Dale Gregory T
Form 4
March 04, 2008

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Dale Gregory T
(Last) (First) (Middle)
11465 SUNSET HILLS ROAD, #200
(Street)
RESTON, VA 20190
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
COMSCORE, INC. [SCOR]

3. Date of Earliest Transaction (Month/Day/Year)
03/03/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Technology Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	03/03/2008		M		1,000 (3)	A	$ 4.5	41,155 (2)	D	
Common Stock	03/03/2008		S		1,000 (3)	D	$ 20.555	40,155 (2)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. De Se (In
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Incentive Stock Option Grant	$ 4.5	03/03/2008		M			1,000	(1)	12/27/2015	Common Stock	1,000	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Dale Gregory T 11465 SUNSET HILLS ROAD #200 RESTON, VA 20190			Chief Technology Officer	

Signatures

/s/ Christiana L. Lin, Attorney in Fact	03/04/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) 1/48th of the total number of shares subject to option vest monthly.

(2) Includes 18,000 shares of restricted common stock subject to vesting over a four (4) year period in equal 25% installments on each anniversary of the date of grant.

(3) These transactions were made pursuant to a 10b5-1 Plan entered into on 11/29/2007.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ======== ======== See notes to unaudited Condensed Consolidated Financial Statements. 7 PHILIPP BROTHERS CHEMICALS, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (In Thousands) 1. General In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly its financial position as of December 31,

