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ICL REPORTS SHARP DECLINE IN PROFITABILITY IN THE SECOND QUARTER

- Lower selling prices and a non-recurring provision for royalties lead to net profit of $67M compared to $316M for the comparable period in 2013. Excluding non-recurring expenses, net profit for Q2 was $214M -

*- **ICL Fertilizers:** Strong demand for granular potash and phosphate fertilizers; good indications for growth in 2014 potash demand; lower quarterly phosphate fertilizer sales volumes due to continued impact of strike at Rotem -*

*- **ICL Industrial Products:** Solid demand for clear brine fluids, continued growth in brominated biocides and Merquel®; improved demand in several flame retardants market segments; results impacted by lower bromine prices in Europe and India -*

*- **ICL Performance Products:** Growth in food business driven primarily by the acquisition of Hagesud and moderate price increase in dollar terms also contributed to the segment; results also impacted by temporary supply constraints in phosphate-based products as a result of the strike at Rotem; prices have stabilized at a slightly higher level –*

*- **Non-recurring expenses:** During the second quarter ICL recorded an expense in the amount of approximately $149 million before interest and tax effects in respect of a provision relating to royalties for prior periods due to an arbitration award, as well as the impact of the strike at ICL Fertilizers' Rotem Amfert Negev subsidiary, in the amount of about $15 million –*

- As part of the Company's "Next Step Forward" strategy, ICL is implementing streamlining programs, integrating its global processes and pursuing programs to improve its manufacturing costs. Within this framework, the Company expects these actions will result, by the end of 2016, in savings of $350M in annual terms compared to 2013 –

*- **Decision of the Board of Directors of ICL relating to the interim recommendations of the Sheshinski Committee II:** continuation of a freeze in investments in Israel; cancellation of expected investments that have already been approved and cease approval of investments in the amount of $750 million; continuous examination of the feasibility of other investment programs totaling $1 billion; development of a plan to ensure the profitability of all operations and production lines in Israel; find ways to reduce costs; take legal action to protect the rights of the Company –*

***Tel Aviv, Israel, August 7, 2014* – ICL *(TASE:ICL*)**, a global manufacturer of products based on specialty minerals that fulfills essential needs of the world's growing population in the agriculture, processed food and engineered materials markets, today reported its financial results for the second quarter ended June 30, 2014.

Financial Highlights:

In US$ millions	*Q2 2014*	*Q2 2013*	*H1 2014*	*H1 2013*
Sales	1,536	1,770	3,148	3,411
Gross margin	35.3%	40.6%	35.1%	40.4%
Operating income	78	393	321	756
Adjusted operating income	243	393	495	756
Net income to the Company's shareholders	67	316	199	622
Adjusted net income to the Company's shareholders	214	316	402	622
EBITDA	343	481	682	927

Financial Results

Revenues: Sales for the second quarter of 2014 totaled $1.54 billion compared with $1.77 billion for the second quarter of 2013. This decrease reflected decreases in selling prices as well as of quantities sold. For the six-month period, sales totaled $3.15 billion, compared with $3.41 billion for the first half of 2013.

Gross profit: Gross profit for the second quarter of 2014 totaled $542 million compared with $718 million in the second quarter of 2013. Gross margin for the quarter was 35.3% compared with 40.6% for the second quarter of 2013. For the six-month period, gross profit totaled $1.1 billion compared with $1.38 billion for the first half of 2013. Gross margin for the period was 35.1% compared with 40.4% in the first half of 2013.

Operating income: Operating income for the second quarter of 2014 totaled $78 million compared with $393 million for the second quarter of 2013. After eliminating non-recurring impacts, primarily a provision in respect of an arbitration decision regarding past royalties, as well as costs in connection with the strike at Rotem Amfert, operating profit was approximately $243 million.

For the six-month period, ICL's operating income totaled $321 million compared with $756 million for the first half of 2013, and the Company's adjusted operating income, after eliminating non-recurring impacts, was $491 million for the first six months of 2014.

Net income: Net income to shareholders for the second quarter of 2014 totaled $67 million compared with $316 million in the second quarter of 2013. Excluding non-recurring expenses, net income for the quarter was $214 million.

