Directors Report on the State of the Company's Affairs for the year ended 31.12.2001

1. Description of the Company and its Business Environment

1.1 Description of the Company

Israel Chemicals Group ("ICL Group" or "the Group") is a multinational group operating through companies held by the parent company – Israel Chemicals Ltd. ("ICL" or "the Company"), mainly in fertilizers and chemicals of various types.

ICL Group's Israeli operations are based mainly on the exploitation of the natural resources in the Dead Sea - potash, bromine, salt, magnesium; and in the Negev Desert - phosphates and limestone. ICL Group mines these natural resources (under concessions from the State of Israel), markets them worldwide, and develops, produces and markets downstream products based on these raw materials.

Israel is the center of ICL Group's operations. Additional manufacturing subsidiaries operate in the United States, Germany, France, Spain, China and the Netherlands. In addition to the manufacturing companies, ICL Group holds an array of service companies active in marketing, logistics and R&D.

The overseas manufacturing companies of ICL Group are involved mainly in the manufacture of products which integrate with or are closely related to the operations of the companies in Israel. More than 60% of production is carried out in Israel and the remainder abroad. About 90% of ICL's products are sold abroad, thereby generating foreign currency revenues. ICL is not dependent on any customer or supplier or sources of raw materials which are not included in the concessions granted to ICL and its companies.

The Israel Corporation ("the Israel Corporation") holds 52.83% of ICL's share capital. The Ofer Brothers Group is the controlling shareholder in the Israel Corporation.

1.2 Business Environment and Profitability

ICL Group is a multinational company. Its business results are influenced both by global economic trends and by changes in trade terms between the local market and its export markets.

The sales of ICL Group are made in foreign currency, mainly dollars. In contrast, approximately one quarter of its expenses for inputs are in shekels. Consequently, a real devaluation or appreciation in the average dollar-shekel currency rate affects the Company's operating profit. Dollar-Euro ratio also affects operating results, financing expenses and the income tax expense item.

In general, the demand for the Group's products is influenced by the demand for basic agricultural products (fertilizers and pesticides) and by the economic condition in developed countries (chemicals).

During the Report Period, ICL Group was hurt by the deterioration in global trading conditions, the slowdown in activities in the electronics and telecommunications markets, the ongoing weakening of fertilizer markets, the price rises of some inputs, and the strengthening of the dollar against the euro and the yen.

Conversely, the Group benefited from the moderate decrease in the prices of energy, sulfur and marine transportation tariffs, as well as the falling dollar interest rate.

Competition in some of ICL's markets during the Report Period caused a fall in prices, particularly in the markets for phosphate fertilizer, magnesium metal, some magnesium products and flame retardants. ICL Group is taking steps to reduce these influences, both by adapting its marketing policy and by implementing streamlining measures, which led to savings in 2001 estimated at 50 million dollars compared with 2000.

1.3 Impairment of assets at Dead Sea Magnesium

The subsidiary Dead Sea Magnesium ("DSM") has concluded that a reduction is called for in its balance-sheet due to a $200 million impairment of its assets. The effect of the write-off on the Company's financial statements, net of deduction of the minority share in DSM and the tax effect, will be $97.5 million. The Company does not foresee an adverse material effect on the business of DSM or on DSM's contracts with suppliers or customers due to the reduction. (For further details, see Section 9.1 below.)

1.4 Change in the Assessment of the Life of Certain Production Installations

Since July 1, 2000 there has been a change in the assessment of the life of certain production installations (fertilizer installations, white acid production installations in Rotem, and the production installations of Periclase), from 20 to 25 years. The change was based on the opinions of engineers companies in ICL Group. The opinions relied on past experience with the specific installations, on the physical condition of the installations and on the knowledge of the companies' engineers relating to expected technological changes and their effect on the future operation of the installations.

Investigations carried out at the Group revealed that the life of installations in leading public fertilizer companies in the world whose areas of business resembles those of ICL, is on average 25 years. A change in the assessment of the life of the above-mentioned production installations adjusts the life of ICL Group's installations to that of the other fertilizer companies.

In the year ended December 31, 2001, this change led to a reduction in depreciation expenses (which were included in the Cost of sales item) by about 6.6 million dollars, and an increase in net profit and earnings per share of some 4.4 million dollars and 0.004 dollars per share respectively.

2. Results of Operations

2.1 Principal Financial Results

Below is a summary of the results of operations in the period under review as compared with the corresponding period last year, in millions of NIS and millions of dollars:

NIS	1-12/2001		1-12/2000		10-12/2001		10-12/2000	
	NIS millions	**% of sales**	**NIS millions**	**% of sales**	**NIS millions**	**% of sales**	**NIS millions**	**% of sales**
Sales*	8,208.4	100.0	8,870.0	100.0	1,947.2	100.0	2,136.0	100.0
Gross profit*	2,592.7	31.6	3,000.7	33.8	587.5	30.2	687.7	31.8
Operating profit	708.1	8.6	972.4	11.0	123.5	6.3	194.5	9.1
Pre-tax profit (loss)	(610.4)	(7.4)	624.4	7.0	(919.6)	(47.2)	94.1	4.4
Net profit before extraordinary items	311.5	3.8	399.4	4.5	41.0	2.1	73.2	3.4
Net profit (loss)	(187.1)	(2.3)	443.5	5.0	(436.2)	(22.4)	63.3	3.0
Cash flow from current operations	1,293.2		1,284.8		393.2		365.2	
Investments Purchase of shares in subsidiaries	30.0		972.3		-		311.6	
Investment in fixed assets less grants	537.9		726.8		161.3		161.0	
Total	**567.9**		**1,699.1**		**161.3**		**472.6**	

* Shipping expenses are presented under the Selling expenses item. In preceding years they were presented partially in Sales and partially in Cost of sales. The data for preceding years have been reclassified.

$	1-12/2001		1-12/2000		10-12/2001		10-12/2000	
	$ millions	**% of sales**	**$ millions**	**% of sales**	**$ millions**	**% of sales**	**$ millions**	**% of sales**
Sales*	1,858.8	100.0	2,008.6	100.0	440.9	100.0	483.7	100.0
Gross profit*	587.1	31.6	679.5	33.8	133.0	30.2	153.7	31.8
Operating profit	160.4	8.6	220.2	11.0	28.0	6.3	44.1	9.1
Pre-tax profit (loss)	(138.2)	(7.4)	141.4	7.0	(208.2)	(47.2)	21.3	4.4
Net profit before extraordinary items	70.5	3.8	90.4	4.5	9.3	2.1	16.6	3.4
Net profit (loss)	(42.4)	(2.3)	100.4	5.0	(98.8)	(22.4)	14.3	3.0
Cash flow from current operations	292.8		290.9		89.1		82.7	
Investments Purchase of shares in subsidiaries	6.8		220.2		-		70.6	
Investment in fixed assets less grants	121.8		164.6		36.5		36.5	
Total	**128.6**		**384.8**		**36.5**		**107.0**	

* Shipping expenses are presented under the Selling expenses item. In preceding years they were presented partially in Sales and partially in Cost of sales. The data for preceding years have been reclassified.

