18.5.14

ICL's comment to Sheshinski interim recommendation:

The Commission's interim recommendations might force ICL to stop investing in Israel and focus on cost cutting. Severe effects expected on employment and the Negev's economy . ICL freezes planned investments plan in Israel in excess of $1 billion until the Commission's conclusions are delivered and understood

The interim recommendations of the Sheshinski Committee are an economic and social mistake that will practically force ICL to go back on most of its investments in Israel, focus on optimization and cost cutting and drive ICL out of Israel. ICL’s understanding is the following:

1. The government take from natural resources will include royalties, tax on natural resources and regular corporate tax.
2. The royalty rate will be 5% (phosphate royalties are currently at 2% and potash royalties were 5% of sales for the first 1.5 Mio t and 10% for any additional quantity)
3. A new “natural resource tax” on the operational profit of each subsidiary that exploits natural resources (according to the adjusted P&L statement) is proposed at the rate of 42%; it will be fixed after deduction of 11% return on depreciated assets.
4. The remaining profits will be subdued to the regular, current statutory tax of 26.5%.
5. The changes with respect to Dead Sea Works require legislation, which will come into effect not prior to January 1, 2017.

If implemented, the recommendations will create a further significant competitive disadvantage of ICL’s Israeli assets in comparison with nearly all of its international competitors, which pay much lower tax rates. The competitive advantage of the potash and bromine operations in the Dead Sea will be eliminated and the already weak competitive position of the phosphate business in the Negev will be further worsened. The meaning of all this is reduced operations in Israel and severe impact on employment of 30 thousand families in the Negev.

The adoption of the Sheshinski Committee recommendations will constitute a breach of both the concession agreement and the harvest and the 2012 royalties-increase agreement. ICL intends to exercise all of its legal rights to that end.

From an initial reading, it appears that the interim report contains inaccuracies and errors - both on a factual level and on an economic level.

ICL hopes that reason and logic will prevail in the discussions that will ensure in the next months, so that the best decision is taken for Israel and ICL’s employees and business partners. Whereas ICL’s shareholders in the past decade have focused on high return on their investment AND high investments into ICL and ICL employee’s salaries, the current proposal will maximize the short-term cash generation for the government budget but eliminate one of the foundations of the Israeli industry.

Out of responsibility for the future of the company, ICL announced today that it freezes its investments plan in Israel totaling in excess of $1 Billion until the interim conclusions are examined and understood. ICL will also explore additional cost-cutting measures as a consequence of reduced investments and to mitigate the impact of the proposed cash pay-out.