

ICL Q4' 2013 - Fact Sheet

February 12, 2014

The information in this fact sheet represents a summary of the highlights reported in ICL's Preliminary Publication of Consolidated Financial Data published on February 12, 2014 and does not purport to be a comprehensive overview of the Company's financial or business condition. The quantitative and financial data is not final and may not be considered audited data in accordance with the Securities Regulations (Annual Financial Statements), 2010, and it may change, among other things, as a result of processing and analysis of the information. In addition, it is noted that the data is accurate as at the early publication date and it may be impacted in various ways from additional events occurring subsequent to the report date, whether since the data that will be included in the Company's financial statements requires adjustment or because it will be necessary to add an appropriate note in the financial statements, as stated - all of this based on the type of the relevant event.

ICL Group Results:

\$ million	Q4 2012	Q4 2013	2012	2013
Total sales	1303	1416	6471	6272
Gross profit	501	527	2,711	2,410
Operating income	190	123	1,554	1,101
Operating income - adjusted	234	218	1,598	1,196
Financing expenses (income)	-3	6	61	27
Share in income (loss) of investee	3	7	27	26
Income before taxes	197	125	1,519	1,100
Taxes on income	-12	5	218	280
Income for the period	209	120	1,302	820
Minority interest in profit of subsidiaries	1	0.4	2	2
Net income attributed to shareholders	208	119	1,300	819
Net income attributed to shareholders - adjusted	247	195	1339	1012
EPS (basic)	0.16	0.09	1.02	0.65
EPS (fully diluted)	0.16	0.09	1.02	0.65
EPS (basic) - adjusted	0.19	0.15	1.05	0.80
EPS (fully diluted) - adjusted	0.19	0.15	1.05	0.80

Q4'2013 Results:

- ❖ **Stabilizing fertilizers market at lower prices.**
- ❖ **ICL Fertilizers:** higher potash volume compensated for lower prices. Phosphate margins significantly impacted by lower prices.
- ❖ **ICL Industrial Products:** demand for flame retardants remained weak.
- ❖ **ICL Performance Products:** improved results due to stable prices, lower raw materials costs, improved volumes and successful acquisition.
- ❖ **Step up of efficiency plans due to increased competition.**

- ❖ Q4'2013 gross profit increased by 5.2% compared to Q4'2012. Higher quantities sold contributed 28% while prices had a negative impact of 33.5%. Lower raw material and energy costs contributed 9%, and lower operating expenses contributed 2%, while an impairment of inventory had a negative impact of 1%.
- ❖ 2013 energy costs accounted for approximately 7% of ICL's total operating costs in 2013, compared to 8% in 2012. The decrease is attributed to the availability of natural gas which now fulfills all of ICL's energy needs at its converted facilities.
- ❖ 2013 marine transportation costs totaled \$384M, 7% of total operating costs, slightly higher than 2012.
- ❖ Adjusted operating income excludes provisions for an early retirement plan at Rotem (\$60M), waste removal at Bromine Compounds (\$25M) and asset impairment at ICL-IP (\$10M). Adjusted net income for Q4'2013 excludes the above (net of tax effect). Annual adjusted net income also excludes non-recurring tax expenses of \$107 million due to the release of trapped earnings and \$11 million due to updating deferred taxes stemming from an increase in the corporate tax rate to 26.5%. Q4'2012 and 2012 adjusted operating and net income excludes provisions for the early retirement plan at Rotem (\$33M) and ICL-IP (\$22M), as well as a one-time VAT refund at ICL-PP (\$11M).
- ❖ The Q4 results reflect higher revenues from Asia deriving from higher potash quantities sold to China and India, higher revenues from Europe due to increased sales of phosphate food additives and P2S5, and lower revenues from South America due mainly to the decrease in potash prices.
- ❖ The quarter's increase in financial expenses stems primarily from interest expense of \$12M compared with non-recurring interest income in Q4'2012, a decline in income from financial derivatives and from a revaluation of net short-term financial liabilities. This was partially offset by the revaluation of the shekel's impact on employee benefits expenses.
- ❖ The lower tax rate stems mainly from non-recurring revenues recognized due to a tax credit in a foreign subsidiary in respect of dividend distribution and the impact of not claiming accelerated depreciation in a subsidiary.
- ❖ As a result of the adoption of the IFRS 11 standard on Jan 1, 2013, jointly-controlled companies that were previously accounted for using the proportionate consolidation method are now accounted for using the equity method. Due to the change, results from Q4'2012 have been restated.