2.2 Results of Operations for the Period January - December 2001

Sales

Sales of ICL Group in the Report Period amounted to NIS 8.208.4 million ($1,858.8 million), compared with NIS 8,870.0 million ($2,008.6 million) last year, a decrease of approximately 7.5%.

The decrease in the Group's sales reflects mainly a decrease in quantities sold of most of the Group's products, falling prices of some of the products and devaluation of the exchange rates of non-dollar currencies in principal destination markets in relation to the dollar. As a result, the Company's income decreased by some 150 million dollars compared with last year.

Below is a breakdown of sales by geographical markets:

Sales CIF	1-12/2001		1-12/2000	
	$ millions	**%**	**$ millions**	**%**
Israel	159.0	8.5	170.5	8.5
North America	268.9	14.5	281.0	14.0
Latin America	202.0	10.9	205.4	10.2
Europe	777.4	41.8	849.6	42.3
Asia	383.6	20.6	431.4	21.5
Rest of the world	67.9	3.7	70.7	3.5
Total	1,858.8	100.0	2,008.6	100.0

The breakdown of sales in the report period shows an increase in the proportional part of sales in Latin America and North America at the expense of Europe and Asia. The increase in Latin America is derived mainly from increased sales of fertilizers to Brazil, while in North America the decrease in revenues from sales of bromine and other chemicals is less than the decrease in other markets. The decrease in sales in Europe is derived from the effects of erosion of the euro against the dollar and from smaller revenues from sales of fertilizers and various chemicals. In Asia, the decrease is the result of smaller quantities of fertilizers and bromine products sold (mainly flame retardants).

Gross Profit

Gross profit amounted to NIS 2,592.7 million ($587.1 million), a decrease of 13.6% in relation to last year. Gross profit margin out of sales turnover (CIF) decreased from 33.8% to about 31.6%. The decrease in the margin derives from the aforementioned decrease in income, smaller quantities produced, and the rise in the prices of some inputs. Conversely, the decrease in the expenses of the Group's European companies in dollar terms partially offset the erosion of those companies' sales in dollar terms. The decrease in the prices of energy and sulfur (the latter being an important input in the manufacture of phosphate fertilizers), had a positive effect on the cost of selling.

The devaluation of the shekel against the dollar also contributed to the erosion of the shekel costs of labor and other items in dollar terms.

Sales and Marketing Expenses

Expenses amounted to approximately NIS 1,367.1 million ($309.6 million), a decrease of about 7.8% compared with last year. The decrease in expenses stems primarily from the decrease in quantities sold and from efficiency measures. Also noteworthy is the decrease in marine and land transportation expenses, due to the smaller quantities and the lower transportation tariffs and partly also to the amalgamation of marine conveying operations in the fertilizers segment.

General and Administrative Expenses

Expenses totaled NIS 374.2 million ($84.7 million), a decrease of about 5.2% compared with last year. The decrease is derived from a decrease in the expenses of the subsidiaries as part of the efficiency and reorganizing processes, and from a decrease in the expenses of the Group's companies in Israel and Europe in dollar terms.

Expenses as a percentge of turnover incresed in the report period from 4.45% to 4.56%.

Research and Development Expenses

R&D expenses (net of grants from the Chief Scientist) amounted to NIS 143.3 million ($32.5 million), a decrease of about 1.5 million dollars compared with last year. Most of the decrease resulted from efficiency and savings measures at Tami, the Company's R&D institute.

Operating Income

Operating income decreased by some 27.2% compared with last year, reaching approximately NIS 708.1 million ($160.4 million). Operating income as a percentage of turnover decreased from about 11.0% last year to 8.6% this year. The erosion in operating income derives mainly from the decrease in sales, which was offset by a decrease of about 32.5 million dollars in operating expenses, as mentioned above.

Savings achieved as a result of the Group's efficiency measures are estimated at about 50 million dollars in 2001.

Financing Expenses

Financing expenses amounted to NIS 346.3 million ($78.5 million), compared with NIS 379.3 million ($85.9 million) last year.

The decrease in financing expenses compared with last year is derived mainly from the average dollar-interest rates during the period, which was 1.7% lower than last year (weighted average interest of loans at fixed and variable interest rates). The average balance of financial liabilities remained stable. In contrast, the dollar value of shekel assets held by the Company against future shekel liabilities decreased by about 9.3%, due to the devaluation of the shekel-dollar exchange rate during the period.

Other Income and Expenses

Other income offset by other expenses amounts to NIS 972.0 million (about $220.1 million). These expenses include primarily NIS 883.2 million ($200 million) for impairment of assets at Dead Sea Magnesium ("DSM"), shut-down expenses of phosphate plants in the Negev Desert - NIS 33.9 million (about $7.7 million), a provision for closure of a mine at the subsidiary Iberpotash in Spain – NIS 45 million ($10.2 million) ($8.4 million write-off of assets and $1.8 million consensual employee retirement plan due to closure of the mine), and a provision of NIS 28.3 million ($6.4 million) in respect of early retirement.

Income includes mainly proceeds of 19.8 million (about $4.5 million) from the divestiture of an affiliated company.

Last year the Company's other income offset by other expenses amounted to approximately NIS 31.3 million ($7.1 million), and included mainly a capital gain from the sale of real estate by ICL, a capital gain from the sale of 50% of I.D.E.(desalination engineering), and a capital gain from the sale of I.D.E.'s real-estate, offset by expenses in respect of amalgamation of the headquarters of Rotem Amfert Negev and DSW, and efficiency operations for cutting production costs.

Net Profit (Loss)

The loss amounted to NIS 187.1 million ($42.4 million), compared with a net profit of NIS 443.5 million ($100.4 million) last year.

Net profit before extraordinary items amounted to NIS 311.5 million ($70.5 million), compared with NIS 399.2 million ($90.4 million) last year. Special operations in the period were mainly a provision of the impairment of assets at DSM and a provision for closure of a mine at Iberpotash (Spain).

