DIRECTORS' REPORT

ON THE STATE OF THE COMPANY'S AFFAIRS

for the period ended 31.03.2001

1. Description of the Company and its Business Environment

1.1 Description of the Company

Israel Chemicals Ltd. is a multinational company which operates through subsidiaries, primarily in the fields of fertilizers and chemicals of various types (hereinafter: **"ICL"** and/or the **"Company"**, as the case may be).

ICL's Israeli operations are based mainly on the use of the natural resources of the Dead Sea **-** potash, bromine, salt, magnesium; and of the Negev Desert **-** phosphates and limestone. ICL's companies mine these natural resources under concessions from the State of Israel, market them worldwide, and develop, produce and market downstream products based on these raw materials.

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

The overseas manufacturing companies are involved mainly in the manufacture of products which integrate with or are closely related to the operations of the companies in Israel. Some 60% of manufacture is carried out in Israel and the remainder abroad. Roughly 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 Ofer Brothers Group has a controlling interest in The Israel Corporation, which holds 52.82% of the share capital of ICL.

1.2 The Company's Business Environment and Profitability

ICL is an export-oriented company. Its business results are influenced both by global economic trends and by changes in trade conditions between the local market and its export markets.

ICL's sales are made in foreign currency, mainly dollars. In contrast, approximately one quarter of its expenses for inputs are in shekels. Consequently, real devaluation or revaluation in the average dollar-shekel exchange rate, influences the Company's operating income. The dollar-CPI ratio also affects the income tax expense item: when the devaluation rate is higher or lower than the rate of increase in the CPI, a tax expense or tax benefit, respectively, is created, which stems from the method of calculating protection for the Company's capital.
Changes in the exchange rates of the dollar against European currencies also affect operating results, financing expenses and tax expenses.

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

During the report period, ICL was adversely affected by a deterioration in world trade conditions, by the strengthening of the dollar against the euro and the yen, and by weakness in the fertilizer markets, due largely to heavy rainfall and the effects of foot-and-mouth disease and BSE in Europe. ICL has taken steps to minimize these effects, both by adapting its marketing policy and by increasing its efficiency, which have led to considerable savings - as much as $9 million in the first quarter of 2001 compared with the corresponding quarter in 2000.

1.3 Change in estimated useful life of certain production facilities

Commencing from July 1, 2000, the estimated useful life of certain production facilities was changed from 20 to 25 years (plants in the fertilizer segment, Rotem's white acid production plants and the Periclase production facilities). The change was based on the expert opinions of engineers of the subsidiary companies. That opinion took into account past experience concerning the specific plants in question, the physical condition of the plants, and the know-how of the companies' engineers concerning expected technological changes and their effects on the operation of the plants in the future.
A review by the Company showed that 25 years approximates the average useful life of plants in leading public fertilizer companies similar to ICL. The change to said estimated life-span of the production plants brings ICL in line with other fertilizer companies.
As a result of the change, there was a reduction of about $3.3 million in depreciation expenses (which are included in the section of cost of sales) and an increase in the net profit and earnings per share of around $2.2 million and $0.002 per share, respectively, compared with the data that would have been reported if the depreciation had been calculated in accordance with the previous estimates.

2. Results of Operations

2.1 Main financial data

The tables below summarize the results of operations in the period under review as compared with the corresponding period last year, in millions of shekels and in millions of dollars:

	1 - 3 / 2001		1 - 3 / 2000		2000	
	NIS millions	% of sales	NIS millions	% of sales	NIS millions	% of sales
Sales FOB	1,828.4	100.0	1,945.3	100.0	7,709.9	100.0
Gross profit	406.0	22.2	471.0	24.2	1,889.3	24.5
Operating income	177.9	9.7	219.0	11.3	923.1	12.0
Pre-tax income	67.8	3.7	161.8	8.3	592.7	7.7
Net income	76.1	4.2	105.0	5.4	420.9	5.5
Cash flow from current operations	187.0		403.7		1,242.5	
Investments Acquisition of shares in subsidiaries	0.0		627.1		923.1	
In fixed assets less grants	131.6		193.4		690.0	