For the first six months of the year, ICL's net income to shareholders totaled $199 million compared to $622 million for the first half of 2013.

Decisions by ICL's Board of Directors Relating to Sheshinski Committee II

On July 17, 2014, the Company submitted its response, in writing, to the draft recommendations of the Sheshinski Committee (for examination of taxation of natural resources) (the "**Committee's Interim Recommendations**") and on August 4, 2014 the Company orally presented its position to the Committee. The key arguments presented by the Company are as follows:

– The Committee erred in its calculation of ICL's asset base for purposes of determining the rate of return from which the "surplus profits" are derived, and in its establishment of a common rate of return on the basis of this asset base. As a result of these two pivotal errors, the proposed new Natural Resources tax would not just be imposed on "surplus profits";

– The proposed taxation model was established on the basis of ICL's data relating only to activities with respect to potash production from the Dead Sea. However, ICL is not only "Potash", and the Committee has to separately examine each of the other natural resources the Company produces (bromine, magnesium and phosphates), and make a fundamental examination of the individual characteristics of each activity sector;

– The Committee's Interim Recommendations are not consistent with the principles and targets that established by the Committee to guide it in its work. For example: (1) the marginal tax rate on the "surplus profits" will be in fact higher than the rate the Committee intended to impose and the Government's take will be in fact higher than the Committee intended; (2) the tax burden would increase when mineral prices decline, and accordingly the proposed fiscal arrangement is regressive, even though the Committee planned that it will be progressive; (3) the average tax burden on ICL would be significantly higher than that which is customary elsewhere in the world; and (4) the Recommendations are not neutral in their impact on the Company's potential investment decisions compared to the current regime, and would force ICL to reexamine all its investments in Israel and, unfortunately, to reallocate planned investments from Israel to other countries;

– Alongside the apparent benefits that derive from the Committee's Interim Recommendations, the Committee's Interim Recommendations will have a number of deleterious impacts, including: damage to Israeli GDP and exports; significant damage to the economy in the Negev; significant negative impact on employment of Negev residents; a decrease in collection of other taxes and an increase in the Government's expenses

– The Committee did not take into account the fact that the Government has already taken a number of steps that have increased its take of ICL's revenues, which is already at a rate customary elsewhere in the world, including the amendment of the Law for the Encouragement of Capital Investments; imposition on ICL of most of the costs relating to steps to protect Dead Sea hotels; and an increase in the rate of the royalties paid in respect of sale of potash, as well as the extension of royalties to include downstream products pursuant to the recently concluded arbitration;

– Adoption of the Committee’s Interim Recommendations would be a violation of agreements signed by the Government, including, the Concession Agreement, which determines the consideration that ICL has to pay the Government up to 2030 and the Salt Harvesting Agreement; accordingly, a law enacting the Committee's Recommendations will be unconstitutional.

The Company intends, with the assistance of its legal advisors, to take all necessary legal actions in order to protect its rights.

On August 6, 2014, the Company's Board of Directors discussed the impact of the Committee’s Interim Recommendations and the partial arbitration award in the royalties arbitration (the "**Royalties Arbitration**"), as well is the need to implement cost-cutting and efficiency plans, and its main resolutions are as follows:

The Company estimates, based on its 2013 prices and cost structure and a corporate tax rate of 26.5% that will be in effect beginning in 2018, and assuming that the Interim Recommendations would be applied with respect to the Company’s bromine and bromine compounds subsidiaries on a consolidated basis- that the incremental after-tax cost to the Company of the Committee’ Interim Recommendations, together with the impact of the Royalties Arbitration, would be approximately $160 million per year. The actual cost could differ based on market pricing, the Company’s cost structure, the corporate tax rate, the final methodology for calculation of the tax rate, changes in the final committee recommendation as compared to the current recommendation, and the final outcome of the royalties arbitration. The recommendations of the Sheshinski Committee remain subject to a public review process, and once any final recommendations are produced by the Sheshinski Committee, these recommendations will require approval by the Israeli cabinet and the Knesset before implementation. The recommendations described above could change materially at any point during this process and are not binding upon the Company until enacted into law. Any new unified royalty rate or new taxes with respect to Dead Sea Works Ltd. are not expected to become effective until 2017, although taxes applicable to phosphate and bromine operations could be implemented sooner.;