2.3 Results of Operations for the Period October - December 2001

Sales

The sales of ICL Group in the Report Period amounted to NIS 1,947.2 million ($440.9 million), compared with NIS 2,136.0 million ($483.7 million) in the corresponding period last year, a decrease of approximately 8.8%. The decrease in income is derived from smaller quantities sold of some products, particularly flame retardants, specialty chemicals (mainly in Europe and North America), and in the fertilizers segment from a decrease in the prices of phosphate fertilizers, magnesium and other products.

As a result, the Company's income decreased by about NIS 189 million (approximately $42.8 million) compared with the same quarter last year.

Below is a breakdown of sales by geographical markets:

Sales CIF	10-12/2001		10-12 2000	
	$ millions	%	$ millions	%
Israel	41.6	9.4	43.7	9.0
North America	56.6	12.8	70.6	14.6
Latin America	44.8	10.2	37.2	7.7
Europe	172.2	39.1	204.9	42.4
Asia	108.1	24.5	112.7	23.3
Rest of the world	17.6	4.0	14.7	3.0
Total	440.9	100.0	483.8	100.0

The growth in sales to Latin America, mainly fertilizers to Brazil, opposite the decrease in sales of chemicals and fertilizers in Europe, biocides in North America and flame retardants in Asia, impacted, inter alia, on the distribution of sales compared with the fourth quarter of 2000.

Gross Profit

Gross profit amounted to NIS 587.3 million ($133.0 million), and gross margin out of total sales decreased from 31.8% to 30.2%. The decrease in the gross margin in comparison with the corresponding quarter last year, stems mainly from the smaller quantities sold and the erosion of some prices, as mentioned above. The devaluation of the shekel against the dollar contributed to profitability due to the erosion of costs in dollar terms.

Operating Income

Operating income amounted to NIS 123.5 million ($28.0 million), about 16.1 million dollars less than in the corresponding quarter last year. Operating margin out of turnover decreased from 9.11% last year to 6.34% in the Report Period. Costs in respect of "war levy" due to the war in Afghanistan were added to marine transportation expenses in this quarter

Financing Expenses

Financing expenses amounted to approximately NIS 81.0 million ($18.3 million), compared with NIS 102.5 million ($23.2 million) in the same period last year. The decrease in financing expense derives both from the decrease in the average debt balance and from the decrease in the average interest rate for the period.

Other Income and Expenses, Net

Other expenses offset by other income amount to NIS 962.1 million ($217.9 million). The expenses are derived mainly from the impairment of assets at DSM – NIS 883.2 million ($200 million), a provision for closing the mine at Iberpotash – NIS 45 million (approximately $10.2 million) ($8.4 million the write-off of fixed assets and $1.8 million the consensual employee retirement plan for closure of the mine), and a provision of about NIS 14.2million ($3.2 million) in respect of early retirement. Last year, the Company had other income, offset by other expenses, amounting to NIS 2.2 million (about $0.5 million).

Net Profit (Loss)

The loss for the quarter amounted to NIS 436.2 million ($98.8 million), compared with NIS 63.3 million ($14.3 million) in the same quarter last year.

Net profit before extraordinary items amounted to NIS 41 million ($9.3 million), compared with NIS 73.2 million (16.6 million) in the corresponding period last year.

3. Segments of Operation

Sales CIF by segment	1-12/2001		1-12/2000		10-12/2001		10-12/2000	
	$ millions	% of total sales	$ millions	% of total sales	$ millions	% of total sales	$ millions	% of total sales
Fertilizers	774.6	41.7	822.1	40.9	186.0	42.2	185.1	38.3
Specialty chemicals	584.8	31.5	615.3	30.6	133.1	30.2	147.2	30.4
Bromine and bromine compounds	397.3	21.4	466.3	23.2	96.7	21.9	123.7	25.6
Metallurgy	67.2	3.6	74.8	3.7	14.1	3.2	22.4	4.6
Other	34.9	1.8	30.1	1.6	11.0	2.5	5.4	1.1
Total	1,858.8	100.0	2,008.6	100.0	440.9	100.0	483.7	100.0

Operating income by segment	1-12/2001		1-12/2000		10-12/2001		10-12/2000	
	$ millions	% of total sales	$ millions	% of total sales	$ millions	% of total sales	$ millions	% of total sales
Fertilizers	113.4	14.6	110.5	13.4	28.3	15.2	19.3	10.4
Specialty chemicals	37.3	6.4	56.5	9.2	3.2	2.4	10.5	7.1
Bromine and bromine compounds	41.4	10.4	72.0	15.4	5.2	5.3	18.6	15.1
Metallurgy	(28.2)	(41.9)	(15.3)	(20.5)	(8.2)	(58.5)	(5.0)	(22.1)
Other	(3.5)	(10.2)	(3.5)	(11.6)	(0.5)	(4.7)	0.7	12.5
Operating income (consolidated)	160.4	8.6	220.2	11.0	28.0	6.3	44.1	9.1

3.1 Fertilizers

Sales

The volume of operations in the segment in 2001 amounted to NIS 3,420.6 million ($774.6 million), a decrease of approximately 5.8% compared with last year. The decrease in sales turnover arises mainly from the reduced demand for the Group's products in the target markets, which resulted in smaller quantities sold of potash, phosphate rock and fertilizers and a drop in the prices of most of the segment's products.

Production

Thousands of tons	**1-12/2001**	**1-12/2000**	**10-12/2001**	**10-12/2000**
Potash	3,742	3,783	903	1,001
Phosphate rock (washed)	2,798	3,661	889	951

The slight decrease in potash production for the period is mainly the result of the record quantities at the Group's plants in Sdom, tempered by a decrease in potash production in Spain, mainly due to the shut-down of operations during negotiations with the workers concerning the efficiency plan in the third quarter, and to problems of infrastructure, equipment availability and labor shortage during the summer.

The smaller quantities of phosphate rock production is in keeping with the policy of reducing stocks.

Sales*

Thousands of tons	**1-12/2001**	**1-12/2000**	**10-12/2001**	**10-12/2000**
Potash	3,396	3,585	890	831
Phosphate rock	853	1,015	168	274
Fertilizers	1,424	1,517	236	233

* To external customers (net of sales to Group companies).