2001 and its results of operations and cash flows for the three months and six months ended December 31, 2001 and 2000. The condensed consolidated balance sheet as of June 30, 2001 was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. Additionally, it should be noted that the accompanying condensed consolidated financial statements and notes thereto have been prepared in accordance with accounting standards appropriate for interim financial statements. While the Company believes that the disclosures presented are adequate to make the information contained herein not misleading, it is suggested that these financial statements be read in conjunction with the Company's consolidated financial statements for the year ended June 30, 2001. Certain prior year amounts in the accompanying condensed consolidated financial statements and related notes have been reclassified to conform to the fiscal 2002 presentation. Such reclassifications include a reclassification of freight income of $1,570 and $3,013 for the three months and six months ended December 31, 2000, respectively, from selling, general and administrative expenses to net sales on the Consolidated Statements of Operations and Comprehensive Income, as a result of the adoption of the Emerging Issues Task Force Issue No. 00-10 "Accounting for Shipping and Handling Revenues and Costs." In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141 "Business Combinations" ("SFAS No. 141") and No. 142 "Goodwill and Other Intangibles" ("SFAS No. 142"). SFAS No. 141 and No. 142 are effective for the Company on July 1, 2002. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. The statement also establishes specific criteria for recognition of intangible assets separately from goodwill. SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. The statement requires that goodwill and indefinite lived intangible assets no longer be amortized and be tested for impairment at least annually. The amortization period of intangible assets with finite lives will no longer be limited to forty years. The Company is currently assessing the impact of these statements. In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 is effective for the Company on July 1, 2002. The statement establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated asset retirement cost. The Company is currently assessing the impact of this statement. In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 "Accounting for Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144 is effective for the Company on July 1, 2002. The statement addresses significant issues relating to the implementation of FASB Statement No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("FAS No. 121"), and the development of a single accounting model, based on the framework established in FAS No. 121, for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. The Company is currently assessing the impact of this statement. The results of operations for the three months and six months ended December 31, 2001 and 2000 may not be indicative of results for the full year. 2. Acquisition On November 30, 2000, the Company purchased the Medicated Feed Additives (MFA) business of Pfizer, Inc. and certain of its subsidiaries ("Pfizer"). Under the terms of the purchase agreement, the Company is required to pay Pfizer contingent purchase price based on a percentage of future net revenues of a particular product. The term of the contingent payments is five years from November 30, 2000. The maximum contingent purchase price due under this arrangement is limited to $55,000, with a maximum annual payment of $12,000. Contingent purchase price paid will be allocated to related production equipment and product intangibles. The Company has recorded $7,469, allocated to related production equipment, and $4,787, related to product intangibles, under this arrangement as of December 31, 2001, of which $5,363 has been paid as of December 31, 2001. Under the terms of the agreement, the Company has elected to defer $3,000 of the payment until June 30, 2006. The deferred payment bears interest at an annual rate of 13%. In addition, the Company is 8 PHILIPP BROTHERS CHEMICALS, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (In Thousands) required to pay Pfizer contingent purchase price up to a maximum of $10,000 over five years on other products based on certain gross profit levels of the MFA business. No amounts have been accrued under this arrangement. The unaudited consolidated results of operations on a pro-forma basis as if such acquisition had occurred at the beginning of the six-month period ended December 31, 2000 are as follows: Net sales .... $ 203,732 Net (loss) income .... (6,480) The impact of purchase price adjustments to the inventory acquired from Pfizer increased the loss before income taxes for the three months and six months ended December 31, 2001 by $941 and $2,914, respectively, and for the three months and six months ended December 31, 2000 by $1,081. Exclusive of these charges the loss before income taxes for the three months and six months ended December 31, 2001 would have been $106 and $1,102, respectively, and for the three months and six months ended December 31, 2000 would have been $3,974 and $7,614, respectively. 3. Inventories Inventories are valued at the lower of cost or market. Cost is principally determined using the first-in, first-out (FIFO) and average methods; however, certain subsidiaries of the Company use the last-in, first-out (LIFO) method for valuing inventories. Inventories at December 31, 2001 and June 30, 2001 consist of the following: December 31, June 30, 2001 2001 ------- ------- Raw materials $24,040 $22,614 Work-in-process 3,718 4,257 Finished goods 69,849 56,925 ------- ------- Total inventory $97,607 $83,796 ======= ======= 4. Contingencies a. Litigation The Company's subsidiary, Phibro-Tech, Inc., has been named as a potentially responsible party ("PRP") in connection with an action commenced by the EPA, involving a third party fertilizer manufacturing site in South Carolina. Phibro-Tech, Inc. was also named as a PRP involving a third party site in California. Tentative settlements have been reached in both of these actions and adequate reserves have been established. The Company and its subsidiary, C.P. Chemicals, Inc., are involved in litigation alleging that operations at the Sewaren, New Jersey site have affected the adjoining owner's property. Active settlement discussions are taking place and at this time the Company does not believe there will be a material net cost to any settlement. The Company and its subsidiaries are a party to a number of claims and lawsuits arising in the normal course of business, including patent infringement, product liability and governmental regulation concerning environmental and other matters. Certain of these actions seek damages in various amounts. All such claims are being contested, and the Company believes the resolution of these matters will not materially affect the consolidated financial position, results of operations, or cash flows of the Company. b. Environmental Remediation The Company's domestic subsidiaries are subject to various federal, state and local environmental laws and regulations which govern the management of chemical wastes. The most significant regulation governing the Company's recycling activities is the Resource Conservation and Recovery Act of 1976 ("RCRA"). The Company has been issued final RCRA "Part B" permits to operate as hazardous waste treatment and storage facilities at its facilities in Santa Fe Springs, California; Garland, Texas; Joliet, Illinois; Sumter, South Carolina and Sewaren, New Jersey. The Company has ceased operations at its Union City, California facility. Costs for closure cannot be determined at this time. 9 PHILIPP BROTHERS CHEMICALS, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (In Thousands) On or about November 15, 2001, the Company was advised by the State of California that the State intended to file a civil complaint against the Company for alleged violations arising out of operations at the Santa Fe Springs, California facility. The Company is engaged in negotiations with the State of California at this time. The amount of any penalty that may be assessed cannot be determined at this time, but is not expected to be material. In connection with applying for RCRA "Part B" permits, the Company has been required to perform extensive site investigations at certain of its operating facilities and inactive sites to identify possible contamination and to provide the regulatory authorities with plans and schedules for remediation. Some soil and groundwater contamination has been identified at several plant sites and will require corrective action over the next several years. Based upon information available, the Company estimates the cost of further investigation and remediation of identified soil and groundwater problems at operating sites, closed sites and third party sites to be approximately $2,182 as of December 31, 2001, which is included in current and long-term liabilities. 5. Risks and Uncertainties The Company's Odda, Norway operation has suffered operating losses during fiscal 2001 and for the six months ended December 31, 2001. The Company has initiated and completed a number of cost cutting and efficiency initiatives. However, continued competitive pricing pressures on Odda's primary products and increasing raw material and production costs have more than offset the favorable impact of initiatives undertaken to date. The Company is evaluating the future operation of Odda under a number of scenarios, which range from ceasing production of certain products to a complete shutdown of the operation. Among other uncertainties, the ultimate decision may be affected by the outcome of negotiations with the government of Norway for certain financial assistance. This outcome is not expected to be known until the third or fourth quarter of fiscal 2002. The Company has evaluated the likelihood of the possible scenarios and the related probability weighted estimated future cash flows under Statement of Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-lived Assets and For Long-lived Assets To Be Disposed Of" and believes no impairment of long-lived assets of Odda (with a carrying value of $26,912) exists at December 31, 2001; however, certain of the possible operating scenarios could result in a write-down of assets that could be material to operating results and financial position. A material write-down may also result in violation of certain of the financial covenants included in the Company's revolving credit facility and certain debt of Odda, making amounts outstanding under these facilities callable at the discretion of the lenders. The Company believes it will be able to successfully negotiate waivers of such violations or amendments to financial covenants, if required; however the outcome and resolution of the above matters is uncertain at this time. 6. Business Segments The Company has four reportable segments--Animal Health and Nutrition, Industrial Chemicals, Distribution, and All Other. The Company previously reported two reportable segments - Agchem and Industrial Chemicals; however, due principally to organizational changes during fiscal 2001, including those associated with the acquisition of the animal health business from Pfizer and the sale of the Agtrol crop protection business, segment reporting was revised at June 30, 2001. Prior period segment information has been revised to conform to the fiscal 2002 segment presentation. Reportable segments have been determined primarily on the basis of the nature of products and services and certain similar operating units have been aggregated. The Company's Animal Health and Nutrition segment manufactures and markets a broad range of feed additive products including trace minerals, anticoccidials, antibiotics, vitamins, vitamin premixes, and other animal health products. The Company's Industrial Chemicals segment manufactures and markets pigments and other mineral products which include copper oxide, which is produced by the Company's recycling operation, mineral oxides, and alkaline etchants. The Company's Distribution segment markets and distributes a variety of industrial, specialty and fine organic chemicals, and intermediates produced by others. The Company's All Other segment manufactures and markets a variety of specialty custom chemicals and copper-based fungicides, as well as providing management and recycling of coal combustion residues. 10 PHILIPP BROTHERS CHEMICALS, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (In Thousands) Segment data for the three and six months ended December 31, 2001 and 2000 are as follows: Animal Corporate Health & Industrial All Expenses & Three Months Ended December 31, 2001 Nutrition Chemicals Distribution Other Adjustments Total --------- --------- ----------- -------- ---------- --------- Revenues -external customers $ 63,156 $ 17,394 $ 8,383 $ 9,054 $ -- $ 97,987 -intersegment 857 4,474 442 19 (5,792) -- -------- -------- ------- -------- -------- --------- Total revenues $ 64,013 $ 21,868 $ 8,825 $ 9,073 $ (5,792) $ 97,987 ======== ======== ======= ======== ======== ========= Operating income/(loss) $ 10,259 $ (2,542) $ 751 $ (229) $ (3,625) $ 4,614 ======== ======== ======= ======== ======== ========= Animal Corporate Health & Industrial All Expenses & Three Months Ended December 31, 2000 Nutrition Chemicals Distribution Other Adjustments Total --------- --------- ----------- -------- ---------- --------- Revenues -external customers $ 43,548 $ 18,870 $10,454 $ 10,472 $ -- $ 83,344 -intersegment 1,306 5,562 434 -- (7,302) -- -------- -------- ------- -------- -------- --------- Total revenues $ 44,854 $ 24,432 $10,888 $ 10,472 $ (7,302) $ 83,344 ======== ======== ======= ======== ======== ========= Operating income/(loss) $ 3,446 $ (845) $ 927 $ (1,965) $ (3,955) $ (2,392) ======== ======== ======= ======== ======== ========= Animal Corporate Health & Industrial All Expenses & Six Months Ended December 31, 2001 Nutrition Chemicals Distribution Other Adjustments Total --------- --------- ----------- -------- ---------- --------- Revenues -external customers $121,099 $ 34,739 $17,818 $ 18,990 $ -- $ 192,646 -intersegment 2,267 8,140 996 30 (11,433) -- -------- -------- ------- -------- -------- --------- Total revenues $123,366 $ 42,879 $18,814 $ 19,020 $(11,433) $ 192,646 ======== ======== ======= ======== ======== ========= Operating income/(loss) $ 17,624 $ (6,742) $ 1,589 $ (110) $ (6,338) $ 6,023 ======== ======== ======= ======== ======== ========= Animal Corporate Health & Industrial All Expenses & Six Months Ended December 31, 2000 Nutrition Chemicals Distribution Other Adjustments Total --------- --------- ----------- -------- ---------- --------- Revenues -external customers $ 77,210 $ 36,637 $21,372 $ 20,920 $ -- $ 156,139 -intersegment 2,274 9,868 915 -- (13,057) -- -------- -------- ------- -------- -------- --------- Total revenues $ 79,484 $ 46,505 $22,287 $ 20,920 $(13,057) $ 156,139 ======== ======== ======= ======== ======== ========= Operating income/(loss) $ 6,493 $ (400) $ 1,845 $ (3,639) $ (5,281) $ (982) ======== ======== ======= ======== ======== ========= 7. Divestitures On May 4, 2001, the Company sold its Agtrol U.S. business, a division of the Company's Phibro-Tech, Inc. subsidiary, to Nufarm, Inc. ("Nufarm"), the U.S. subsidiary of Nufarm Limited, a publicly listed Australian based company. On June 14, 2001, the Company sold its Agtrol international business to Nufarm. The sales included inventory and intangible assets to Nufarm and did not include plant, equipment, or other manufacturing assets. Phibro-Tech also entered into agreements to supply copper fungicide products to Nufarm from its Sumter, South Carolina plant for five years, and from its Bordeaux, France plant for three years. On December 24, 2001, the Company transferred certain receivables and rebate liabilities, at net carrying value, from Agtrol U.S. sales prior to May 1, 2001, to Nufarm, with no recourse. Revenues and operating losses relating to the Agtrol business amounted to $6,907 and $1,969, respectively, for the three months ended December 31, 2000, and