1. To continue to freeze the Company's investments in Israel, as incorporated in the Company’s long-term plan, and to re-evaluate the attractiveness of each investment, separately. As of the date of this report and so long as the Committee's Interim Recommendations are expected to be implemented, the Company has decided to (a) cancel investments that were previously approved by the Company prior to the date of announcement of the Committee's Interim Recommendation, and (b) cease approving further investments, in an aggregate amount of approximately $750 million. The Company continues to evaluate the impact of the implementation of the Committee's Interim Recommendations and the Royalties Arbitration on additional investment plans in the amount of approximately $1 billion, [that were also reflected in the Company’s long-term plan

2. To continue to evaluate the implementation of cost-cutting initiatives and the possibility for their acceleration;

3. To continue to act to execute the Company's strategy of expanding its operations in more attractive geographies, and to the extent required, to reallocate spending that had previously planned for Israel into projects or acquisitions in these other markets;

4. To evaluate the economic profitability of continuing to produce certain products, including magnesium metal, bromine compounds and certain phosphate downstream products. The economic profitability review will consider the option to discontinue certain products and/or to pursue reduction of cost of such production costs in connection with these products, including by means of potential collaborations.

For further details, see note 23(c)(4)(f) of the Company's 2013 financial statements, the Company's immediate reports dated May 18, 2014 (Reference No. 2014-01-066738), May 19, 2014 (Reference No. 2014-01-067671) and May 27, 2014 (Reference No. 2014-01-074112).

Highlights of Core Business Segments

ICL Fertilizers:

Sales for the second quarter and first half:
The segment's sales for the second quarter of 2014 totaled $821 million, representing 53.5% of total revenues (before offsets of inter-segment sales) compared with $1.07 billion in sales for the first quarter of 2013, reflecting primarily decreases in selling prices and a decrease in quantities sold. Sales for the first half of the year amounted to $1.75 billion compared to $2.08 billion for the comparable period in 2013.

Operating income for the second quarter and first half:
Operating income for ICL Fertilizers for the second quarter of 2014 totaled $151 million compared with $306 million for the second quarter of 2013. The decrease in operating income stems mainly from a decrease in selling prices of potash and lower quantities sold, as well as from the effects of the strike at Rotem Amfert, which was partially offset by lower operating costs. ICL Fertilizers' operating income for the first half of 2014 totaled $331 million compared to $599 million for the first half of 2013.

Potash: During the second quarter, ICL sold 1.25 million tonnes of potash compared to 1.23 million tonnes sold in the parallel quarter of 2013. For the first half of the year, the Company sold 2.65 million tonnes, approximately 100,000 tonnes more potash than it sold in the comparable period of 2013, resulting primarily from increased sales to China and Europe.

Phosphate Fertilizers: ICL sold 376 thousand tonnes of phosphate fertilizers in the first half of 2014 compared to 490 thousand tonnes in the comparable period of 2013. The reduction stemmed primarily from decreased quantities sold to Brazil and the reduction in amounts produced due to the effect of the strike at Rotem.

Main developments at ICL Fertilizers and worldwide trends in the fertilizer market:

- ***Expansion of Activities in Spain:*** ICL is in the midst of its EUR 175 million 'Phoenix 1' project to streamline and expand its production of potash at its potash mine located in Sura, Catalonia, Spain, Expanding potash production will also increase the amount of salt that the mines produce. In July 2014, ICL signed a non-binding memorandum of understanding with the Dutch company, AkzoNobel for long-term cooperation in the production of 1.5 million tons of high quality vacuum salt and 50 thousand tons of white potash.

- ***Investment in the UK:*** In April, Cleveland Potash Ltd. (CPL), a subsidiary of ICL Fertilizers that produces potash in England, announced the implementation of an investment program totaling £38 million to expand its mining and production capacity of Polysulphate© from its current 130 thousand tons per year to 600 thousand tons per year. The British government has approved a grant of £4.9 million related to the expansion project.