Income (CIF) for the period from potash sales (from Sdom and Spain, to external customers) amounts to approximately $401 million, about 7% less than last year ($433 million). The balance of income is derived from sales in Israel and abroad of phosphate rock (as a raw material and for direct fertilization), fertilizers (including phosphate fertilizers and also complex and fully soluble fertilizers, which contain varying proportions of nitrogen, phosphorus and potassium), and phosphoric acid, which is used as a raw material in the production of fertilizers ("green acid").

The decrease in sales of potash phosphate fertilizers stems mainly from weak markets in Europe and Asia. Among the causes of this weakness are harsh weather conditions, foot-and-mouth disease and BSE in the first quarter, in regions of Europe which are the Group's main markets. Additional causes were instability of demand (partially against a background of carry over of stocks from last year), and the fall in prices due to excess supply of phosphate products, including green acid (the price of which was 2 - 6% lower than last year). The devaluation of the euro exchange rate also hurt revenues from sales in Europe. However, the increase in sales of potash in the local market and in Brazil is noteworthy.

Operating income

Operating profit in the segment amounted to NIS 500.8 million ($113.4 million), an increase of about 2.6% compared with last year. The margin on sales came to about 14.6%, compared with 13.4% last year. This improvement, despite the decrease in income described above, derives mainly from lower expenses for maintenance, cost of wages (in dollar terms), sulfur and energy and the increase in potash quantities. Another contributing factor was the merger of the operations of DSW and Rotem. In contrast, the adverse effect of smaller production quantities at Iberpotash should be noted, as well as workers' sanctions during negotiation of the efficiency plan, relatively low availability of mining equipment and infrastructure, and the characteristic shortage of workers during the summer months.

The efficiency plan at Iberpotash includes the closure of one of three mines and future downsizing, without affecting production quantities. Accordingly, a provision was recorded – mainly for closure of the mine – of about $10.2 million.

3.2 Specialty Chemicals

Sales

Sales in this segment, which includes a wide range of products, amounted to approximately NIS 2,582.5 million ($584.8 million), a decrease of about 5.0% compared with last year. The slowdown in the global economy, particularly after the events of September 11, adversely affected sales in the segment, as did the decrease in sales of magnesia products (particularly to the refractory market), the marked slowdown in sales of biocides (for water treatment) which started in the third quarter (detrimental effects of weather and the economic slowdown, which decreased demand in the USA and increaed competition in Europe), and the fall in prices of some magnesia products. In contrast, sales of speciality chemicals (in local currency terms) increased in Europe, although these sales also slowed in the fourth quarter as the recession set in.

Operating Income

Operating income in the segment amounted to NIS 164.7 million ($37.3 million), about 34% lower than last year. The margin was about 6.4%.

The decrease in the margin stems primarily from smaller quantities sold of some products, as mentioned, from an increase in the prices of principal raw materials, notably caustic soda, and from a sharp decrease in the profitability of biocide and magnesia operations. These adverse effects were offset by a decrease in the prices of energy and marine transportation and the ongoing efficiency measures.

3.3 Bromine and its Compounds

Sales

The scope of operations in this segment in the report period amounted to approximately NIS 1,754.5 million ($397.3 million), a decrease of 14.8% compared with last year. The decrease in income is derived mainly from smaller quantities sold and a change in the composition of the product basket, particularly in the second half of the year.

Income from sales of flame retardants were about 25% lower than last year as a result of sluggish demand, particularly in the field of personal computers and electronic and communications products. Selling prices were slightly lower than last year, mainly due to the fall in prices in the fourth quarter.

Income from sales of industrial products decreased compared with last year by about 6%. The increase in sales to the oil drilling market was offset by the decrease in sales of other products, including a fall in the price of elementary bromine.

In agricultural products, turnover decreased by about 7% compared with last year. The decrease derived mainly from a 12% decrease in sales of methyl bromide, which is the largest single item in agricultural products, due to the Montreal Protocol. The decrease in the quantity of sales was partially offset by higher selling prices and the sale of alternative products which are penetrating the market, along with a gradual reduction in the quantities of methyl bromide for soil fumigation.

The Montreal Protocol: Under the accord known as the "Montreal Protocol", to which Israel is a signatory, developed countries will gradually reduce the manufacture and consumption of methyl bromide for soil fumigation to zero by the year 2005. The volume of sales in the report period to which the ban will apply in 2005, amounts to approximately $51 million, with an operating income of approximately $14 million. Sales of methyl bromide for soil fumigation to "developing countries" are expected to continue until 2015.

Methyl bromide has other uses apart from soil fumigation, such as pre-shipment treatment or quarantine, as a raw material or intermediate material for the manufacture of another material or product (feedstock), and is also used in recycling and reuse. These uses are not within the purview of the Montreal Protocol. Sales turnover in the agricultural segment of Dead Sea Bromine Company in the report period for uses and customers to which, as far as is known today, the ban will not apply in 2005, is approximately $31 million. The operating margin of the agricultural segment of Dead Sea Bromine Company in the report period in respect of these sales was about $15 million.

The Company's strategy is to remain in the soil fumigation field after the ban on use of methyl bromide for that use. Accordingly, for the past two years, efforts have been invested in the development, licensing and marketing of new applications for other products and alternatives to methyl bromide in this important market. As a result of this strategy, long-term agreements have been signed with BASF and Dow Agrosciences (DAS) for the distribution of two main substitutes for methyl bromide – Basamide, produced by BASF, and Telon produced by DAS.

Operating Income

Operating income in the segment for the report period amounted to approximately NIS 182.8 million ($41.4 million), a decrease of about 42.5% compared with last year.

The decrease in the margin derived mainly from smaller quantities sold due to the global economic slowdown, which affected mainly the sales of flame retardants and which was offset to some extent by an increase in the price of methyl bromide, by lower energy costs and by comprehensive savings and efficiency measures.

3.4 Metallurgy

Sales

Sales turnover in the segment amounted to approximately NIS 296.8 million ($67.2 million), a decrease of approximately 10.1% compared with last year.

The decrease in sales of magnesium is derived from price erosion due to increased competition in the market, mainly due to sales at low prices by Far Eastern manufacturers (mainly the Chinese), lower sales to the USA due to levies countervailing duties on pure magnesium for most of the year, and the erosion of the dollar-euro exchange rate. Quantities sold remained the same as last year – about 30,000 tons.

Operating Income

The operating loss in the segment amounted to approximately NIS 124.5 million ($28.2 million) compared with a loss of NIS 67.6 million ($15.3 million) last year.

The increase in the operating loss derives mainly from the erosion of selling prices and the effects of exchange rates as above, the malfunction of a production-line during the second quarter which also affected the second half of the year, and a rise in the materials component resulting from the increase in alloys-production.