$13,274 and $3,972, respectively, for the six months ended December 31, 2000. 11 8. Condensed Consolidating Financial Statements In June 1998, the Company issued $100 million of 9 7/8% Senior Subordinated Notes due 2008 (the "Notes"). In connection with the issuance of these Notes, the Company's U.S. Subsidiaries fully and unconditionally guaranteed such Notes on a joint and several basis. Foreign subsidiaries do not presently guarantee the Notes. The following condensed consolidating financial data summarizes the assets, liabilities and results of operations and cash flows of the Parent, Guarantor Subsidiaries and Non-Guarantor Subsidiaries. The Parent is Philipp Brothers Chemicals, Inc. ("PBC"). The U.S. Guarantor Subsidiaries include all domestic subsidiaries of PBC including the following: C.P. Chemicals, Inc., Phibro-Tech, Inc., Mineral Resource Technologies, Inc., Prince Agriproducts, Inc., The Prince Manufacturing Company (PA), The Prince Manufacturing Company (IL), PhibroChem, Inc., Phibro Chemicals, Inc., Western Magnesium Corp., Phibro Animal Health Holdings, Inc. and Phibro Animal Health U.S., Inc. The U.S. Guarantor and Foreign Non-Guarantor Subsidiaries are directly or indirectly wholly owned as to voting stock by PBC. Investments in subsidiaries are accounted for by the Parent using the equity method. Income tax expense (benefit) is allocated among the consolidating entities based upon taxable income (loss) by jurisdiction within each group. The principal consolidation adjustments are to eliminate investments in subsidiaries and intercompany balances and transactions. Separate financial statements of the U.S. Guarantor Subsidiaries and the Non-Guarantor Subsidiaries are not presented because the Company has determined that such financial statements would not be material to investors. 12 PHILIPP BROTHERS CHEMICALS, INC. CONDENSED CONSOLIDATING BALANCE SHEET (Unaudited) As of December 31, 2001 (In Thousands) -- U.S. Guarantor Foreign Subsidiaries Consolidation Consolidated Parent Subsidiaries Non-Guarantors Adjustments Balance -- Assets Current Assets: Cash and cash equivalents $ 1,838 $ 1,110 $ 14,368 $ 17,316 Trade receivables 3,302 27,605 34,787 65,694 Other receivables 611 547 1,452 2,610 Inventory 3,840 45,397 48,370 97,607 Prepaid expenses and other 4,699 3,077 11,062 18,838 -- Total current assets 14,290 77,736 110,039 -- 202,065 -- Property, plant & equipment, net 516 29,748 72,713 102,977 Intangibles 32 1,856 8,478 10,366 Investment in subsidiaries 58,844 2,254 (6,850) (54,248) -- Intercompany 67,244 (28,811) (3,909) (34,524) -- Other assets 93,235 (71,296) 1,696 23,635 -- Total assets $ 234,161 $ 11,487 $182,167 $(88,772) $339,043 == Liabilities and Stockholders' Equity Current Liabilities: Cash overdraft $ 28 $ 4,987 $ 64 $ 5,079 Loan payable to banks 38,137 - 2,167 40,304 Current portion of long term debt 2,540 478 2,372 5,390 Accounts payable 1,135 22,204 26,430 49,769 Accrued expenses and other 7,288 9,173 20,965 37,426 -- Total current liabilities 49,128 36,842 51,998 -- 137,968 -- Long term debt 126,738 (66,480) 115,183 (34,524) 140,917 Other liabilities 2,016 4,877 3,628 10,521 Redeemable securities: Series B and C preferred stock 55,374 -- -- 55,374 Common stock 365 -- (365) -- Common stock of subsidiary -- 95 -- 95 -- 55,739 95 (365) -- 55,469 -- Stockholders' Equity Series A preferred stock 521 -- -- 521 Common stock 2 32 -- (32) 2 Paid in capital 878 34,041 -- (34,041) 878 Retained earnings (717) 2,049 18,126 (20,175) (717) Accumulated other comprehensive income (loss)- gain on derivative instruments -- -- 433 433 cumulative currency translation adjustment (144) 31 (6,836) (6,949) -- Total stockholders' equity 540 36,153 11,723 (54,248) (5,832) -- Total liabilities and equity $ 234,161 $ 11,487 $182,167 $(88,772) $339,043 == 13 PHILIPP BROTHERS CHEMICALS, INC. CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (Unaudited) For The Three Months Ended December 31, 2001 (In Thousands) -- U.S. Guarantor Foreign Subsidiaries Consolidation Consolidated Parent Subsidiaries Non-Guarantors Adjustments Balance -- Net sales $ 6,071 $56,267 $42,994 $(7,345) $97,987 Cost of goods sold 4,765 37,743 31,535 (7,345) 66,698 --- Gross profit 1,306 18,524 11,459 -- 31,289 Selling, general, and administrative expenses 4,120 13,688 8,867 26,675 --- Operating (loss) income (2,814) 4,836 2,592 -- 4,614 Interest expense 521 635 3,518 4,674 Interest income (13) -- (220) (233) Other (income) expense (421) (12) 1,653 1,220 Intercompany allocation (3,942) 3,942 -- -- Loss (profit) relating to subsidiaries 2,225 -- -- (2,225) -- --- (Loss) income before income taxes (1,184) 271 (2,359) 2,225 (1,047) Provision (benefit) for income taxes 515 544 (407) 652 --- Net (loss) income $(1,699) $ (273) $(1,952) $ 2,225 $(1,699) ===