Total (gross)	131.6		820.5		1,613.1	

	1 - 3 / 2001		1 - 3 / 2000		2000	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
Sales FOB	436.2	100.0	464.0	100.0	1,839.2	100.0
Gross profit	96.9	22.2	112.4	24.2	450.7	24.5
Operating income	42.4	9.7	52.3	11.3	220.2	12.0
Pre-tax income	16.2	3.7	38.6	8.3	141.4	7.7
Net income	18.2	4.2	25.0	5.4	100.4	5.5
Cash flow from current operations	44.6		96.3		296.4	
Investments						
Acquisition of shares in subsidiaries	0.0		149.6		220.2	
In fixed assets, gross	31.4		46.1		164.6	
Total (gross)	31.4		195.7		384.8	

2.2 Results of operations for the period January-March 2001

Sales:

The sales of ICL in the report period amounted to NIS 1,828.4 million ($436.2 million), compared with NIS 1,945.3 million ($464 million) in the corresponding period last year, a decrease of about 6%.
The decrease in sales reflects mainly a decrease in the quantities of most of the Company's products, lower prices for some of the products, and a devaluation in the exchange rates of non-dollar destination markets.

The table below shows the geographical breakdown of sales:

	1 - 3 / 2001		1 - 3 / 2000		2000	
Sales FOB	**$ millions**	**%**	**$ millions**	**%**	**$ millions**	**%**
Israel	36.5	8.4	39.4	8.6	166.3	9.1
North America	69.0	15.8	63.3	13.6	258.7	14.1
Latin America	20.6	4.7	26.0	5.6	182.9	9.9
Europe	204.9	47.0	222.6	48.0	777.5	42.0
Asia	88.0	20.2	98.0	21.2	395.6	21.5
Rest of the world	17.2	3.9	14.7	3.1	63.2	3.4
Total	436.2	100.0	464.0	100.0	1,839.2	100.0

The distribution of sales in the report period indicates an increase in the part of North America due to increased sales of chemicals, particularly water-treatment chemicals (biocides). In contrast, sales to the agricultural market in Israel decreased, as did sales of potash and fertilizers in Europe, Latin America and Asia.

Gross profit:

Gross profit amounted to approximately NIS 406 million ($96.9 million), a decrease of 13.8% compared with the corresponding period last year and a decrease from 24.2% to 22.2% of total turnover.

Sales and marketing expenses:

Expenses amounted to approximately NIS 100.2 million ($23.9 million), a decrease of 11.6% compared with the corresponding period last year. The rate of expenses out of turnover decreased from 5.8% last year to about 5.5% this year. The decrease in expenses derives from the decrease in sales, as well as from the savings and efficiency actions taken by the companies.

General and administrative expenses:

These expenses amounted to approximately NIS 92.8 million ($22.1 million), a decrease of about 8% compared with the corresponding period last year. Consequently, the rate of the expenses decreased from 5.2% to 5.1% in the report period. The decrease derives from a decrease in the expenses of the subsidiaries as part of the efficiency and reorganization processes, as well as from a decrease in the expenses of the Group's companies in Israel in dollar terms.

Research and development expenses:

R&D expenses (net of grants from the Chief Scientist) amounted to approximately NIS 35.2 million ($8.4 million), a decrease of about 6.9% compared with the corresponding period last year.

Operating income:

Operating income decreased by about 18.8% compared with the corresponding period last year, amounting to NIS 177.9 million ($42.4 million). The rate of operating income decreased from 11.3% last year to 9.7% of total turnover in the report period.

Financing expenses:

Financing expenses amounted to approximately NIS 117.9 million ($28.1 million), compared with NIS 70.7 million ($16.9 million) in the corresponding period last year.
The increase in the financing expenses in the first quarter of the year compared with the corresponding period last year derives mainly from the increase of NIS 449 million ($107 million) in the average debt balance and from a decrease in the dollar value of shekel assets which the Company holds against future shekel liabilities. The total expense recorded for the period in respect of a decrease in the value of shekel assets was about five million dollars.

Other income and expenses:

Income offset by other expenses amount to approximately $1.9 million in the quarter, deriving mainly from revenues of $4.5 million from the disposal of an affiliated company, offset by expenses of $2 million for an initiated shut-down of the phosphate facilities in China.

Tax expenses:

The decrease in the tax rate for pre-tax profit derives mainly from charging deferred taxes in respect of losses to tax needs from pervious years, following an assessment that the Company should utilize those losses and margins which were offset against losses carried forward for which deferred taxes were not charged in the past.