Levies on sales of pure magnesium in the USA

Dead Sea Magnesium was involved in an investigation concerning dumping prices and countervailing duty in the sale of pure magnesium. The investigation was conducted by the International Trade Commission ("ITC") and the US Department of Commerce. On November 2, 2001, the ITC published a final decision, determining that the industry in the USA suffered no material harm due to magnesium imports from Israel. As at the date of this report, no levies are imposed on magnesium imported from Israel.

Impairment of assets – see Section 9.1

4. The Group's financial position

4.1 Assets and Liabilities

Net financial liabilities at the end of the year amounted to approximately NIS 5,495.7 million ($1,244.5 million), as opposed to NIS 6,205.8 million ($1,405.3 million) at the end of 2000, a decrease of approximately NIS 710.1 million ($160.8 million).

The decrease in the debt balance since the beginning of the year is derived from receipt of approximately NIS 107.3 million ($24.3 million) in consideration of the sale of Millennium Tower, from an increase of approximately NIS 221 million ($50 million) in the balance of receivables discounting, and about NIS 402 million ($91 million) from free cash flow of the Group's companies.

4.2 Sources of finance

ICL Group's sources of external financing are primarily short-term and long-term credit from Israeli and international banks. During the report period, the long-term loan balance decreased by $195 million, while short-term credit decreased by about $79 million.

In the fourth quarter, ICL raised about $75 million in convertible debentures (see Section 8.14). The Company also raised $28 million in short-term debentures (Commercial Papers), as part of a $50 million program of this vehicle.

In all, ICL's short-term and long-term liabilities decreased by some $167 million.

4.3 Cash flow

The cash flow of ICL from current operations in 2001 amounted to approximately NIS 1,293.2 million ($292.8 million), compared with NIS 1,284.8 million ($290.9 million) last year, almost unchanged.

The cash flow from current operations and the income of NIS 107.3 million ($24.3 million) from sale of the building in Tel Aviv, were the principal sources of finance for investments in fixed assets, net, amounting to some NIS 517.2 million ($117.1 million) and for the decrease in the net financial liabilities of the Group.

5. Investments

In the report period, investments in fixed assets net of investment grants amounted to approximately NIS 537.9 million ($121.8 million), and in the acquisition of 20% of the shares of Iberpotash amounted to some NIS 30.0 million ($6.8 million), compared with investments of NIS 726.8 and 972.4 million, respectively ($164.6 and 220.2 million, respectively) last year.

6. Human Resources

The total number of employees at ICL Group as of December 31, 2001 is 7,975, compared with 8,396 on December 31, 2000.

7. Quantitative Report on Exposure to Market Risks and their Management

7.1 The Company's Vice President of Finance, Accounting and Taxation is responsible for managing the market risks to which the Company is exposed.

7.2 Regarding the Group's operations and its business environment as described in Section 1.2 above, the Group is exposed to the following principal risks:

- Prices: selling prices of certain products and the prices of certain inputs.
- Exchange rates and the CPI.
- Interest rates.
- Linkage bases.
- Derivatives positions.

7.3 **Prices – Selling prices of certain products and prices of certain inputs**

Prices of some of the Group's products (potash, phosphate, phosphoric acids and fertilizers) and some of its inputs (fuel oil, marine transportation and sulfur) are determined in a way which the Group has limited ability to affect. The Group is exposed to changes in the prices of these products and inputs.

The Group's products have no markets to hedge their prices. The companies in the Group protect some of their future consumption of fuel oil by hedging prices in the futures market, and marine transportation and sulfur purchases by means of long-term contracts.

7.4 **Exchange rates and the CPI**

The dollar is the principal currency of the business environment in which most of the Group's companies operate. The majority of operations - sales, purchase of materials, selling expenses, marketing and financing, as well as the purchase of fixed assets - are transacted in foreign currency, mainly dollars, and so the dollar is used as the Group's currency of measurement and reporting.

7.4.1 Some of the Group's sales in non-dollar currencies expose the Group to changes in these exchange rates against the dollar. Exposure is measured after deduction of expenses in the currency of sale. The Group's policy is to protect a significant part of this exposure by using financial instruments and derivatives.

The income and expenses of the consolidated overseas companies which operate independently / autonomously in local non-dollar currencies, do not constitute exposure.
The prices of certain transactions, even though not carried out in dollars, are affected by changes in the dollar exchange rate against the rate of the transaction currency, and are adjusted to changes in the exchange rate within a short period. The Group does not protect itself against this temporary exposure.

7.4.2 Part of the costs of the Group's inputs in Israel are denominated and paid in shekels. Thus, the Group is exposed to a strengthening of the shekel exchange rate against the dollar (shekel appreciation). The Group's policy is to partially hedge this exposure. The actual rate of protection is usually derived from the exchange rate's position vis-à-vis the bottom of the exchange rate band and other variables.

7.4.3 The results for tax purposes of the Company and some of the Group's companies are measured in a currency other than the dollar: in Israel – CPI-adjusted shekels, and abroad in the local currency. As a result, the Company and the Group's companies are exposed to the difference between the percentage of the change in the dollar exchange rate and the basis of the measurement for tax purposes. The Company does not protect against this exposure.

7.4.4 The Group's companies have severance pay liabilities which are denominated in the local currency, and in Israel they are also affected by the rise in the CPI. The Group's companies in Israel have reserves to cover part of these liabilities. These reserves are denominated in shekels and affected by the profits of the funds in which they are invested. The Company does not protect against this exposure.

7.4.5 The Group has financial assets and liabilities in non-dollar currencies or which are not linked to the dollar beyond the net liability for severance pay. The differences between the assets and liabilities in the various currencies create exposure. The Company's policy is to protect against (most of) this exposure by means of financial instruments and derivatives.

7.4.6 Investment in independent / autonomous subsidiaries – Some of the Group's overseas consolidated companies report their financials in their domestic currency rather than US dollars. The end-of-period balance-sheet balances of these companies are translated into dollars at the end of the period at the exchange rate of the dollar vis-à-vis the currency in which these companies report. The beginning-of-period balance- sheet balances, as well as capital changes during the period, are translated into dollars at the exchange rate at the beginning of the period or on the date of the change in capital, respectively. The differences arising from the effect of the change in the exchange rate between the dollar and the currency in which the companies report, create exposure. The effects of this exposure are charged directly to shareholders' equity. The Company does not protect against this exposure.