14 PHILIPP BROTHERS CHEMICALS, INC. CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (Unaudited) For The Six Months Ended December 31, 2001 (In Thousands) --- U.S. Guarantor Foreign Subsidiaries Consolidation Consolidated Parent Subsidiaries Non-Guarantors Adjustments Balance --- Net sales $13,179 $107,861 $85,398 $(13,792) $192,646 Cost of goods sold 10,397 73,915 63,774 (13,792) 134,294 --- Gross profit 2,782 33,946 21,624 -- 58,352 Selling, general, and administrative expenses 7,857 27,219 17,253 52,329 --- Operating (loss) income (5,075) 6,727 4,371 -- 6,023 Interest expense 1,195 1,568 6,554 9,317 Interest income (10) -- (293) (303) Other (income) expense (304) 7 1,322 1,025 Intercompany allocation (4,935) 4,935 -- -- Loss (profit) relating to subsidiaries 3,323 -- -- (3,323) -- --- (Loss) income before income taxes (4,344) 217 (3,212) 3,323 (4,016) (Benefit) provision for income taxes (280) 864 (536) 48 --- Net (loss) income $(4,064) $ (647) $(2,676) $ 3,323 $ (4,064) ===

15 PHILIPP BROTHERS CHEMICALS INC. CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (Unaudited) For the Six Months Ended December 31, 2001 (In Thousands) --- U.S. Guarantor Foreign Subsidiaries Consolidation Consolidated Parent Subsidiaries Non-Guarantors Adjustments Balance ---

Operating activities: Net (loss) income $ (4,064) $ (647) $ (2,676) $3,323 $ (4,064) Adjustments to reconcile net (loss) income to cash (used in) provided by operating activities: Depreciation and amortization 532 2,643 4,869 8,044 Other (190) 286 1,570 1,666 Changes in operating assets and liabilities: Accounts receivable 1,292 3,692 6,984 11,968 Inventory (587) (2,931) (10,409) (13,927) Prepaid expenses and other 727 863 (1,962) (372) Other assets 185 (587) (105) (507) Intercompany (8,599) 3,535 8,387 (3,323) -- Accounts payable (608) (1,726) 116 (2,218) Accrued expenses and other 410 (3,337) 6,641 3,714 --- Net cash (used in) provided by operating activities (10,902) 1,791 13,415 -- 4,304 --- Investing activities: Capital expenditures (72) (2,368) (4,194) (6,634) Acquisition of a business -- -- (4,422) (4,422) Other investing (541) 412 91 (38) --- Net cash used in investing activities (613) (1,956) (8,525) -- (11,094) --- Financing activities: Cash overdraft 15 817 (81) 751 Net increase (decrease) in short term debt 12,570 -- (2,168) 10,402 Proceeds from long term debt 2,000 -- 42 2,042 Payments of long term debt (2,524) (242) (1,197) (3,963) --- Net cash provided by (used in) financing activities 12,061 575 (3,404) -- 9,232 --- Effect of exchange rate changes on cash -- -- 29 29 --- Net increase in cash and cash equivalents 546 410 1,515 -- 2,471 Cash and cash equivalents at beginning of year 1,292 700 12,853 14,845 --- Cash and cash equivalents at end of year $

