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ICL MAKES A STEP CHANGE IN ITS GLOBAL PHOSPHATE BUSINESS BY FORMING A STRATEGIC ALLIANCE WITH CHINA'S YUNNAN YUNTIANHUA

- *ICL to invest up to \$500 million for 50% ownership of a joint venture that will operate a fully integrated, world-scale phosphate business in China and a 15% strategic holding in Yunnan Yuntianhua, Asia's leading producer of phosphate rock. The transaction will be cash EPS accretive for ICL from the first year, with an EV/EBITDA ratio of 7.4 based on second year projections -*
- *The joint venture will include a mine that produces ~2.5 million tonnes of phosphate rock annually for the next 30 years, a world scale downstream phosphate operation and a marketing and sales organization that primarily serves the Chinese and the Asian markets -*
- *The strategic alliance will leverage ICL's and Yunnan Yuntianhua's technical, marketing and production expertise and will include a joint phosphate R&D platform in the Yunnan province to develop process improvement and new products for both partners -*
- *ICL has identified significant expansion and synergy potential: the major thrust of the JV's strategy will be the transformation from a commodity fertilizer company to a specialty player in Agriculture, Food Ingredients and Engineered Materials -*
- *With this transaction, ICL continues to implement its "Next Step Forward" strategy: diversifying and upgrading its sources of raw materials in line with global end markets, especially in emerging markets (China, Brazil, India and Africa); expanding its end market reach to fulfill essential needs in agriculture, food and engineered materials; and improving company-wide efficiency and cost positions. ICL intends to continue exploring further opportunities in these directions -*



Tel Aviv, Israel, December 16, 2014 – ICL (NYSE and TASE: ICL), a global manufacturer of products based on specialty minerals that fulfill essential needs of the world's growing population in the agriculture, processed food and engineered materials markets announced a major strategic cooperation agreement with Yunnan Yuntianhua Group Co. Ltd., a Chinese government-owned company that is China's second largest chemicals manufacturer with large scale phosphate mines and a manufacturer of fertilizers and downstream products derived from phosphates.

Description of the Transaction

ICL will invest up to \$500 million in its strategic alliance with Yunnan Yuntianhua which will include a) the creation of a new joint venture company in which ICL will have 50% ownership and which will operate an integrated, world-scale phosphate platform across the value chain and b) a strategic holding in Yunnan Yuntianhua, China's leading producer of phosphate rock and fertilizers, as detailed below:

The joint venture will include the following assets:

- A world-scale phosphate rock mine, currently operated by Yunnan Yuntianhua, that produces approximately 2.5 million tonnes of phosphate annually, and which will become the JV's full backward integration as a competitive phosphate platform.
- An integrated, world-scale phosphate operation with annual capacity of approximately 1,850,000 tonnes of sulfuric acid, 700,000 tonnes of phosphoric acid, 850,000 tonnes of fertilizers, 60,000 tonnes of purified phosphoric acid, 120,000 tonnes of specialty fertilizers and 65,000 tonnes of specialty phosphates for the food and engineered materials markets.

ICL will nominate the joint venture's CEO, COO and a VP Sales & Marketing, whereas Yunnan Yuntianhua will nominate the JV's CFO and VP HR. ICL will lead the operations of the business and merge ICL's existing businesses in China into this entity, which will be fully integrated into ICL's global businesses. The JV will be transformed into a fully operating business unit, including product development, production and sales & marketing.