Net profit:

Net profit amounted to approximately NIS 76.1 million ($18.2 million), compared with NIS 105.0 million ($25 million) in the corresponding period last year.

3. Segments of operation

Sales FOB by segment	1 - 3 / 2001		1 - 3 / 2000		2000	
	$ millions	% of total sales	$ millions	% of total sales	$ millions	% of total sales
Fertilizers	175.6	40.3	192.5	41.5	737.3	40.1
Specialty chemicals	142.3	32.6	144.6	31.2	565.7	30.8
Bromine and its compounds	90.8	20.8	102.5	22.1	434.2	23.6
Metallurgy	20.8	4.8	15.3	3.2	72.0	3.9
Other	6.7	1.5	9.1	2.0	30.0	1.6
Total	436.2	100.0	464.0	100.0	1,839.2	100.0

Operating income by segment	1 - 3 / 2001		1 - 3 / 2000		2000	
	$ millions	% of segment sales	$ millions	% of segment sales	$ millions	% of segment sales
Fertilizers	27.4	15.6	27.8	14.4	110.5	15.0
Specialty chemicals	10.0	7.0	15.5	10.7	56.5	10.0
Bromine and its compounds	11.3	12.4	12.4	12.1	72.0	16.6
Metallurgy	(5.6)	(26.7)	(4.6)	(29.9)	(15.3)	-
Other	(0.7)	(10.2)	1.2	13.6	(3.5)	-
Total	42.4	9.7	52.3	11.3	220.2	12.0

3.1 Fertilizers

Sales:

Turnover in the segment in the first quarter of 2001 amounted to some NIS 736 million ($175.6 million), a decrease of about 8.8% compared with the corresponding period last year. This derives from smaller quantities of potash and phosphate fertilizers sold, a drop in the prices (of between 1% and 13% FOB) of most of the products in this segment, and is also partially due to erosion of the euro exchange rate compared with its average rate in the corresponding quarter last year.

Notable is the increase in the prices of potash in European destination markets in the local currency.

Sales*

Thousands of tons	1-3/2001	1-3/2000	2000
Potash	804	889	3,505
Phosphate rock	231	171	1,015
Fertilizers	375	431	1,545

* To outside customers (less sales to Group companies)

Income for the period from sales of potash (from Sdom and from Spain to outside customers) amounted to approximately $88 million, about 14% less than last year. The balance of the income derives from sales in Israel and abroad of phosphate rock (as a raw materials and as a direct fertilizer), fertilizers (both phosphate fertilizers and compound and fully soluble fertilizers, which include differing proportions of nitrogen, phosphorus and potassium), and phosphoric acid, which is used mainly as a raw material in the production of fertilizers ("green acid").

The decrease in the sales of potash and phosphate fertilizers in the quarter derives mainly from weakened European markets as a result of severe weather conditions (a particularly rainy winter), and from foot-and-mouth disease and BSE in regions which are important European markets for the Company. In addition, we note the lack of stability in demand (partly against a background of stocks carried forward from last year) and the decrease in shipments to Brazil and India, as a result of uncertainty as regards the policy of subsidiaries in the Indian market. Sales of potash to the local market and to China, increased.

In March 2000, the world's leading manufacturers reached agreement with consumers in India for a decrease of $50 per ton in the price of phosphoric acid. The price reduction in India generated pressure to lower prices in phosphate markets. After the report period, in April 2001, new prices were agreed for phosphoric acid in India, i.e. a further reduction of $11 per ton. This is expected to affect the prices of the acid in all markets, commencing from the second quarter. In contrast, we note that a sharp drop occurred in the quarter in the prices of sulphur, one of the principal inputs for the production of green acid. The effects of the decrease in the price of sulphur did impact partially in the current quarter, while its full effect will be reflected in the second quarter.

Profitability:

Operating profit in the sector amounted to approximately NIS 115 million ($27.4 million), a decrease of about 1.5% compared with the corresponding period last year. The profit margin increased to about 15.6% of sales. Despite the lower income and reduced phosphate production, the profit margin improved as a result of greater operating efficiency, including at the potash plants in Spain, the fall in the prices of energy and sulphur (only partially reflected, as mentioned, in the results of the quarter), the erosion of shekel expenses in dollar terms, the end of the depreciation period of certain facilities, and the change in asset amortization policy.