ICL Fertilizers Segment Results:

\$ million	Q4 2012	Q4 2013	2012	2013
Revenues (external)	633	733	3,534	3,382
Revenues (internal)	77	61	272	273
Revenues (total)	710	794	3,806	3,655
Operating profit	139	87	1,159	821
Operating profit - adjusted	172	147	1,192	881

Potash Sub-segment Results:

	Q4 2012	Q4 2013	2012	2013
Production - thousands of tonnes (KCI)	1,258	1,351	4,936	5,155
Inventory - thousands of tonnes*	1,006	1,126	1,006	1,126
External sales volume - thousands of tonnes	730	1,249	4,336	4,712
Total sales volume - thousands of tonnes	809	1,331	4,629	5,035
Revenues (external)- million \$	315	416	1,965	1,797
Revenues (internal)- million \$	62	49	234	229
Potash revenues (total)- million \$	377	465	2,198	2,027
Operating profit - million \$	135	140	996	740

* As of December 31, 2013

Q4'2013 results:

- ❖ Total sales volumes increased by 65% compared to Q4'2012 due primarily to higher shipments to China and India.
- ❖ Improved production in Israel and the UK led to higher production for the quarter (7.4%) and the year (4.4%).
- ❖ Q4'13 potash revenues increased by 23% as higher quantities sold and exchange rates contributed 56% and 1.6%, respectively, while lower prices had a negative impact of 34%.
- ❖ Q4'13 operating income increased by 3.7%, reflecting higher volumes, a decrease in energy costs and a decrease in operating expenses which contributed 79%, 8% & 6%, respectively, partially offset by lower selling prices.

Current business trends:

- ❖ Crop commodities' prices decreased during 2013 due to an increase in corn planting area and expectations for record harvest in the US. Soybean prices decreased more moderately than corn prices due to strong demand in the US and China. Wheat prices held better than corn prices mainly due to weather concerns and better demand from China but were weaker recently as a result of expectations for increased production outside the US, specifically in India, Western Europe and the FSU.
- ❖ In its latest monthly report published on February 10, the USDA revised downward its inventory estimates for wheat and corn. Estimated grains stock-to-use ratio was reduced to 19.9% from 20.2% in the January report.
- ❖ Following the standoff in the potash market in the summer, demand resumed during Q4'2013 and in 2014, activity returned to normal levels and prices stabilized.
- ❖ During 2013 demand in India was unfavorably impacted by the reduction in subsidies and the erosion of the Indian rupee which led to an increase in domestic prices. During Q3'13, declines in the potash prices in the SPOT market and pressure on the part of the Indian importers forced potash producers to reduce the price in existing agreements by an additional \$58 per tonne.
- ❖ Brazil potash imports in 2013 increased by 4% to 7.6 mn tons, a new record.
- ❖ ICL has signed new supply contracts with its Chinese customers for 1H'2014 to supply similar volumes as the 1H'2013 level at a price that is \$95 per tonne less than supply contracts for 1H'2013.

Phosphate & Fertilizers Sub-segment Results:

	Q4 2012	Q4 2013	2012	2013
Phosphate rock production - thousands of tonnes	941	903	3,513	3,578
Fertilizers production - thousands of tonnes	408	416	1,598	1,747
Rock sales volume (external) - thousands of tonnes	251	198	739	879
Rock internal use - thousands of tonnes	680	621	2,491	2,577
Fertilizers sales volume (external) - thousands of tonnes	283	316	1,575	1,695
Revenues (external) - million \$	319	317	1,569	1,584
Revenues (internal) - million \$	47	39	158	170
Phosphate & Fertilizers revenues (total) - million \$	366	356	1,727	1,754
Operating profit - million \$	6	-51	162	79
Operating profit adjusted - million \$	39	9	195	139

Q4'2013 results and business trends:

- ❖ Weak demand and price erosion continued during most of the fourth quarter. However, toward the end of the quarter a recovery was felt and prices began to rise due to good demand in South America, commencement of preparations of the North American buyers for the upcoming season and a return to the market of other buyers that had postponed purchases based on an expectation of continued price declines. So far in 2014, recovery continues.
- ❖ Fertilizers sales quantities in the fourth quarter were higher than in the corresponding period last year, mainly due to an increase in quantities sold to the United States.
- ❖ Revenues decreased by 2.7% compared with Q4'2012. Lower selling prices had a negative impact of 15.5%, partially offset by higher volumes and exchange rates which contributed 10% and 3.5%, respectively.
- ❖ Adjusted operating income decreased by 77%. Lower prices, exchange rates and inventory write down had a negative impact of \$46M, \$5M and \$4M, respectively. This was slightly offset by a decline in raw material costs and higher volumes which had a positive impact of \$22M (or 56%) and \$5M (or 13%), respectively.