1,838 $ 1,110 $ 14,368 $ -- $ 17,316
==
16 PHILIPP BROTHERS CHEMICALS, INC. CONDENSED CONSOLIDATING BALANCE SHEET (Unaudited) As of June 30, 2001 (In Thousands)
-- U.S. Guarantor Foreign Subsidiaries Consolidation Consolidated Parent Subsidiaries Non-Guarantors Adjustments Balance
-- Assets Current Assets: Cash and cash equivalents $ 1,292 $ 1,210 $ 12,343 $ 14,845 Trade receivables 4,624 32,291 40,995 77,910 Other receivables 791 1,913 2,096 4,800 Inventory 2,715 44,050 37,031 83,796 Prepaid expenses and other 5,461 2,745 9,242 17,448 --- Total current assets 14,883 82,209 101,707 -- 198,799 --- Property, plant & equipment, net 626 30,143 71,554 102,323 Intangibles 87 1,915 3,830 5,832 Investment in subsidiaries 63,490 1,542 (6,138) (58,894) - Intercompany 54,322 (22,808) 3,852 (35,366) - Other assets 93,466 (71,571) 1,170 23,065 --- Total assets $226,874 $ 21,430 $175,975 $(94,260) $330,019
==
Liabilities and Stockholders' Equity Current Liabilities: Cash overdraft $ 13 $ 4,209 $ -- $ 4,222 Loan payable to banks 24,471 -- 3,992 28,463 Current portion of long term debt 2,541 493 2,370 5,404 Accounts payable 1,743 23,359 26,202 51,304 Accrued expenses and other 7,859 11,780 15,739 35,378
--- Total current liabilities 36,627 39,841 48,303 -- 124,771 --- Long term debt 127,263 (60,654) 108,221 (35,366) 139,464 Other liabilities 2,129 5,731 5,066 12,926 Redeemable securities: Series B and C preferred stock 48,980 -- -- 48,980 Common stock 877 -- (499) 378 Common stock of subsidiary -- 95 -- 95
--- 49,857 95 (499) -- 49,453
--- Stockholders' Equity Series A preferred stock 521 -- -- 521 Common stock 2 32 -- (32) 2 Paid in capital 878 34,041 -- (34,041) 878 Retained earnings 9,741 2,325 22,496 (24,821) 9,741 Accumulated other comprehensive (loss) income- cumulative currency translation adjustment (144) 19 (7,612) (7,737) --- Total stockholders' equity 10,998 36,417 14,884 (58,894) 3,405
--- Total liabilities and equity $226,874 $ 21,430 $175,975 $(94,260) $330,019
==
17 PHILIPP BROTHERS CHEMICALS, INC. CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (Unaudited) For The Three Months Ended December 31, 2000 (In Thousands)
-- U.S. Guarantor Foreign Subsidiaries Consolidation Consolidated Parent Subsidiaries Non-Guarantors Adjustments Balance
-- Net sales $ 8,148 $48,993 $35,391 $(9,188) $83,344 Cost of goods sold 6,656 34,690 29,152 (9,188) 61,310
--- Gross profit 1,492 14,303 6,239 -- 22,034 Selling, general, and administrative expenses 3,557 14,523 6,346 24,426
--- Operating (loss) income (2,065) (220) (107) -- (2,392) Interest expense 2,773 (5) 1,312 4,080 Interest income (8) (1) (177) (186) Other expense 32 (4) (1,259) (1,231) Intercompany allocation (3,571) 3,442 129 -- Loss (profit) relating to subsidiaries 2,112 -- -- (2,112) --
--- (Loss) income before income taxes (3,403) (3,652) (112) 2,112 (5,055) Benefit for income taxes (785) (1,307) (345) (2,437)
--- Net (loss) income $(2,618) $(2,345) $ 233 $ 2,112 $(2,618)
==
18 PHILIPP BROTHERS CHEMICALS, INC. CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (Unaudited) For The Six Months Ended December 31, 2000 (In Thousands)
-- U.S.

Guarantor Foreign Subsidiaries Consolidation Consolidated Parent Subsidiaries Non-Guarantors Adjustments Balance -- Net sales $16,669 $91,807 $63,488 $(15,825) $156,139 Cost of goods sold 13,447 64,607 51,371 (15,825) 113,600 -- Gross profit 3,222 27,200 12,117 -- 42,539 Selling, general, and administrative expenses 7,029 25,991 10,501 43,521 -- Operating (loss) income (3,807) 1,209 1,616 -- (982) Interest expense 5,243 61 2,715 8,019 Interest income (44) (1) (358) (403) Other expense 121 (4) (20) 97 Intercompany allocation (6,895) 6,509 386 -- Loss (profit) relating to subsidiaries 3,617 -- -- (3,617) -- -- (Loss) income before income taxes (5,849) (5,356) (1,107) 3,617 (8,695) Benefit for income taxes (112) (2,019) (827) (2,958) -- Net (loss) income $(5,737) $(3,337) $ (280) $ 3,617 $ (5,737) ==

19 PHILIPP BROTHERS CHEMICALS INC. CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (Unaudited) For the Six Months Ended December 31, 2000 (In Thousands) -- U.S. Guarantor Foreign Subsidiaries Consolidation Consolidated Parent Subsidiaries Non-Guarantors Adjustments Balance -- Operating activities: Net (loss) income $ (5,737) $(3,337) $ (280) $ 3,617 $ (5,737) Adjustments to reconcile net (loss) income to cash provided by operating activities: Depreciation and amortization 273 2,551 3,816 6,640 Other (565) (22) (997) (1,584) Changes in operating assets and liabilities: Accounts receivable 1,048 9,128 (2,400) 7,776 Inventory (306) (5,619) 1,908 (4,017) Prepaid expenses and other 1,904 (2,248) (469) (813) Other assets (957) (1,948) (9) (2,914) Intercompany (891) 2,620 1,888 (3,617) -- Accounts payable 184 552 3,065 3,801 Accrued expenses and other 438 2,082 (267) 2,253 -- Net cash (used in) provided by operating activities (4,609) 3,759 6,255 -- 5,405 -- Investing activities: Capital expenditures (47) (4,099) (2,363) (6,509) Acquisition of a business (51,700) -- -- (51,700) Other investing -- -- (339) (339) -- Net cash used in investing activities (51,747) (4,099) (2,702) -- (58,548) -- Financing activities: Cash overdraft (158) 1,590 -- 1,432 Net decrease in short term debt 12,586 -- (183) 12,403 Proceeds from long term debt -- -- 1,590 1,590 Proceeds from issuance of redeemable preferred stock 45,000 -- -- 45,000 Payments of long term debt (15) (340) (663) (1,018) Other financing (942) -- -- (942) -- Net cash provided by financing activities 56,471 1,250 744 -- 58,465 -- Effect of exchange rate changes on cash -- -- (164) (164) -- Net increase in cash and cash equivalents 115 910 4,133 -- 5,158 Cash and cash equivalents at beginning of year 11 99 2,293 2,403 -- Cash and cash equivalents at end of year $ 126 $ 1,009 $ 6,426 $ -- $ 7,561 ==

20 Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations General The Company is a leading diversified global manufacturer and marketer of a broad range of specialty agricultural and industrial chemicals, which are sold world-wide for use in numerous markets, including animal health and nutrition, agriculture, pharmaceutical, electronics, wood treatment, glass, construction and concrete. The Company also provides recycling and hazardous waste services primarily to the electronics and metal treatment industries. The Company has four operating segments--Animal Health and Nutrition, Industrial Chemicals, Distribution and All Other. The Company previously reported two operating segments--Agchem and Industrial Chemicals. Due to organizational changes during fiscal 2001, including those associated with the acquisition of the animal health business from Pfizer and the sale of the Agtrol crop protection business, segment reporting was revised as of June 30, 2001. Prior period segment information has been revised to conform to the fiscal 2002 segment presentation. On November 30, 2000, the Company purchased the animal health business of Pfizer, Inc. ("Pfizer"). The operating