7.5 **Interest rates**

The Group has variable-interest loans which expose their financial results (financing expenses) to changes in those interest rates. The Group protects itself against part of this exposure by means of financial instruments and derivatives.

7.5.1 Derivatives transactions are carried out with banks. It is the opinion of the Group that there is no consequent credit risk. The Group does not demand and does not provide collateral for these derivatives.

7.5.2 The Group's companies monitor the extent of the exposure and the rates of protection in the various matters on an ongoing basis. The hedging policy for all types of exposure is discussed by the boards of directors of the Company and of the Group's companies as part of the discussions of the annual budget. The finance committees of the Group's companies receive quarterly reports for discussion of the quarterly results, as a control device for application of the policy and for its updating if necessary. The managements of the companies apply the policy with reference to actual developments and to expectations in the various markets.

7.5.3 The Group uses financial instruments and derivatives (hedging instruments) for hedging purposes only, to neutralize the Group's exposures as described above. Thus, the Group includes the financial results of these instruments together with the results of the assets and liabilities which they protect.

In interest-swap transactions, the Group has reached agreement with Israeli and international banks to swap, at regular intervals, notional amounts which bear variable rates of interest for notional amounts which bear interest at fixed rates.

As at December 31, 2001, the Group had interest-swap transactions (for up to two years) in which it received variable interest based on the LIBOR (as at 31.12.00 – 2%), and paid interest at a average fixed rate of about 5.7% on a notional sum of 360 million dollars. A considerable part of these transactions combine the writing of options whereby, if the LIBOR-based variable interest reaches 7 – 7.5%, the transactions will be cancelled.

In addition to the above, the Group purchased options to cap the LIBOR-based interest rate at 5.5%, which cover, as at 31.12.01, a notional sum of 10 million dollars. The Group also purchased and wrote interest options which serve to collar the LIBOR interest rate in the range of 4.5 – 5.65%. As at 31.12.01, these options cover a notional sum of 26 million dollars.

7.6 **Linkage base report**

The linkage terms of financial balances in non-dollar currencies or currencies which are linked to the dollar:

Composition as at 31.12.01 in thousands of dollars):

	Dollar-linked	Non-dollar currency (mainly euro)	In NIS CPI-linked	In NIS Unlinked	Non-monetary	Current maturities	Total
Assets:							
Current	190,355	195,225	49,528	89,789	528,826	4,927	1,058,650
Non current	4,506	1,435	15,537	4,609	58,203	(4,927)	79,363
	194,861	196,660	65,065	94,398	587,029	0	1,138,013
Liabilities:							
Current	290,806	166,597	779	209,434	6,672	264,595	938,883
Long-term	948,421	212,772	23,225	62,647	248,054	(264,595)	1,230,524
	1,239,227	379,369 (1)	24,004	272,081	254,726	0	2,169,407
Total balance-sheet balance, net	1,044,366	182,709	(41,061)	177,683	332,303)	0	1,031,394

(1) Including autonomous units reporting in euros whose euro liabilities do not create exposure.

7.7 **Derivatives Positions**

Hedging transactions against the effects of changes in exchange rates on cash flows				
	Nominal Value Up to one year		Fair Value Up to one year	
	Long	Short	Long	Short
Currency: $/NIS in $-000				
Put options				
Setoff recognized for accounting	14,000		-316	
Setoff not recognized for accounting	11,000		-200	
Call options				
Setoff recognized for accounting	16,000			
Setoff not recognized for accounting				
Forward				
Setoff recognized for accounting	160,890			-2,441
Currency: $/Euro in $-000				
Put options				
Setoff recognized for accounting		3,416	6	
Call options				
Setoff recognized for accounting		3,496		
Forward				
Setoff recognized for accounting	4,630	31,135	-11	-190
Setoff not recognized for accounting	3,193		12	
Currency: $/JPY in $-000				
Put options				
Setoff recognized for accounting	13,800			1,170
Call options				
Setoff not recognized for accounting	28,800			

Interest hedging transactions against the effects of changes in variable interest rates (LIBOR) on dollar loans								
	Nominal Value				Fair Value			
	Up to one year		More than one year		Up to one year		More than one year	
	Long	Short	Long	Short	Long	Short	Long	Short
Swap	200,000		160,000		-6,600		-5,300	
Caps			36,000					
Floors				26,000				

Fuel Oil				
	Nominal Value Up to one year		Fair Value Up to one year	
	Long	Short	Long	Short
Futures contracts		18,150		-1,600
Put options	5,000	5,000		250

8. Events during the period

8.1 In July 2000, the subsidiary Dead Sea Bromine ("DSB") 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, DSB paid a fine of approximately $ 7 million (about NIS 30.4 million).

The plea bargain does not apply to the civil action pending against DSB 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.

In the report period, DSB reached a conditional compromise agreement with the representatives of the plaintiffs in the above claim, providing for the payment of $ 2.5 million (about NIS 10.9 million) in complete settlement of the claim pending against it. The compromise agreement is subject to the fulfillment of a number of preconditions, among them a court pre-ruling, 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.

Over a year ago, one of the two main competitors of DSB 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 the financial statements, DSB 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 the financial statements.

8.2 Following an application of the Antitrust Commission to ICL in September 1999, in which the former gave notice of its intention to update the Commissioner's announcements as published in the Official Gazette, so as to name ICL as a monopoly in products in which the subsidiaries were declared a monopoly, the Company is in contact with the Commission in connection with the announcement, its content and conditions.

8.3 On February 13, 2001, Dead Sea Works sold its entire holdings (49.48% of the allotted share capital) in Dead Sea Laboratories Ltd., a company engaged in the manufacture, marketing and sale of cosmetics and skin-care products under the "Ahava" brand, in consideration for approximately NIS 30 million ($6.9 million). The capital gain and net income recorded in respect of that sale is approximately NIS 19.6 million ($4.5 million).

8.4 On March 12, 2001, Contrack-Line Ltd. ("Contrackline") filed a claim in the Tel Aviv District Court against Dead Sea Works Ltd. (DSW), a wholly-owned subsidiary of ICL, for payment of NIS 223.8 million in compensation in respect, inter alia, of violation of patent. The claim is a continuing action ("the Continuing Action") in ongoing legal proceedings between Contrackline and DSW which commenced in 1991, when Contrackline filed a claim in the Tel Aviv District Court (CA 2222/91), in which it was ruled (in December 1998) that the use that DSW makes of a particular kind of dredge in its operations, constitutes violation of a patent registered in the name of Contrackline, and that DSW is required to refrain from using the dredge ("the Decision").

