal of long-term deposits and receivables – net	1,076	(618)	548	(148)	1,221
Loss (gain) from marketable securities – net	452	(2,342)	632	(797)	(376)
	141,423	119,651	58,785	28,938	178,805
Changes in operating asset and liability items:					
Decrease (increase) in accounts receivable:					
Trade	88,835	1,562	27,777	(29,005)	19,633
Other	(16,484)	(26,308)	(1,018)	(10,429)	(27,008)
Increase (decrease) in accounts payable and accruals:					
Suppliers and contractors	(41,057)	3,354	(21,433)	739	6,808
Other	(25,407)	22,088	9,407	17,658	19,546
Decrease (increase) in inventories	4,069	7,310	24,388	16,637	(1,765)
	9,956	8,006	39,121	(4,400)	17,214
	151,379	127,657	97,906	24,538	196,019
(b) Proceeds from disposal of investments in subsidiaries consolidated in previous years:					
Assets and liabilities at date of disposal:					
Working capital (excluding cash and cash – equivalents)		(10,399)		(8,522)	(10,176)
Long-term investments					547
Fixed assets – net		20,900		12,693	19,959
Goodwill					(182)
Long-term liabilities		(3,679)		(2,618)	(3,070)
Capital gain from sale of investment in a subsidiary		15,549		15,549	14,172
Amount not yet received in respect of the disposal		(17,950)		(17,950)	(2,215)
		4,421		(848)	19,035

Supplementary information on financial not involving cash flows

(iii) On September 13, 2001 the Company's Board of Directors decided to distribute net cash dividends in the amount of U.S. $ 23,816,000.

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

ISRAEL CHEMICALS LIMITED

(An Israeli Corporation)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

AT SEPTEMBER 30, 2001

NOTE 1 - GENERAL:

a. The condensed consolidated interim financial statements of Israel Chemicals Limited (hereafter - the Company or ICL) and its subsidiaries (together - the Group) at September 30, 2001 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 consolidated annual financial statements.

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

The Group's primary financial statements have been prepared on the basis of historical cost adjusted to reflect the changes in the exchange rate of the U.S. dollar (hereafter - dollar; or $), in accordance with pronouncements of the Institute of Certified Public Accountants in Israel. All figures in the said primary accounts are presented in NIS adjusted based on the exchange rate of the dollar at September 30, 2001.

These financial statements are a translation of the aforementioned primary financial statements into dollars on the basis of the exchange rate at September 30, 2001 - $1 = NIS 4.355.

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 dollar	**Israeli consumer price index**
	%	**%**
9 months ended September 30:		
2001	7.8	2.0
2000	(3.1)	(0.5)
3 months ended September 30:		
2001	4.6	0.9
2000	(1.5)	(0.8)
Year ended December 31, 2000	(2.7)	-,-

NOTE 2 - SUBSIDIARIES AND ASSOCIATED COMPANIES:

a. The sale of 50% of the holding in I.D.E. Technologies Ltd. (hereafter - I.D.E.)

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.

Following this sale, the financial statements of I.D.E. are included in the financial statements of the Company, commencing October 1, 2000, by the proportionate consolidation method.

b. Acquisition offer for the shares of Dead Sea Bromine Ltd. (hereafter - DSB)

On November 7, 2000, the Company published an offer for the acquisition of DSB’s shares. Following the acquisition offer, on December 5, 2000, the Company purchased, directly, the balance of publicly held shares - approximately 10.77% of DSB's share capital - for NIS 28.8 per share (as of the date of the offer - $ 7.1 per share), at a total cost of approximately $ 66.4 million.

The excess of cost over the book value of the underlying assets, net of underlying liabilities at time of acquisition, aggregates approximately $ 38 million. To the date of issue of these financial statements, the Company has yet to complete the assignment of the fair value to the purchased assets and liabilities as of date of acquisition. The above excess is temporarily presented under “other assets and deferred charges”, and is being amortized over 20 years.

On December 5, 2000, the trade in shares of DSB was terminated and on December 10, 2000, the shares’ registration as publicly traded shares was cancelled.

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

In 2000, Dead Sea Works Ltd. (hereafter - DSW) exercised an option which it had received under an agreement entered into in 1998 (hereafter - the agreement), between the shareholders of IP, and acquired the holding of one of them in IP (20%) through a subsidiary - Ashli Chemicals B.V. (Holland) (hereafter - Ashli) - at a price of $ 5.8 million. The goodwill arising on this acquisition was $ 1.7 million.