- ***Potash supply agreements to China:*** Within the context of framework contracts with Chinese customers for the sale of 3.3 million tonnes of potash during the first half of the year, in January and February 2014 ICL signed agreements with a number of Chinese customers to deliver potash in in the first half of the year. The specific contracts are at a price of $305 per ton CFR, representing a reduction of $95 per ton CFR compared to agreements signed in 2013. Imports to China in the first six months of the year totaled 3.9 million tonnes, an increase of 8% compared to the comparable period in 2013.

- ***Potash supply agreements to India:*** In April and until the reporting date, ICL Fertilizers agreed with several of its customers in India to supply potash for the 2014/2015 year in an aggregate quantity of 825,000 tons, including options for additional amounts. The selling price agreed to is approximately the same as the price set in transactions with other producers supplying potash to the Indian market. Imports to India during the first six months of the year grew by 31% compared to the comparable period in 2013, and stood at 1.7 million tonnes.

- ***Fertilizer demand in Brazil:*** Strong demand for potash continued in the first half of 2014 with imports during the first six months amounting to 4.6 million tonnes, constituting an increase of about 28% over the comparable period in 2013.

- ***Phosphate fertilizers:*** During the second quarter, prices trended downward which was reversed at the end of the quarter due to increased demand, especially in Brazil, which led to an increase in prices. While demand in India is traditionally weak during the first quarter, an increase in imports to India was recorded during the second quarter, although it was lower than expected due to delayed monsoon rains. ICL's sales volumes in the second quarter were adversely affected by the loss of sales due to the strike at Rotem.

- ***Grain Prices:*** After corn prices reached their lowest level since August 2010 in January 2014, the downward trend reversed and grain prices rose during the first half of the year through the end of May. However, following the release of a report by the US Department of Agriculture (USDA) anticipating an increase in crop quantities, primarily of corn and wheat, a significant decline was recorded in the prices of most grains, and, as of the reporting date, grain prices have returned to levels similar to the prices recorded at the beginning of the year, and even lower, for some grains.

- **ICL Industrial Products:**

Sales for the second quarter and first half:

ICL Industrial Products’ sales for the second quarter of 2014 totaled $359 million, a small increase compared to $353 million recorded for the corresponding period last year, and represented 23.4% of total revenues (before offsets of inter-segment sales). The increase derives from additional amounts sold, primarily of chlorine-based biocides for water treatment, magnesium chloride and magnesia products, as well as by fluctuations in exchange rates. This increase was partially offset by a decrease in selling prices, especially of bromine-based flame retardants.

For the first half of the year, sales were $696 million, a moderate increase over $691 million recorded for the comparable period in 2013.

Operating income (loss) for the second quarter and first half:
The segment incurred an operating loss of $114 million for the second quarter of 2014 compared with an operating profit of $50 million for the second quarter of 2013. Excluding one-time effects during the quarter, the Company had an operating gain of $30 million. The operating loss derives primarily from non-recurring expenses relating to a provision in respect of prior periods stemming from an arbitration decision regarding royalties, lower selling prices, a change in the mix of the quantities produced and sold, and an increase in royalty expenses in the second quarter as a result of the arbitration award.

The operating loss for the first half was $79 million compared to operating profit of $98 million for the comparable period in 2013. Excluding non-recurring effects, the Company had an operating profit of $62 million.

Market trends:

- ***Flame retardant market:*** The economic slowdown in the world over the past several years continued in 2013 reducing demand for electronic products and construction. In addition, sales of personal computers have declined due to increased use of smart phones and tablets. These trends have led to a decline in the demand for flame retardants, primarily bromine-based, for these markets. There was a notable improvement in demand for bromine-based flame retardants during the second quarter of 2014 for some uses in the electronics sector. During the first half, elemental bromine prices were relatively stable in the US and China, but Europe and India recorded price declines.

- ***Continued strong oil and gas exploration activities:*** Demand continued to be strong in the second quarter in the market for clear brine fluids for oil and gas drilling due to high off-shore drilling activity in the Gulf of Mexico, in particular.

- ***Shale gas production:*** Increased production of shale gas in the US is likely to increase demand for the Company's bromine-based biocides.

- ***Inorganic Bromides:*** The market for inorganic bromides for neutralizing mercury emissions from coal-powered power plants (served by the Company's Merquel® products) was characterized by an increase in demand during the first half of 2014 due to cold weather conditions and high gas prices.