Production

Thousands of tons	1-3/2001	1-3/2000	2000
Potash	1,001	894	3,783

Phosphate rock (washed)	685	860	3,665

The increase in the volume of production is due to the increased output in the Company's plants in Sdom and Spain, where production during the quarter proceeded smoothly.
The decrease in the production of phosphate rock as the result of a deliberate policy to reduce stocks.

3.2 <u>Specialty chemicals</u>

<u>Sales</u>:

Sales in this segment, which includes a wide range of products, amounted to approximately NIS 597 million ($142.3.million), a decrease of about 1.6% compared with the corresponding period last year. Income from the segment was favorably affected by an increase in sales of white phosphoric acid, phosphate salt, food additives, water-treatment chemicals (biocides) and other chemicals. In contrast, we note the negative influence of erosion of euro-dollar exchange rates compared with the corresponding period last year, and the decrease in sales of magnesia (partially due to the decrease in production during renovation of the production facilities) and of magnesium chloride solids, of which some prices also dropped.

<u>Margin</u>:

Operating profit in the segment amounted to approximately NIS 42 million ($10.0 million), slightly less than last year. The operating margin was down by 3% compared to last year.
The decrease in the margin derives mainly smaller quantities sold of some of the products, an increase in the prices of the main raw materials, particularly caustic soda, and a decrease in the prices of white acid. Contributing to the margin were improved operating efficiency in the segment, as well as the improved margin for biocides, which also benefited from a rise in prices, and chlorine-based chemicals manufactured in Sdom.

3.3 <u>Bromine and bromine compounds</u>

<u>Sales</u>:

The scope of operations in this segment in the report period amounted to approximately NIS 380.6 million ($90.8 million), a decrease of 11.5% compared with the corresponding period last year. The decrease in income derives mainly from smaller quantities sold and a change in the composition of the product basket.
Income from sales of flame retardants were about 20% lower than last year as a result of slower demand in the field of personal computers and electronic and communications products. Selling prices were similar to the prices in the corresponding period last year. The decrease in sales did not give rise to a similar decrease in the operating margin, thanks to reduced selling and operating expenses.
Income from sales of industrial products was similar to the corresponding quarter last year, while showing improved profit and rate of profitability. Sales to the oil market decreased somewhat, while sales of products to other industries increased.
In agricultural products, turnover for the quarter decreased by about 9% compared with the corresponding period last year, with a slight improvement in profit and rate of profitability. Due to the Montreal Protocol, sales of methyl bromide, which comprises the majority of sales of agricultural products, decreased by about 27%, which was offset by higher selling prices and reduced operating expenses.

Montreal Protocol: Under the alliance known as the "Montreal Protocol" (1987), 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, except for methyl bromide for critical uses (as will be defined in the future). The volume of sales in the report period to which the ban will apply in 2005, amounts to approximately NIS 34 million ($8 million), with an operating income of approximately NIS 8 million ($2 million). Sales of methyl bromide for soil fumigation to "developed countries" are expected to continue until 2015 (except for critical uses).

Methyl bromide has other uses apart from soil fumigation, such as pre-shipment treatment and 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 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 NIS 38 million ($9 million). The operating margin of the agricultural segment of Dead Sea Bromine in the present quarter in respect of sales was about NIS 13 million ($3 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 of new applications for methyl bromide in this important market. As a result of this strategy, long-term agreements have been signed with BASF and DOW Agrosciences (DOW), for the distribution of the two main substitutes for methyl bromide - Havazamide, made by BASF, and Hatalon, made by DOW.

Profitability:

Operating income in the segment for the report period amounted to approximately NIS 47.0 million ($11.3 million), a decrease of about 9% compared with the corresponding period last year.
The decrease in this income derived mainly from smaller quantities sold due to the slowdown of the global economy, which affected mainly the sales of flame retardants and which was offset to some extent by price rises and by comprehensive savings and efficiency measures.