During May 2001, DSW exercised an option which it had received under the agreement, and acquired the holding of the other shareholder in IP (20%) through Ashli at a price of $ 6.8 million. The goodwill arising on this acquisition was $ 2.6 million.

After this last acquisition, DSW holds 100% of the share capital of IP.

d. Sale of shares of an associated company

On February 13, 2001, DSW sold its entire holdings (49.48%) in Dead Sea Laboratories Ltd., a company engaged in the production, marketing and sale of cosmetics and skin-care products under the brand name “Ahava”, in consideration for $ 6.9 million. The capital gain and net income recorded in respect of that sale is approximately $ 4.5 million.

NOTE 3 - CONTINGENT LIABILITIES:

1) Since 1994, DSB, Bromine Compounds Ltd. ("Compounds") and Ameribrom, Inc. (together - "the Bromine Group") has 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 Central 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. 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).

   Many of the above cases have been transferred by the American court to the countries of residence of the plaintiffs. However appeals on various aspects of such judicial decisions are still pending before a number of appeal courts in the U.S. In most of these cases, the companies of the Bromine Group are designated as the direct defendants. It is not possible to evaluate the chances that, despite that mentioned above, all or some of the above cases may be returned to U.S. courts.

   During the period in which the above legal proceedings were in process, most of the plaintiffs reached compromise arrangements with most of the defendants involved. The companies of the Bromine Group are mentioned as parties benefiting from the waivers agreed to by many of the plaintiffs, although they are not a direct party to the said agreements. At this stage, it is not possible to evaluate the effect of the above compromise arrangements on the arguments of the claims for indemnification and participation in damages filed against the companies of the Bromine Group. It should be noted that there are claims of some 5,000 plaintiffs who are not party to the above compromise arrangements.

   The Bromine Group companies claim absence of liability and lack of jurisdiction of the courts hearing the claims in their case.

   In addition, the Bromine Group companies estimate that the quantities of chemicals supplied thereby, if any, are small as compared to the quantity supplied by the other producers being sued in the above mentioned litigation.

   Management of the Bromine Group is of the opinion that, at the relevant times, the Bromine Group had certain insurance coverage for cases such as the events that are the subject of the claims. However, this matter is in dispute with at least some of the insurers involved. The Bromine Group has lodged a claim against the insurers with respect to that dispute. In April 2001, the insurers of the Bromine group companies, who refuse to recognize their responsibility in this matter, filed a request for the rejection, in limine, of the claim of the Bromine companies, contending that there are disclosure defects in the documents submitted to them. In June 2001, the court deliberated this request and ruled for a supplemental partial disclosure of the documents. Supplemental disclosure as above took place in October 2001. In a reminder session that took place during November 2001, the preliminary procedures were finalized and the court ordered the submission of the main evidences in a way of affidavit, a procedure that should end by July 2002.

NOTE 3 - CONTINGENT LIABILITIES (continued):

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 at this stage, to evaluate the impact of this matter on its business results considering the uncertainties involved therein. Therefore no provision has been included in respect of these claims.

2) In July 2000, the Bromine Group and the U.S. Department of Justice reached an agreement regarding the investigation of the alleged violations of U.S. antitrust laws. Under the agreement, reached as a plea bargain which was approved by the U.S. court, the Bromine Group paid in year 2000 a fine of $ 7 million.

The plea bargain does not apply to the civil action pending against the Bromine Group in the United States. In February 2000, a request was filed for recognition of that action as a class action. No amounts have been specified in respect of this action, under which damages are being claimed under U.S. law by purchasers of bromine and bromine products.

During this period of the report the Bromine Group reached a compromise agreement with the representatives of the plaintiffs in the above claim, providing for the payment of $ 2.5 million in complete settlement of the claim pending against it. The compromise agreement is subject to the fulfillment of a number of preconditions. These preconditions include a court final decision, the certification of the lawsuit as a class action and the reaching of a minimum rate of claimants in the representative group. In April 2001, the amount of the compromise agreement relating to the claim, was deposited in trust with the representative of the plaintiffs. A provision in this amount has been included in the financial statements for 2000.

Over a year ago, one of the two main competitors of 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 its 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.