- ***Biocides used in swimming pools:*** In the beginning of 2014, the anti-dumping tax imposed by the US Department of Commerce on Chinese manufacturers of chlorine-based biocides was increased by a further 20% from their original 30-38%, and in April 2014, the US authorities imposed anti-dumping taxes on Japanese manufacturers at the rate of 59%-109%. The anti-dumping tax on the biocide prices in the US market will eventually improve the Company's position in the market, even though this impact has not yet been expressed because most transactions are based on annual contracts.

- *Biocides to treat water:* Demand for bromine-based biocides used for water treatment continued to be strong in the first half of 2014.

- *De-icing salts:* The market for de-icing salts was characterized by high demand in the first half of 2014.

- **ICL Performance Products:**

Sales for the second quarter and first half:
ICL PP's sales for the second quarter of 2014 totaled $409 million, representing 26.6% of total revenues (before offsets of inter-segment sales), a small increase compared with $406 million for the second quarter of 2013. The increase reflects exchange rate fluctuations and increased sales.

For the first half of 2014, the segment recorded sales of $800 million, an increase of $37 million from sales of $763 million for the comparable period in 2013. This increase stems from an increase in quantities sold, including the first-time consolidation of the financial statements of companies acquired during 2013 and in the first half of 2014, fluctuations in currency exchange rates and an increase in selling prices.

Operating income for the second quarter and first half:
The segment's operating income for the second quarter of 2014 totaled $49 million compared to $52 million in the second quarter of 2013. For the first half of the year, the Company recorded operating profit of approximately $90 million compared to $87 million for the comparable period in 2013.

Market Trends:

In the second quarter, demand for phosphate-based downstream products in the European and American markets declined over the comparable period of last year due to supply constraints resulting from a strike. In addition, sales in the second quarter were lower based on the pricing strategy of competitors which emphasize market share over price. During Q2 there was a moderate increase in prices, while quantities sold suffered a significant decline in demand, mainly in North America, due to weak demand for phosphoric acid and increased competition. In addition, Q2 results were impacted by lower seasonal demand for Fire safety products in the western part of the US, as well as by a strike. The acquisition of Hagesüd in the first quarter continued to contribute to the improvement of the segment's results, offset somewhat by negative impact on the segment's specialty food products activities due to the crisis in the Ukraine where some of its operations are located.

Dividends

The Company's Board of Directors today declared that a dividend totaling $47 million will be paid on September 17, 2014, in respect of its second quarter results.

Stock Compensation Plan

The Board of Directors approved a plan presented to the Board since the beginning of the year for stock compensation (2014) to 450 officers and other senior employees in management positions of the Company and companies controlled by it ("Compensation Plan (2014)"), in addition to the allocation of restricted shares to 450 officers and senior employees of the Company and other companies controlled by it. At the same time, the Compensation Committee and the Board of Directors approved a Long Term Investment Plan to approximately 11,800 employees of the Company who are not managers that are offerees within the framework of the Compensation Plan (2014), as mentioned above, at a total cost of up to $17 million.

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About ICL

ICL is a global manufacturer of products based on specialty minerals that fulfill humanity's essential needs primarily in three markets: agriculture, food and engineered materials.

The agricultural products that ICL produces help to feed the world's growing population. The potash and phosphates that it mines and manufactures are used as ingredients in fertilizers and serve as an essential component in the pharmaceutical and food additives industries. The food additives that ICL produces enable people to have greater access to more varied and higher quality food. ICL's water treatment products supply clean water to millions of people, as well as to industry around the world. Other substances, based on bromine and phosphates help to create energy that is more efficient and environmentally friendly, prevent the spread of forest fires and allow the safe and widespread use of a variety of products and materials.

ICL benefits from a broad presence throughout the world and proximity to large markets, including in emerging regions. ICL operates within a strategic framework of sustainability that includes a commitment to the environment, support of communities in which ICL's manufacturing operations are located and where its employees live, and a commitment to all its employees, customers, suppliers and other stakeholders.