results of this business, now called Phibro Animal Health, ("PAH"), are included in the Company's consolidated statements of operations from the date of acquisition and are included in the Animal Health and Nutrition segment. On May 4, 2001, the Company sold its Agtrol U.S. business, a division of the Company's Phibro-Tech, Inc. subsidiary, to Nufarm, Inc. ("Nufarm"), a U.S. subsidiary of Nufarm Limited, a publicly listed Australian based company. On June 14, 2001, the Company sold its Agtrol international business to Nufarm. Agtrol developed, manufactured and marketed crop protection products, including copper fungicides. The sale included inventory and intangible assets to Nufarm but did not include plant, equipment, or other manufacturing assets. Phibro-Tech also entered into agreements to supply copper fungicide products to Nufarm from its Sumter, South Carolina plant for five years, and from its Bordeaux, France plant for three years. On December 24, 2001, the Company transferred certain receivables and rebate liabilities, at net carrying value, from Agtrol U.S. sales prior to May 1, 2001, to Nufarm, with no recourse. The operating results of Agtrol are included in the Company's consolidated statements of operations up to the date of disposition and are included in the All Other segment. The Company's Odda, Norway operation has suffered operating losses during fiscal 2001 and for the six months ended December 31, 2001. The Company has initiated and completed a number of cost cutting and efficiency initiatives. However, continued competitive pricing pressures on Odda's primary products and increasing raw material and production costs have more than offset the favorable impact of initiatives undertaken to date. The Company is evaluating the future operation of Odda under a number of scenarios, which range from ceasing production of certain products to a complete shutdown of the operation. Among other uncertainties, the ultimate decision may be affected by the outcome of negotiations with the government of Norway for certain financial assistance. This outcome is not expected to be known until the third or fourth quarter of fiscal 2002. The Company has evaluated the likelihood of the possible scenarios and the related probability-weighted estimated future cash flows under Statement of Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-lived Assets and For Long-lived Assets To Be Disposed Of" and believes no impairment of long-lived assets of Odda (with a carrying value of $26.9 million) exists at December 31, 2001; however, certain of the possible operating scenarios, could result in a write-down of assets that could be material to operating results and financial position. A material write-down may also result in violation of certain of the financial covenants included in the Company's revolving credit facility and certain debt of Odda, making amounts outstanding under these facilities callable at the discretion of the lenders. The Company believes it will be able to successfully negotiate waivers of such violations or amendments to financial covenants, if required; however the outcome and resolution of the above matters is uncertain at this time. 21 Results of Operations Sales ($000's) Three Months Ended Six Months Ended December 31, December 31, --------------------------- --------------------------- Operating Segments 2001 2000 2001 2000 -------- --------- --------- --------- Animal Health and Nutrition .... $ 64,013 $ 44,854 $ 123,366 $ 79,484 Industrial Chemicals .... 21,868 24,432 42,879 46,505 Distribution .... 8,825 10,888 18,814 22,287 All Other .... 9,073 10,472 19,020 20,920 Elimination of intersegment sales ...... (5,792) (7,302) (11,433) (13,057) -------- --------- --------- --------- $ 97,987 $ 83,344 $ 192,646 $ 156,139 ======== ========= ========= ========= Operating Income (Loss) ($000's) Three Months Ended Six Months Ended December 31, December 31, -------------------------- --------------------------- Operating Segments 2001 2000 2001 2000 -------- --------- --------- --------- Animal Health and Nutrition .... $ 10,259 $ 3,446 $ 17,624 $ 6,493 Industrial Chemicals .... (2,542) (845) (6,742) (400) Distribution .... 751 927 1,589 1,845 All Other .... (229) (1,965) (110) (3,639) Corporate expenses and eliminations .... (3,625) (3,955) (6,338) (5,281) -------- --------- --------- --------- $ 4,614 $ (2,392) $ 6,023 $ (982) ======== ========= ========= ========= Comparison of Three Months Ended December 31, 2001 and 2000 Net Sales. Net sales increased by $14.6 million, or 18%, to $98.0 million in the three months ended December 31, 2001, as compared to the same period of the prior year. The increase was primarily due to the purchase of the PAH business offset in part by the sale of the Company's Agtrol operations. The Animal Health and Nutrition segment's net sales increased by $19.2 million, or 43%, to $64.0 million in the three months ended December 31, 2001, as compared to the prior period. The net sales increase was due to increased unit volume primarily as a result of the PAH purchase. Excluding PAH, sales for the segment in 2001 were $.4 million below the prior year primarily due to discontinuing sales of vitamin exports and lower average selling prices by the Company's Koffolk Israel facility due to the adverse business climate in Israel. Higher unit volumes in the U.S. were offset in part by lower average sales prices. The Industrial Chemicals segment's net sales decreased by $2.6 million, or 10%, to $21.9 million in the three months ended December 31, 2001, as compared to the prior period. Sales by the Company's Phibro-Tech subsidiary were down by $2.0 million due to volume declines related to the printed circuit board industry. Higher unit volume sales at the Company's Odda subsidiary increased revenues by $.3 million and partially offset the decrease. Other declines in intersegment sales aggregated $.9 million. Net sales for the Distribution segment decreased by $2.1 million, or 19%, to $8.8 million in 2001, as compared to the prior period. The net sales decrease was due to lower unit volumes. Significant declines in the segment's cyanide, carbide and dicyandiamide products occurred during the first and second quarters of this fiscal year as compared to the prior year periods. Net sales for the All Other segment decreased by $1.4 million, or 13%, to $9.1 million in 2001, as compared to the prior period. Approximately $2.1 million of this decrease related to lower sales of crop protection chemicals. The Company's Agtrol crop protection business was sold during the fourth quarter of fiscal 2001 and sales of certain crop protection chemicals are currently being made under supply agreements to Nufarm. Excluding Agtrol, sales for the segment in 2001 were $.7 million above the prior year. The Company's fly ash business increased by $.3 million primarily due to increased volume as a result of additional contracts with utilities in Missouri and Michigan and improved average selling prices. Revenues at the Company's Wychem, U.K. facility improved by $.4 million due to an increase in specialized lab projects and formulations. 22 Gross Profit. Gross profit increased by $9.3 million, or 42%, to $31.3 million in the three months ended December 31, 2001, as compared to the prior period. The increase was primarily due to the purchase of the PAH business offset in part by lower production volumes at the Company's Phibro-Tech facilities and the sale of the Company's Agtrol operations. Purchase accounting adjustments relating to inventory acquired in the PAH acquisition resulted in an increase to cost of goods sold of $.9 and $1.1 million for the three months ended December 31, 2001 and 2000, respectively. The remainder of the inventory purchase adjustment, approximately $.3 million, will be charged to cost of goods sold during the balance of the fiscal year. Margin declines in the All Other segment were due to sales of crop protection products sold to Nufarm under a supply agreement in the current period as opposed to higher margin sales to third parties in the prior period. Selling, General and Administrative Expenses. Costs increased by $2.2 million to $26.7 million in 2001, as compared to the prior period. Excluding PAH and Agtrol, costs were up approximately $.9 million principally due to management advisory fees to Palladium Equity Partners, LLC ($.4 million), higher warehousing and distribution costs primarily relating to sales growth in the Company's fly ash business ($.8 million), environmental remediation ($.3 million), and other general spending increases ($.7 million). The prior period included an accrual for severance costs ($1.3 million) associated with the termination of employment of an executive of the Company. Operating Income. Operating income increased by $7.0 million to $4.6 million in 2001, as compared to the prior period. The Animal Health and Nutrition segment increased due to the inclusion of PAH for the period. Operating income declined in the Industrial Chemicals segment primarily due to lower sales and production volumes. The Company is implementing cost reduction programs and other initiatives with respect to PhibroTech's copper related businesses in reaction to current market conditions in the printed circuit board industry. The improvement in operating income of the All Other segment is primarily the result of the sale of Agtrol as the Company is no longer materially impacted by the seasonal nature of the crop protection business. The Distribution segment was slightly below the prior year primarily due to sales volume declines. Interest Expense, Net. Costs increased by $.5 million or 14% to $4.4 million for the three months ended December 31, 2001 as compared to the prior period primarily due to debt incurred in connection with the PAH acquisition and higher levels of average bank borrowings. Other Expense, Net. Other expense, net principally reflects foreign currency transaction losses of the Company's foreign subsidiaries and the quarter over quarter change reflects the strengthening of currencies against the U.S. dollar in 2001 (principally Norwegian Kroner) versus weakening of these currencies in the December 2000 quarter. Income Taxes. The Company provides a benefit on interim period losses as it is anticipated that future earnings can be utilized to offset the tax benefit recorded in the current year. The effective tax rate differs from the U.S. statutory rate due to the relationship of each domestic and international subsidiaries' individual income or loss position to the statutory tax rates in each country. Comparison of Six Months Ended December 31, 2001 and 2000 Net Sales. Net sales increased by $36.5 million, or 23%, to $192.6 million in the six months ended December 31, 2001, as compared to same period of the prior year. The increase was primarily due to the purchase of the PAH business offset in part by the sale of the Company's Agtrol operations. The Animal Health and Nutrition segment's net sales increased by $43.9 million, or 55%, to $123.4 million in the six months ended December 31, 2001, as compared to the prior period. The net sales increase was due to increased unit volume primarily as a result of the PAH purchase. Excluding