ICL Industrial Products Segment Results:

\$ million	Q4 2012	Q4 2013	2012	2013
Revenues (external)	317	299	1,402	1,277
Revenues (internal)	5	6	16	19
Industrial Products revenues (total)	322	304	1,417	1,297
Operating profit	24	-10	217	115

Q4'2013 results and business trends:

- ❖ The segment's revenues declined by 5.6%. Lower volumes, mainly of inorganic bromine products, had a negative impact of 4%. Lower selling prices had a negative impact of 2%. This was slightly offset by exchange rates fluctuations.
- ❖ Adjusted operating profit decreased by 46%. Decreases in quantities sold and manufactured had a negative impact of 39%, lower selling prices and exchange rates fluctuations had a negative impact of 15% & 11%, respectively. This was slightly offset by a decline in raw material and energy costs which contributed 13%.
- ❖ Weakness in the electronics industry's demand for flame retardants continued to impact the segment's results. Based on the Company's forecast, no improvement in flame retardant demand is expected in the electronics and construction sectors in 2014.
- ❖ The book-to-bill ratio for printed circuit boards in North America was 0.92 in December 2013, up from 0.91 in November but still below parity. The industry association for printed circuit boards (IPC) said that in the current cycle, the book-to-bill ratio appears to have hit its low point in November and is now beginning to climb again.
- ❖ In contrast, demand continues to be solid for other bromine applications, including bromine based biocides, clear brine fluids and elemental bromine.
- ❖ Chlorine-based biocide market in 2013 was negatively impacted by competitiveness in the US market, mainly due to imports from Asia. Anti-dumping taxes at the rate of 30-38% were imposed in the beginning of 2013 on imports from China and were increased by further 20% in the beginning of 2014. The impact of the anti-dumping tax on biocide prices in the US market started to become visible only at the end of the year.

ICL Performance Products Segment Results:

\$ million	Q4 2012	Q4 2013	2012	2013
Revenues (external)	323	356	1,407	1,497
Revenues (internal)	16	20	65	78
Performance Products revenues (total)	339	376	1,472	1,575
Operating profit	32	35	179	196
Operating profit adjusted	21	35	168	196

Q4'2013 Highlights & Business Trends:

- ❖ The continued improvement in ICL Performance Products segment's performance is attributed to higher volumes, stability in the level of prices, lower raw materials costs and the segment's well-balanced product basket.
- ❖ Revenues increased by 11% due to higher quantities which contributed 10%, including first-time consolidation of companies acquired. Exchange rate fluctuations contributed 1%.
- ❖ Adjusted operating profit increased by 67%. Higher quantities sold contributed 29% and lower raw material prices contributed 52%. This was countered partially by an increase in other operating expenses which had a negative impact of 14%.

Other & Setoffs:

\$ million	Q4 2012	Q4 2013	2012	2013
Revenues (external)	30	28	129	116
Revenues (internal)	12	7	50	39
Other revenues (total)	42	36	179	155
Operating profit	0.9	-2.5	1	-16.6
Unallocated expenses and eliminations	-6.9	11.8	-2.5	-12.2

- ❖ Due to the first-time application of the IFRS 11 standard as explained above, Other Revenue no longer includes the results of IDE. They have been moved to the "associates" line in the report.

Cash Flow & Investment:

- ❖ Q4'2013 operating cash flow reached \$116 million compared to \$314 million in Q4'2012. Most of the decline derives from the decline in net income and changes in working capital, mainly as a result of the increase in trade receivables, due to the increase in sales in Q4'2013 compared with Q4'2012.
- ❖ Capital expenditures (excluding acquisitions) for Q4'2013 totaled approximately \$234 million compared to \$148 million in Q4'2012. Annual capital expenditure totaled approximately \$827 million, compared to \$712 million in 2012. Most of the increase stems from the solidification of the dyke surrounding the evaporation ponds of ICL Fertilizers at the Dead Sea, construction work with respect to a new power station at Sodom and investments in the company's potash facilities in Europe.

Q4'2013 – Main Developments:

- ❖ ICL announced today a one-time dividend of \$500 million to be paid on March 26, 2014.
- ❖ On November 4, 2013, the Company's Board of Directors decided to release the majority of the Company's trapped earnings in the amount of about NIS 3.8 billion (about \$1.1 billion).
- ❖ On December 29, 2013, an assessment was received from the Israel Tax Authority whereby the Company is required to make a further tax payment in addition to the amount it already paid in respect of 2009-2011, in the amount of about \$230 million. The Company disagrees with the position taken by the Tax Authority and it has obtained a legal opinion supporting its position. The Company has contested the assessment issued by the Tax Authority. No tax expenses were included in the financial statements in connection with this assessment.