ICL is a public company whose shares are traded on the Tel Aviv Stock Exchange (TASE: ICL). The company employs approximately 12,000 people worldwide, and its sales in 2013 totaled US$6.3 billion. For more information, visit the company's website at www.icl-group.com

Forward Looking Statement

This press release contains forward-looking assessments and judgments regarding macro-economic conditions and the Group's markets, and there is no certainty as to whether, when and/or at what rate these projections will materialize. Management's projections are likely to change in light of market fluctuations, especially in ICL's manufacturing locations and target markets. In addition, ICL is likely to be affected by changes in the demand and price environment for its products as well as the cost of shipping and energy, whether caused by actions of governments, manufacturers or consumers. ICL can also be affected by changes in the capital markets, including fluctuations in currency exchange rates, credit availability, interest rates, etc.

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(financial tables follow)

ICL
PRINCIPAL FINANCIAL RESULTS
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014

	3 months ended June 30,				6 months ended June 30,			
	2014		2013		2014		2013	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
Sales	1,536	100.0	1,770	100.0	3,148	100.0	3,411	100.0
Gross profit	542	35.3	718	40.6	1,105	35.1	1,377	40.4
Operating income	78	5.1	393	22.2	321	10.2	756	22.2
Adjusted operating income*	243	15.9	393	22.2	495	15.7	756	22.2
Net income to the Company's shareholders	67	4.4	316	17.9	199	6.3	622	18.2
Adjusted net income to the Company's shareholders**	214	13.9	316	17.9	402	12.8	622	18.2
Operating cash flow	119		425		287		617	
EBITDA**	343	22.3	481	27.2	682	21.7	927	27.2

***Adjusted operating income is operating income after elimination of non-recurring effects (in 2013, mainly, a provision for early retirement at Rotem Amfert and a provision for removing waste at Bromine Compounds). For Q1 2014, approximately $8 million as a result of an increase in costs due a strike at Rotem Amfert. In Q2 2014, mainly about $149 million in respect of a provision relating to prior periods due to the arbitration decision regarding the royalties issue, an increase in costs due to the strike at Rotem Amfert in the amount of approximately $15 million.**

****Adjusted net income is the net income net of non-recurring impacts (impacts detailed above in the adjusted operating income and the financing expenses, net of tax). In addition, in 2013, tax in respect of trapped earnings and in the first quarter of 2014 approximately $51 million in respect of non-recurring tax expenses stemming from assessment agreements at European subsidiaries.**

*****EBITDA is calculated as follows:**

	3 months ended June 30,		6 months ended June 30,	
	2014	2013	2014	2013
Net income	67	316	199	622
Amortization & depreciation	91	81	177	164
Financing expenses, net	51	16	69	18
Taxes on income	(32)	68	63	123
Non-recurring expenses	166	-	174	-
EBITDA	343	481	682	927

ICL

PRINCIPAL RESULTS FROM CORE MANAGERIAL SEGMENTS
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014

	3 months ended June 30,				6 months ended June 30,			
	2014		2013		2014		2013	
Sales CIF by segment	**$ millions**	**% of gross sales**	**$ millions**	**% of gross sales**	**$ millions**	**% of gross sales**	**$ millions**	**% of gross sales**
ICL Fertilizers	821	53.5	1,072	60.6	1,754	55.7	2,081	61.0
ICL Industrial Products	359	23.4	353	19.9	696	22.1	691	20.3
ICL Performance Products	409	26.6	406	22.9	800	25.4	763	22.4
Other and offsets	(53)		(61)		(102)		(124)	
Total	1,535		1,770		3,148		3,411	

Note: Segment sales data and their percentage of total sales are before offsets of inter-segment sales.

	3 months ended June 30,				6 months ended June 30,			
	2014		2013		2013		2012	
Operating income by segment	**$ millions**	**% of segment sales**	**$ millions**	**% of segment sales**	**$ millions**	**% of segment sales**	**$ millions**	**% of segment sales**
ICL Fertilizers	151	18.4	306	28.6	331	18.9	599	28.8
ICL Industrial Products	(114)	(31.6)	50	14.1	(79)	(11.4)	98	14.2
ICL Performance Products	49	12.1	52	12.8	90	11.2	87	11.4
Other and offsets	(8)		(15)		(21)		(28)	
Total	78		393		321		756	