3.4 Metallurgy

Sales:

Sales turnover from magnesium metal sales amounted to approximately NIS 87 million ($20.8 million), an increase of approximately 37% compared with the corresponding period last year.
The increase derives from the increase of about three thousand tons sold compared with the corresponding period last year, along with a drop in prices as a result of increasing competition in the market, mainly due sales at low prices by Far Eastern manufacturers (mainly the Chinese) and the erosion of the dollar-euro exchange rates, which affected income from sales in Europe.

Profitabiliy:

The operating loss in the segment amounted to approximately NIS 23.3 million ($5.6 million) compared with a loss of NIS 19.3 million ($4.6 million) in the corresponding period last year.

The increase in the operating loss derives from the lower selling prices and the effects of exchange rates as above, as well as a decrease the value of inventory and a rise in the materials component and in sales of alloys. Concurrently, the considerable increase in production (to a level of 33,000 tons in annual terms) and the ongoing efficiency measures to cut costs, partially offset the negative effects of exchange rates.

Levies on sales of pure magnesium in the USA:

Dead Sea Magnesium is involved in an investigation, which commenced in 2000, concerning dumping prices and countervailing duty in the sale of pure magnesium. The investigation is being conducted by the International Trade Commission ("ITC") and the US Department of Commerce "DOC"),

The preliminary decision regarding countervailing duties was handed down on 14 February, 2001. The DOC found that Dead Sea Magnesium received countervailing duty subsidies, and determined that from 14 February, 2001, a deposit of 13.39% would be imposed on the entry of pure magnesium into the USA.

The preliminary decision regarding dumping prices, which was handed down on 24 April, 2001, imposed a 12.68% levy on Dead Sea Magnesium. As noted these two decisions are preliminary, and it is possible that they will be amended in September this year, after a further proceeding scheduled for May this year. Within a few months, the ITC will discuss and determine whether Dead Sea Magnesium is causing damage to American industry. If it finds that Dead Sea Magnesium is harming competition, the levies will become permanent for all the pure magnesium the company imports into the USA.

Dead Sea Magnesium attributes significant importance to the American market. During 2000, sales of pure magnesium to the USA amounted to approximately $14.7. The company is cooperating with the American authorities and responding to all their requests. At this stage the management of Dead Sea Magnesium is unable to estimate the effect of the investigation on its operations and its financial position.

4. The Group's financial position

4.1 Assets and Liabilities

At the end of March 2001, net financial liabilities amounted to approximately NIS 5,650 million ($1,348 million), as opposed to NIS 5,636 million ($1,400 million) at the end of 2000, a decrease of approximately NIS 218 million ($52 million).
The decrease in the debt balance since the beginning of the year derives from receipt of approximately $24 million in consideration of the sale of real estate, and the balance from free cash flow of the Group's companies.

4.2 Sources of finance

ICL's sources of finance are primarily short-term and long-term credit from Israeli and international banks. During the report period, the long-term loan balance decreased by $47 million, while short-term credit decreased by about $9 million.

4.3 Cash flow

The cash flow of ICL from current operations in the report period amounted to approximately NIS 187 million ($44.6 million), compared with NIS 403.7 million ($96.3 million) in the corresponding period last year. The decrease is due mainly to changes in working capital items.
The cash flow together with the receipt from sale of the building in Tel Aviv, NIS 102 million ($24.3 million), were the principal sources of finance for investments of about NIS 122 million ($29.1 million), in fixed assets, net, and for the decrease in the Group's net financial liabilities.

5. Investments

In the report period, investments in fixed assets net of investment grants amounted to approximately NIS 131.6 million ($31.4 million), compared with NIS 193.4 million ($46.1 million) in the corresponding period last year.

6. Human resources

The total number of employees at ICL as at 31 March, 2001 is 8,312, compared with 8,851 on 31 March, 2000. Neutralizing the sale and acquisition of companies, the number of employees decreased by 464 compared with the corresponding period last year.

7. Qualitative report on exposure to market risks and their management

There have been no changes since the Directors' Report dated 31 December, 2000.

8. Events during the period

8.1 In June 2000 a subsidiary of Dead Sea Bromine was added as a defendant in a suit filed in September 1999 by Vaughn Water Company in connection with land and groundwater pollution in California, USA. At a meeting between the parties in January 2001, principles were agreed for a settlement arrangement, which has not yet been signed. In the opinion of the management of the Bromine group, the provision in the books in respect of this suit is sufficient to cover its possible liability.