PAH, sales for the segment in 2001 were $.6 million above the prior year primarily due to higher unit volume sales of vitamin, mineral and other pre-mix products at our domestic facilities. This was offset in part by the adverse business climate in Israel and the discontinuation of sales of vitamin exports by the Company's Koffolk Israel facility. The Industrial Chemicals segment's net sales decreased by $3.6 million, or 8%, to $42.9 million in the six months ended December 31, 2001, as compared to the prior period. Sales by the Company's Phibro-Tech subsidiary were down by $3.7 million due to volume declines related to the printed circuit board industry. Higher unit volume sales at the Company's Odda subsidiary increased revenues by $2.0 million and partially offset the decrease. Declines in intersegment sales aggregated $1.4 million. Lower unit sales of iron and manganese oxides accounted for the balance of the change. Net sales for the Distribution segment decreased by $3.5 million, or 16%, to $18.8 million in 2001, as compared to the prior period. The net sales decrease was due to lower unit volumes. Significant declines in the segment's cyanide, carbide 23 and dicyandiamide products occurred during the first and second quarters of this fiscal year as compared to the prior year periods. Net sales for the All Other segment decreased by $1.9 million, or 9%, to $19.0 million in 2001, as compared to the prior period. Approximately $4.5 million of this decrease related to lower sales of crop protection chemicals. The Company's Agtrol crop protection business was sold during the fourth quarter of fiscal 2001 and sales of certain crop protection chemicals are currently being made under supply agreements to Nufarm. Excluding Agtrol, sales for the segment in 2001 were $2.6 million above the prior year. The Company's fly ash business increased by $1.6 million primarily due to increased volume as a result of additional contracts with utilities in Missouri and Michigan and improved average selling prices. Revenues at the Company's Wychem, U.K. facility improved by $1.0 million due to an increase in specialized lab projects and formulations. Gross Profit. Gross profit increased by $15.8 million, or 37%, to $58.4 million in the six months ended December 31, 2001, as compared to the prior period. The increase was primarily due to the purchase of the PAH business offset in part by lower production volumes at the Company's Phibro-Tech facilities and the sale of the Company's Agtrol operations. Purchase accounting adjustments relating to inventory acquired in the PAH acquisition resulted in an increase to cost of goods sold of $2.9 and $1.1 million for the six months ended December 31, 2001 and 2000, respectively. The remainder of the inventory purchase adjustment, approximately $.3 million, will be charged to cost of goods sold during the balance of the fiscal year. Margin declines in the All Other segment were due to sales of crop protection products sold to Nufarm under a supply agreement in the current period as opposed to higher margin sales to third parties in the prior period. Selling, General and Administrative Expenses. Costs increased by $8.8 million to $52.3 million in 2001, as compared to the prior period. Excluding PAH and Agtrol, costs were up approximately $3.5 million principally due to management advisory fees to Palladium Equity Partners, LLC ($.9 million), higher warehousing and distribution primarily relating to sales growth in the Company's fly ash business ($1.3 million), environmental remediation ($.7 million), and other general spending increases ($1.9 million). The prior period included an accrual for severance costs ($1.3 million) associated with the termination of employment of an executive of the Company. Operating Income. Operating income increased by $7.0 million to $6.0 million in 2001, as compared to the prior period. The Animal Health and Nutrition segment increased due to the inclusion of PAH for the period. Operating income declined in the Industrial Chemicals segment primarily due to lower sales and production volumes. The Company is implementing cost reduction programs and other initiatives with respect to PhibroTech's copper related businesses in reaction to current market conditions in the printed circuit board industry. The improvement in operating income of the All Other segment is primarily the result of the sale of Agtrol as the Company is no longer materially impacted by the seasonal nature of the crop protection business. The Distribution segment was slightly below the prior year primarily due to sales volume declines. Interest Expense, Net. Costs increased by $1.4 million or 18% to $9.0 million for the six months ended December 31, 2001 as compared to the prior period primarily due to debt incurred in connection with the PAH acquisition and higher levels of average bank borrowings. Other Expense, Net. Other expense, net principally reflects foreign currency transaction losses of the Company's foreign subsidiaries. Income Taxes. The Company provides a benefit on interim period losses as it is anticipated that future earnings can be utilized to offset the tax benefit recorded in the current year. The effective tax rate differs from the U.S. statutory rate due to the relationship of each domestic and international subsidiaries' individual income or loss position to the statutory tax rates in each country. Liquidity and Capital Resources Net Cash Provided by Operating Activities. Cash provided by operations for the six months ended December 31, 2001 was $4.3 million. The increase in cash from the collection of receivables from our crop protection business was offset by higher inventories at the PAH business unit. This build up of inventories is considered necessary to ensure an adequate availability of product as the Company continues to refine its supply chain and expand into new markets. Net Cash Used by Investing Activities. Net cash used in investing activities for the six months ended December 31, 2001 was $11.1 million. Capital expenditures of $6.6 million were mostly for maintaining the Company's existing asset base and for environmental, health and safety projects. The remainder primarily relates to contingent purchase price payments from the PAH acquisition. 24 Net Cash Provided by Financing Activities. Net cash provided by financing activities totaled $9.2 million. Borrowings under the domestic revolving credit agreement were partially offset by paydowns of debt at several of the Company's international subsidiaries and a $2.5 million payment on long-term debt related to the PAH acquisition. Liquidity. At December 31, 2001, working capital totaled $64.1 million compared to $74.0 million at the fiscal year end. Due to the nature and terms of the revolving credit agreement, which includes both a subjective acceleration clause and a requirement to maintain a lockbox arrangement, all borrowings against this facility are classified as a current liability. At December 31, 2001, the amount of credit extended under this agreement totaled $38.1 million and the Company had $8.3 million available under the borrowing base formula in this agreement. In addition, certain of the Company's foreign subsidiaries also had availability under their respective credit facilities totaling $9.6 million. The Company anticipates spending approximately $13 million for capital expenditures in fiscal 2002, primarily to cover the Company's asset replacement needs, improve processes, and for environmental and regulatory compliance. The Company believes that cash flows from operations and available borrowing arrangements should provide sufficient working capital to operate the Company's existing business, to make budgeted capital expenditures, and to service interest and current principal coming due on outstanding debt. New Accounting Pronouncements In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141 "Business Combinations" ("SFAS No. 141") and No. 142 "Goodwill and Other Intangibles" ("SFAS No. 142"). SFAS No. 141 and No. 142 are effective for the Company on July 1, 2002. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. The statement also establishes specific criteria for recognition of intangible assets separately from goodwill. SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. The statement requires that goodwill and indefinite lived intangible assets no longer be amortized and be tested for impairment at least annually. The amortization period of intangible assets with finite lives will no longer be limited to forty years. The Company is currently assessing the impact of these statements. In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 is effective for the Company on July 1, 2002. The statement establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated asset retirement cost. The Company is currently assessing the impact of this statement. In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 "Accounting for Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144 is effective for the Company on July 1, 2002. The statement addresses significant issues relating to the implementation of FASB Statement No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("FAS No. 121"), and the development of a single accounting model, based on the framework established in FAS No. 121, for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. The Company is currently assessing the impact of this statement. Seasonality of Business Prior to the divestiture of the crop protection business, the Company's sales were typically highest in the fourth fiscal quarter due to the seasonal nature of the agricultural industry. With the sale of this business, as well as the acquisition of the non-seasonal PAH business, the Company's sales are expected to be less seasonal. However, some seasonality in the Company's results will remain as sales of certain industrial chemicals to the wood treatment industry as well as sales of coal fly ash are typically highest during the peak construction periods of the first and fourth fiscal quarters. Quantitative and Qualitative Disclosure About Market Risk For financial market risks related to changes in interest rates, foreign currency exchange rates and commodity prices, reference is made to Part II, Item 7, Quantitative and Qualitative Disclosure About Market Risk, in the Company's Annual Report on Form 10-K for the year ended June 30, 2001 and to Note 13 to the Consolidated Financial Statements of the Company included therein. Certain Factors Affecting Future Operating Results This Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company's actual results could differ materially from those set forth in the forward-looking statements. Certain factors that might cause such a difference include, 25 among other factors noted herein, the following: the Company's substantial leverage and potential inability to service its debt; the Company's dependence on distributions from its subsidiaries; risks associated with the Company's international operations; the Company's ability to absorb and integrate into its existing operations the PAH acquisition referred to above; the Company's dependence on its Israeli operations; competition in each of the