NOTE 3 - CONTINGENT LIABILITIES (continued):

3) A claim for $ 16 million has been filed against the Company and two of its subsidiaries (hereafter - the defendants) and an application to approve this claim as a class action. The claim alleges violation of anti-trust legislation and argues that the defendants abused their status as a monopoly to determine a price for phosphoric fertilizer which is much higher than the prices of the raw materials used in its production.

   On July 12, 2001, the parties reached a settlement. Under the settlement, the claimants waived all of there past claims against the defendant pertaining to the setting of the above prices. In addition, a method for the computation of prices for the said fertilizer was agreed upon, that shall be applied during seven years after the issue of the verdict.

4) Contrack Line Ltd. (hereafter - Contrack) has filed a claim against DSW, Edom Mining and Development Ltd. (hereafter - Edom) and other companies, for infringement of a patent registered by Contrack and Edom, in respect of a dredge, which was designed to crush the salt mushrooms in the evaporation ponds of DSW, and in respect of breach of copyrights with respect to a proposal submitted by Contrack and Edom to DSW and blueprints of the dredge. The reliefs requested by contract are injunctions, mandatory injunctions and accounts. Splitting of remedies for future claims of financial remedies has been allowed. In addition, with the court's approval, the claim has been amended and causes referring to the negotiations held subsequent to the lodging of the claims have been added.

   The arguments of DSW's defense are based, inter alia, on claims against the validity of the patent as detailed in the request for cancellation of the patent, which was filed by DSW, and on its development and use of dredges for several decades.

   On December 9, 1998, the Court ruled that DSW had infringed the patent and prohibited DSW to continue to operate the dredge. Moreover, the parties were given an extension of six months to reach an agreement regarding operation and acquisition of the dredge. A request for a stay of execution of the said ruling has been filed, as has an appeal to the Supreme Court. The request has been granted and a settlement was reached allowing the operation of the vessel, subject to the duty to file quarterly reports.

   A provision for legal expenses, which may be incurred by DSW, was included in the financial statements, based on its management estimate.

   DSW was in the course of negotiating with Contrack for compromise to settle this dispute. During the negotiations, the parties discussed a possibility of performance of guarding services by Contrack, through the vessel in dispute, under an agreement for a contracting work in effect for a period of 15 years. Alternatively, Contrack has suggested to put an end to the dispute in consideration for a one-time payment of $10 million to $13 million. The parties have not reached any agreement.

NOTE 3 - CONTINGENT LIABILITIES (continued):

On March 12, 2001, Contrack filed a claim for damages of approximately $51.4 million, in the Tel-Aviv District Court. Contrack also filed a request for exemption from claim filing fee. On April 10, 2001, DSW responded to the request of Contrack to exempt it from the claim filing fee. Contrack responded to DSW's response. No decision in this matter has yet been handed down. Should DSW deem it necessary it may, in the future, file a request to suspend the consideration of claim, until after a ruling is handed down in the appeal it filed with the Supreme Court. In the opinion of the management of DSW, there is a reasonable chance that the appeal it filed against the decision of the District Court, on which this claim relies, will be accepted. Therefore no provision has been included in the financial statements, in respect of this claim. However, since the outcome of the appeal is in the hands of the Court and considering the present stage of its consideration, it is not possible to definitely forecast the results of the claim and its impact on DSW.

5) DSM was involved in an antidumping (AD) investigation and in a countervailing duty (CVD) investigation on pure magnesium that was brought before the U.S. Department of Commerce and the International Trade Commission (ITC). On November 2, 2001, the ITC issued a final determination in which it concluded that the industry in the United States is not materially injured or threatened with material injury by reason of imports of pure magnesium from Israel. As a result, no duties will be imposed on imports of this product from Israel.

6) In 1997, a claim was filed against DSW by an employee of the Company to have the Sedom employees' obligation to take early retirement revoked on the grounds of age discrimination.

On September 16, 2001, the Beer Sheba Regional Labor Court ruled on the employee's claim. The ruling determined that the provision, in the collective agreement between the Company and its employees, dealing with early retirement should be considered as granting them the right to early retirement and not as an obligation requiring them to do so.

DSW's management is examining the implications of the ruling and the possibility of taking further legal action. Accordingly, the impact of the ruling is not reflected in the financial results.

7) 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. ICL included a provision of approximately $ 1.5 million in its accounts in respect of this agreement, based on its estimated share in the anticipated expenses.