DSW appealed the Decision in the Supreme Court ("the Appeal"). At DSW's request (as part of the Appeal), the Supreme Court delayed implementation of the Decision in that it did not prevent DSW from using the dredge. The Appeal itself is still pending and no decision has yet been handed down.

Concurrently with the Continuing Action, Contrackline filed an application in the court, in which it alleged that Contrackline and its shareholders did not have the financial ability to pay the claim fees (in respect of the Continuing Action), and therefore the Court was requested to excuse Contrackline from payment of the fee. No decision has yet been given in respect of this application. See also Note 11(c)(5) to the financial statements.

8.5 On April 1, 2001, Mr. Avishar Paz was appointed a director in the Company, replacing Mr. Ehud Hillman, who resigned his membership of the Board of Directors.

8.6 I.D.E. Technologies Ltd. ("IDE"), together with others, won a tender published by the Government of Israel for the installation and operation (by the BOT method) of a desalination plant in Ashkelon ("the Tender"). The Tender is for the desalination of 50 million cubic meters of water per year over a period of about 24 years. After winning the Tender, the State announced that it wishes to double the quantity of desalinated water to be supplied, to 100 million cubic meters per year. Doubling the quantity is subject to signature of an appropriate agreement between the State and the group, which had not yet been signed as at the ate of this report. The group in which IDE is a member for the purpose of the Tender, also includes the French company Vivendi Water, and Dankner Elran Infrastructures Ltd.

IDE's share in the group is 50%, while the other two companies hold 25% each. Sales from the project are expected to be in the region of $50 million per year.

8.7 On April 23, 2001, IDE inaugurated a desalination plant in Cyprus. The plant was built in accordance with an agreement between IDE and the Government of Cyprus for the sale of water for a period of 10 years by the BOT method. Under the agreement, the facility will deliver about 51,000 cubic meters of water per day.

8.8 A subsidiary of DSW which held 80% of the share capital of Iberpotash S.A. ("IP") through the subsidiary Ashli Chemicals (Holland) B.V. ("Ashli"), signed an agreement in May 2001 for exercise of an option given under an agreement among the shareholders of IP, for the purchase of the part of Tolsa S.A. (20%) through Ashli, in consideration of approximately 7.8 million euros (about $6.8 million).

The $2.6 million (NIS 11.3 million) cost surplus over the balance sheet value of the expected additional investment will be charged to goodwill and will be amortized over a period of 10 years. After the acquisition, DSW holds 100% of the share capital of IP.

8.9 On May 29, 2001 a class action was filed against Fertilizers & Chemicals Ltd. ("Fertilizers"), a wholly-owned subsidiary of ICL, and other entities, pursuant to the Prevention of Environmental Nuisances Law (Civil actions), 5752-1992, alleging that the defendants were polluting the Kishon stream. The plaintiffs requested that the court instruct the defendants to cease spilling effluents into the Kishon and restore the stream to its former condition.

On June 13, 2001 a claim for NIS 65.3 million (approximately $15 million dollars) was filed against Fertilizers & Chemicals Ltd. and 9 other entities, for spilling effluents into the Kishon stream, which the plaintiffs allege has caused the cancer from which they suffer.

This claim is added to others, including against Fertilizers, for bodily injury and financial losses allegedly sustained by the plaintiffs as a result of pollution of the Kishon, for which it is alleged that the defendants are liable.

In the opinion of the management of Fertilizers, which is based on the advice of the legal advisers who are handling the claim, the outcome of the claim cannot be estimated at this stage, and therefore no provision was made in the financial statements. (See also Note 11(f) to the financial statements.)

8.10 A consortium in which IDE Technologies Ltd. constitutes a 20% partner, has won an international tender for the construction and operation of a desalination plant, published by the water and sewerage company in the Sonora district (Coapaes) in North Mexico. The other partners in the consortium are Union Fenosa Internacional, a Spanish electricity company (60%), and the Spanish construction company Cobra (20%). The project, which is based on IDE's desalination technology, will be carried out by the BOT method (building, operation, and transfer to the customer's ownership after 20 years), and the installation will supply potable water to the town of Hermosillo.

8.11 The Company reached a settlement agreement which was validated by the Be'er Sheva District Court, with the representative plaintiffs in a class action filed against it (and against its subsidiaries Rotem Amfert Negev Ltd. and Fertilizers & Chemicals Ltd.) relating to the prices of Superphosphate.

Under the agreement, the plaintiffs waived all their past claims concerning prices, and for the future, an agreed method was found for calculating the prices of these products for the next seven years, starting from the date of the court's validation. In the absence of any opposition to the settlement agreement on the part of the members of the group represented in the lawsuit on the dates prescribed by the court, the agreement became final.

8.12 On August 14, 2001, the Annual General Meeting of the Shareholders of the Company convened and adopted the following resolutions: to approve the distribution of an interim dividend for 2000; to approve the financial statements and directors' report of the Company as at December 31, 2000; to renew the appointment of the firm of Kesselman & Kesselman as the auditors of the Company; to re-elect the serving members of the Board of Directors.

8.13 On August 26, 2001, the Board of Directors of ICL approved the resolutions of the Boards of Directors of DSW and Rotem, to appoint Mr. Shuki Gold as CEO of each of the companies DSW and Rotem. Up to the date of the appointment, Mr. Gold was acting CEO of DSW.

8.14 On October 10, 2001, the Company raised funds by way of a private placement of two series of unlisted debentures convertible to shares of the Company, for approximately $75 million net of issue expenses.

The principal is to be repaid in one installment on October 10, 2007. The balance of the debenture principal not converted or not redeemed by the Company, will be repaid in addition to a redemption premium of 17.3% of the principal. The principal of the debentures, the premium to redemption and the interest, are linked to the dollar or denominated in dollars, as the case may be. The balance of the debenture principal which is neither redeemed nor converted, bears interest of 1.5% p.a. which is paid once a year.

The debentures can be converted on any business day starting from October 10, 2002 and until October 3, 2007. If all the Debentures are converted to shares, the total share capital of the Company will increase by NIS 64,997,000.

The Company has an option, exercisable on certain conditions, starting from October 22, 2005, to redeem all or part of the debentures at a redemption price reflecting a dollar yield as at the redemption date of 4.1% per year. The owners of the debentures have an option to redeem the debentures they hold at a redemption price reflecting a dollar yield as at the date of redemption, of 4.1% per year on October 10, 2003 and on October 10, 2005, subject to notice.