In order to strengthen the strategic partnership between ICL Yunnan Yuntianhua and to create additional value for their respective shareholders, \$269 million of ICL's investment will be used to acquire a strategic holding in Yunnan Yuntianhua, a subsidiary of Yuntianhua Group that is listed on the Shanghai Stock Exchange (600096: Shanghai). The newly-issued shares will represent 15% of Yunnan Yuntianhua's equity following their issuance to ICL. Yunnan Yuntianhua is one of China's leading chemical companies with a strategic focus on the phosphate value chain and a strong advantage in mineral resources, providing high-quality products and services across the agriculture and engineered materials industries with approximately \$9 billion in annual revenues. The issuance of the shares will make ICL Yunnan Yuntianhua's largest private shareholder and will entitle ICL to nominate two members of Yunnan Yuntianhua's Board of Directors and a vice president of Yunnan Yuntianhua, as well as a vice president for two of its subsidiaries. The shares will be purchased by ICL for RMB 8.24 per share, a 10% discount from Yunnan Yuntianhua's average share price over the twenty trading days before November 25, 2014. The shares will be locked up for a period of three



years, demonstrating ICL's long-term commitment to a long-term alliance with Yunnan Yuntianhua. ICL intends to become an active, value creating shareholder of Yunnan Yuntianhua.

For ICL, the transaction will be cash EPS accretive for ICL from the first full year of operations with aggregate EV/EBITDA ratio of 7.4 based on second year projections.

The transaction is expected to close in Q1 2016, subject to closing conditions which include government approvals.

Strategic Rationale for the Transaction

ICL's transaction with Yunnan Yuntianhua represents the next significant execution step of ICL's "Next Step Forward" strategy. It will increase ICL's phosphate platform by more than 50% and expand its phosphate end-to-end business model across other attractive geographies by creating a demand pool via the specialty downstream markets. This timely transaction will enable ICL to take advantage of current low phosphate prices to secure long-term reserves and market share in growth markets.

ICL's phosphate business is focused on fulfilling essential needs in agriculture (commodity and specialty fertilizers), food (texture and stabilization of processed foods) and engineered materials (for industrial markets). Beginning from a competitive rock-mineral basis, 75% of the phosphate products of ICL's phosphate business unit (headquartered in Rotem, Israel) are sold via a fully integrated value chain from bulk fertilizers all the way downstream into specialty applications. Through this transaction, this business unit will further strengthen its position as the leading global backward-integrated phosphate player with the largest downstream products specialty portfolio.

ICL is entering into this comprehensive, broad and long-term strategic alliance with Yunnan Yuntianhua in order to transfer the successful business model it has developed over the past several decades into the faster growing Asian and Chinese markets. It intends to adapt to Asian market conditions by combining ICL's highly developed specialty phosphates know-how in production and marketing with Yunnan Yuntianhua's strong backward integration and scale. Additional benefit will come from ICL's opportunity to balance its global supply chain from two integrated sites, one in Israel and the other in China, in order to better serve its customers in Europe, the Americas and Asia, and thereby generate supply chain and capex synergies.

Competitive Features and Benefits of the Transaction

- ICL will become a joint venture partner with Yunnan Yuntianhua, China's largest fertilizer producer on an operational level, and as a strategic partner, on the corporate level.
- Through this transaction, ICL will gain the ability to build a second fully backward integrated specialty phosphates platform with above-average profitability and operate it seamlessly with its Israeli and global business units in Germany, Holland and the US.