NOTE 3 - CONTINGENT LIABILITIES (continued):

ii) The Bromine Group manufactures, stores and sells dangerous chemical products. Accordingly it is exposed to risks resulting from environmental damage. The Bromine Group invests substantial amounts in order to meet environmental orders and standards. The financial statements include a provision 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. It 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.

d) In 1986, soil contamination was found on a certain part of the land leased in the Netherlands by a Dutch subsidiary in the Rotem group (hereafter the “Dutch company”). Management of the Dutch company is of the opinion, based on the policy currently in practice with respect to enforcement of environmental quality laws, and taking into account the fact that a warehouse was built on the contaminated land, with the approval of the authorities the likelihood that the ecological authorities, of the Netherlands will require that the contaminated land be cleaned up seems small. Upon granting the permit for construction, the authorities referred to the contamination as severe, but decided that, at that stage, there was no need to clean it up. Consequently, the Dutch company’s management does not intend to initiate the cleaning up of the contamination. Cleaning up the contamination could be very costly. However, the question may become relevant only in the event of closing down the Dutch company’s plant and returning the land to the harbour authority.

In management’s opinion, the previous owner is responsible for the contamination, since it was not brought to the attention of the Dutch company prior to its occupation of the plant. The question of responsibility for any damage to third parties, if any, is being litigated and has not yet been resolved.

NOTE 3 - CONTINGENT LIABILITIES (continued):

v) In accordance with the provisions of Spanish laws relating to environmental quality, in respect of land affected by mining activity, two plants of IP in Spain have submitted plans for removing waste and rehabilitating the mining waste site. The plan is expected to last for 24 years and 36 years, respectively, for each of those companies. Based on evaluations made by those companies, and considering the quantity of waste currently remaining to be removed, a provision of approximately $ 2.6 million has been made for this matter in year 2000.

f) On June 13, 2001, a monetary claim in the amount of $15 million was filed against a subsidiary Fertilizers Chemicals Ltd. (hereafter - Fertilizers) and against 9 other entities, alleging that the defendants discharged sewage into the Kishon River which, according to the plaintiffs, was the cause of the cancer which they developed. In the opinion of Fertilizers' management, which is based on the advice of legal counsel handling the claim, it is not possible, at this stage, to evaluate the outcome of the claim, and therefore no provision has been made in respect thereto.

g) A claim has been filed against Fertilizers and 11 other entities in the amount of $ 1.7 million (as estimated for the purpose of claim filing fee) for the economic damage caused to the plaintiffs that, according to the claim, resulted from the pollution of the Kishon River. In the opinion of Fertilizers' management, which is based on the advice of legal counsel handling this claim, it is not possible, at this stage, to evaluate the outcome of the claim, and therefore no provision has been made in respect thereto.

NOTE 4 - TAXES ON INCOME

The decrease in the rate of tax relative to the pre-tax net income in the nine months ended September 30, 2001, is mainly the result of the creation of deferred taxes, during the first quarter in respect of tax losses accumulated in prior years by a subsidiary which, according to a revised evaluation, can be utilized in future years, as well as in respect of income which was offset against losses carried forward from prior years for which no deferred taxes had been created. This decrease was to an extent offset by the effect of the real devaluation in the rate of exchange of Israeli currency vis-a-vis the dollar.

NOTE 5 - IMPACT OF NEW ACCOUNTING STANDARDS ON THE PERIOD PRIOR TO THEIR COMING INTO EFFECT

Accounting Standard No. 11 - Segment Reporting, requires that information relating to business segments and geographical segments be included in the financial statements, as well as detailed guidance for identifying business and geographical segments. This Accounting Standard becomes operative for financial statements covering periods beginning on or after December 31, 2002.

The Company is currently examining the impact (if any) this Accounting Standard will have on the method of segment reporting included in its financial statements.

NOTE 6 - EVENTS SUBSEQUENT TO BALANCE SHEET DATE

On October 10, 2001, the Company raised some $ 75 million (net of the usual 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 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 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 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, to redeem 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. The option is only exercisable if the Company's share price during 20 business days, beginning not more than 30 days earlier than 5 days prior to the Company's announcement, was equal to, or exceeded, 150% of the conversion price, adjusted to the increase in the dollar exchange rate.

The Debenture holders have an option to redeem the debentures they hold, at a redemption price that reflects an annual dollar yield of 4.1% 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.