For further details, see Note 9(c) to the financial statements.

8.15 On November 29, 2001 a subsidiary acquired for the fertilizers segment of ICL, the entire share capital of the British company Cleveland Potash Ltd. (CPL"). The value of the transaction is $45 million, subject to price adjustments at the time of the closing, as set out in the agreement,

The closing is subject to the fulfillment of conditions precedent which, as at the date of this report, had not yet been met.

8.16 On December 4, 2001, Maalot Israeli Securities Rating Co. Ltd. ("Maalot") announced that the rating committee of its Board of Directors had decided that the $15 million of Debentures Series A of the Company, which were issued by way of a private placement to institutional investors in October 2001, would be awarded a rating of AA-.

On December 13, 2001, Maalot announced a rating of A-1 for short-term liabilities of NIS 300 million in private placements to institutional investors.

9. Events after the balance-sheet date

9.1 The subsidiary Dead Sea Magnesium ("DSM") periodically reviews the need to make a provision, due to the company's losses, in respect of impairment of its fixed assets. The review is carried out in accordance with the requirements of Accounting Standard FAS 121 (see also Note 2(h) to the financial statements).
DSM exports almost all of its product. Most magnesium consumption in the world is in western countries – Europe and North America, mainly for the automotive industry and aluminium products and also for the steel industry. Competition from Chinese magnesium manufacturers in the global magnesium market has intensified In recent years, and the Chinese have become the principal exporters of magnesium to the west. The increased quantities from China, coupled with the economic slowdown in the aluminium and automotive industries in 2001, and to a lesser extent the use of alternatives such as recycled magnesium and other products – have reduced both demand and prices, particularly in Europe and Japan, while the cost basis at DSM has remained approximately the same.

As the Company's financial statements for 2001 were being prepared, DSM reviewed once again, with the aid of an outside expert, the need for a provision in respect of impairment of assets. The review compared the uncapitalized value of expected cash flows (assuming a 21-year period of operation) with the book value of DSM's assets. Since the review found that the book value exceeded the cash flow, the requisite depreciation rate was calculated according to the capitalized cash flow *ad infinitum* at an annual capitalization rate of 10%. The valuation took into account, *inter alia*, the prices of magnesium on the global market – both today and according to expert forecasts, the expectation that DSM will develop unique products, and preservation of the present cost base while implementing an efficiency plan and reducing the costs of energy with the transition to natural gas.

The results of the review led DSM to the conclusion that a reduction of $200 million was required in its books for impairment of its assets.

The effect of the write-off on the Company's financial statements, net of deduction of the minority share in DSM and the tax effect, will be $97.5 million.

The Company does not foresee an adverse material effect on the business of DSM or on DSM's contracts with suppliers or customers due to the reduction.

9.2 Legal proceedings were filed for withholding a permit for the manufacture of a flame retardant (FE 710) at BroomChemie Co. in Holland ("BroomChemie"), by The Ministry for the Environment and by public organs (green organizations). BroomChemie opposes the withholding. The Dutch Minister for the Environment recently announced the signing of an order which prohibits the manufacture and use of the product in Holland. BroomChemie filed an application for an injunction against application of the order. The Company was advised by the lawyers who are handling these proceedings that they are unable to assess their results as they are in the hands of the courts in Holland. Decisions on this matter in Holland do not materially affect the business results of the Company.

9.3 Insurance cover for the Company for the coming year, taking into consideration the deterioration in the global insurance market and the reduced capacity, indicates that starting from April 2002, the earthquake cover available for the Company's property will be up to $400 million. The maximum probable loss in the event of an earthquake is $700 million. The Company is continuing its efforts to obtain supplementary insurance cover. There are also signs that insurance tariffs will rise by tens of percentage points compared with last year. As at the date of this report, the final tariffs and covers for next year have not yet been agreed.

9.4 On January 1, 2002, Mr. Eli Amit, until then Head of the Economics Department at ICL, was appointed Vice President for Economics. On February 28, 2002, Adv. Aner Berger was appointed Legal Counsel and Company Secretary.

10. Social-community involvement of ICL and its subsidiaries

The ICL Group focuses its community engagement in the towns and development areas of the Negev, where most of the Group's companies' employees live. Out of a recognition of the need to support the community, the Group directs its efforts mainly to disabled children, women and children at risk, populations in socioeconomic distress and those with special medical needs.

Some of the projects in which the Group, its managers, employees and retirees are involved are listed below:

Young Persons' Clubs

In 2001, the Boards of Directors of the Israel Corporation, ICL and the Group's subsidiaries formulated a strategic plan for the Group's social and community involvement. The main project is the "adoption" of a network of clubs which are run by the Ministries of Education and Labor.

The resolution of the Boards of Directors called for assisting in the development of these clubs, both by material means (money and equipment) and by the active assistance of employees and retirees in the clubs' activities.

These clubs are basically a therapeutic framework, a model for the organized home and functional family, intended for children aged 6 – 13. The children who attend these clubs are defined as being at risk, whose parents are unable to look after them during the day for various reasons – financial, violence, neglect, dysfunction, and so on.

In the first year of the project the Group adopted six of these clubs in a pilot scheme, in Yeruham, Be'er Sheva, Dimona and Arad. The monetary contribution to these clubs is about NIS 50,000.

Response to various issues

Another important contribution of ICL Group, to the tune of about NIS 500,000, is support for Soroka Hospital in Be'er Sheva, which serves the companies' employees, their families and the communities in which the companies operate. Once a year, the donation collected is used for the construction, development and equipping of one of the hospital's departments. In the summer months, the children of employees assist in various activities and tasks.

ICL companies exchange their holiday gifts (New Year and Passover) for food parcels and gift vouchers, which they donate to needy families.

ICL has also contributed money and money equivalents to various support organizations operating in the Negev region. Together with the Soldiers' Committee, ICL companies have adopted army units and bases, where they hold joint activities for the soldiers' wellbeing.

ICL was a driving force behind the opening of a branch of "Meital" in Be'er Sheva – a support center for children who are victims of sexual abuse which has been renamed Inbal, and a branch of Yated for children with Down's syndrome. The Company is also a principal partner with Be'er Sheva Municipality in setting up leisure and sports centers in disadvantaged neighborhoods.

The Board of Directors of ICL wishes to thank the Company's management, as well as the employees and managers of the various companies, for their devoted and skillful contribution to the development of the ICL and the achievement of its business results.

21.03.02
Date

Akiva Mozes
CEO

Yossi Rosen
Chairman of the Board