Company's markets; potential environmental liability; extensive regulation by numerous government authorities in the United States and other countries; significant cyclical price fluctuation for the principal raw materials used by the Company in the manufacture of its products; the Company's reliance on the continued operation and sufficiency of its manufacturing facilities; the Company's dependence upon unpatented trade secrets; the risks of legal proceedings and general litigation expenses; potential operating hazards and uninsured risks; the risk of work stoppages; the Company's dependence on key personnel; the uncertain impact of the Company's acquisition plans; and the seasonality of the Company's business. Item 3. Quantitative and Qualitative Disclosures About Market Risk See Part I -- Item 2 -- "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Quantitative and Qualitative Disclosure About Market Risk." 26 PART II -- OTHER INFORMATION Item 5. Other Information. None. Item 6. Exhibits and Reports on Form 8-K. (a) Exhibits Exhibit No. Description ----------- ----------- None. (b) Reports on Form 8-K. None. 27 SIGNATURES Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. PHILIPP BROTHERS CHEMICALS, INC. Date: February 12, 2002 By: /s/ DAVID C. STORBECK -------------------------------- David C. Storbeck Chief Financial Officer Date: February 12, 2002 By: /S/ JOSEPH KATZENSTEIN -------------------------------- Joseph Katzenstein, Treasurer and Secretary 28