- The transaction will strengthen the cost competitiveness of ICL's phosphate operations with access to a low-cost phosphate rock operation with vast reserves, as well as with low-cost phosphoric acid.
- The transaction almost doubles ICL's global phosphate market share as it becomes a new major player in China's and Asia's fast-growing specialty market for fertilizers, food ingredients and engineered materials.
- These additional resources, coupled with ICL's approximately \$2 billion existing specialty phosphates business in Europe, Northamerica and Brazil with its product expertise and brand name, will enable it to build world scale, diverse and competitive specialty operations for three of its target markets: China, SE Asia and India. It will also contribute to ICL's already established position in Brazil. The deal will allow ICL to provide better and more comprehensive service to its customers.
- ICL has identified significant expansion and synergy opportunities: upgrading and expanding purified phosphoric acid production facilities, expanding downstream operations by utilizing ICL's know-how; offering higher value added products such as specialty water soluble MAP, specialty phosphate salts for food and engineered materials, as well as formulations in the specialty non-agricultural market; expanding bulk fertilizers production (GMAP, GTSP) via debottlenecking; and improving utilization and processes. As a result, revenues are expected to grow from approximately \$500 million annually to over \$700 million over a period of five years. In addition, ICL sees potential margin expansion via marketing differentiation and reduction of production costs.
- The partners will establish a joint phosphate R&D platform in Kunming (Yunnan province) which will focus on product development for the Asian markets, as well as on process technologies for the phosphate operations.
- The strategic alliance between ICL and Yunnan Yuntianhua can support ICL's potash business in China over the long term.
- ICL will actively support Yunnan Yuntianhua's management with expertise, know-how and human resources for a newly created 'Phosphate Committee' which will report to Yunnan Yuntianhua's board of directors. The Committee will be designed to optimize the company's operations, commercial activities and financial structure in order to create shareholder value.

Commenting on the news, Mr. Ta Shenghua, Chairman of Yunnan Yuntianhua, stated, "We are pleased to enter into a strategic relationship with ICL, a global industry leader with unique know-how and expertise in developing and producing phosphate-based downstream products for the agriculture, food and engineered materials markets. Our respective positions in the global phosphates market will benefit from integrating Yunnan Yuntianhua's infrastructure and large-scale raw material reserves with ICL's broad know-how, unique technologies and proven expertise, and will enable us to conduct activities along the entire value chain - from mining to manufacturing downstream products. No other company in the world currently does this. We believe that together Yunnan Yuntianhua and ICL can make an important contribution to Chinese society and industry."



Stefan Borgas, CEO of ICL, added, “Our agreement with Yunnan Yuntianhua fulfills our strategic objectives. It will enable us to double our phosphates business and transform ICL from a smaller and regional player in the phosphates industry into a global leader with access to competitive phosphate reserves suitable for each market. As a result of this agreement, we will also transform our unique knowledge, technological capabilities and unparalleled expertise into an important growth contributor for ICL. Our cooperation with Yunnan Yuntianhua fits ICL’s strategy to provide for the evolving essential needs of China’s growing population. Our penetration into the Chinese market is also an important business objective for ICL. The partnership with Yunnan Yuntianhua will not only result in supplying phosphate fertilizers to China’s fast developing agricultural market, but is also important for the food market which is undergoing major changes in light of growing consumption of processed foods”.

Nir Gilad, Chairman of ICL’s Board of Directors, commented, “ICL’s strategic deal with Yunnan Yuntianhua marks another important milestone in the execution of its strategy, and it joins other accomplishments achieved by ICL over the past year including securing other raw material sources outside of Israel (potash in Spain and Ethiopia), laying a strategic foundation for activities in major growth markets (China, Africa and Brazil), focusing on its core businesses in food, agriculture and engineered materials by divesting non-core assets, establishing a significant platform in large, growing markets (China, Brasil, Africa) and implementing a company-wide efficiency plan. ICL continues to actively seek additional strategic growth opportunities, especially outside of Israel.”

Conference Call

ICL will hold a conference call for analysts on Tuesday, December 16, 2014 at 8:00AM EST during which Stefan Borgas, ICL’s President & CEO, joined by additional ICL executives, will discuss ICL’s strategic alliance with Yunnan Yuntianhua. To join the conference call, please call one of the access numbers listed below a few minutes before 8:00AM EST (1:00PM London time, 3:00PM Israel time) on Tuesday, December 16, 2014, and ask for the ICL Analyst Call.

North America (toll free): 1-877-407-0789

or (toll/international): 1-201-689-8562

Israel and International (toll-free) 1 809 406 247

UK (toll free): 0 800 756 3429

A live webcast may also be viewed from our website located at www.icl-group.com.



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 dual listed on the New York Stock Exchange and the Tel Aviv Stock Exchange (NYSE and 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.