8.2 In July 2000, Dead Sea Bromine ("DSB") reached an agreement with the United States Department of Justice in the matter of the investigation in connection with a suspected violation of US antitrust laws. Under the agreement, reached by a plea bargain which was approved by the US courts, DSB paid a fine of $7 million (approximately NIS 28 million).

This agreement does not refer to the civil action which is pending against DSB in the USA, in respect of which an application was filed in February 2000 for recognition as a class action. No damages have as yet been nominated in the civil action, even though it is a claim for compensation under US law, for damage allegedly sustained by the purchasers of bromine and bromine compound products. In the report period, DSB recently reached a settlement agreement with the plaintiff's attorneys, whereby $2.5 million (NIS 10 million) would be paid for dismissal of the charges against it. The settlement is subject to a number of preconditions, including the approval of the court, recognition of the claim as a class action, and a minimum number of parties joining the class. That sum was deposited in trust with the plaintiff's attorneys in April 2001. Its transfer to the plaintiffs and completion of the settlement agreement are subject, in addition to the conditions mentioned above, to the consent of the plaintiffs to the settlement agreement. The financial statements make a provision in the above amount.

One of DSB's two main competitors announced more than a year ago that it was cooperating with European antitrust authorities in a similar investigation. As at the date of approval of the financial statements, DSB and its legal advisers are unable to assess the influence of this event on its business results due to the uncertainty of its possible outcome, and therefore no provision is made in the financial statements.

8.3 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 inn connection with the announcement, its content and conditions.

8.4 On February 13, 2001, Dead Sea Works sold all of its holdings (49.48% of the allotted share capital) in Dead Sea Laboratories Ltd., whose business is the production, marketing and sale of cosmetics and skin care products under the "Ahava" brand, in consideration of $6.9 million. Following the sale, ICL recorded a capital gain of approximately $4.5 million.

8.5 On March 12, 2001, a claim was filed in the Tel Aviv District Court against Dead Sea Works ("DSW"), a wholly-owned subsidiary of ICL, by Contraline Ltd. ("Contraline"), for the payment of NIS 223.8 in compensation for, inter alia, patent infringement. This is a continuing action ("the Continuing Action") in legal proceedings between Contraline and DSW which commenced in 1991, when Contraline filed a claim (CA 2222/91) in the Tel Aviv District Court in which it was determined (in December 1998) that the use which DSW makes of a certain kind of raft in its operations, constitutes infringement of a patent registered in the name of Contraline, and that DSW must refrain from using the raft ("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 raft. The Appeal itself is still pending and no decision has yet been handed down.

Concurrently with the Continuing Action, Contraline filed an application in the court, in which it alleged that Contraline 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 Contraline from payment of the fee.

DSW responded to this request. No decision has yet been made regarding the application. Should it become necessary at some later stage, the company will file an application to suspend the hearing in the claim until after a decision is made in the Appeal, since allowance of the Appeal by the Supreme Court will remove the basis for the Continuing Action.

9. Events after the balance sheet date

9.1 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.

9.2 On March 28, 2001, the Board of Directors decided to distribute an interim dividend in an amount in shekels equal to $26,650,000 at the exchange rate of the determining date, which is April 16, 2001. The date of payment was set for May 1, 2001.

9.3 One May 1, 2001, I.D.E. Technologies Ltd. ("IDE"), together with others, submitted a bid in 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 liters of water per year over a period of about 24 years.

The group in which IDE is a member for the purpose of the tender, also includes the French company Vivendi Water, and Dankner Elran Ltd. IDE's share in the group is 50%, while the other two companies are 25% each.

9.4 IDE is part of a consortium of companies in a tender for the construction of a desalination plant in a north American state. The tender is for the sale of water by the BOT method for a period of 20 years. The facility will deliver between 47 and 79 million cubic liters per year. IDE's part in the consortium is 20%. The bid was submitted on April 3, 2001.

9.5 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 liters of water per day.

9.6 The Company holds 80% of the share capital of Iberpotash S.A. ("IP") through the subsidiary Ashli Chemicals (Holland) B.V. ("Ashli"). After the balance sheet date, the Company signed an agreement 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 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.

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

17 May, 2001
Date

Akiva Mozes	Yossi Rosen
CEO	Chairman of the Board