

August 28, 2014

Immediate Report – Board of Directors' Resolutions on the magnesium and Bromine Compounds Ltd. Plants

Further to section 9.17 of the Board of Directors' Report for the second quarter of 2014, regarding the Board of Directors' resolution on the evaluation of the economic profitability of continuing to produce certain products, including metal magnesium, bromine compounds and certain phosphate downstream products, the Company hereby wishes to report that on August 27, 2014, the Company's Board of Directors decided as follows:

Bromine Compounds – the Board of Directors has instructed management to develop and implement an efficiency plan designed to significantly improve the profitability of the Bromine Compounds company, which is in the Industrial Products segment. The Board of Directors has determined that this plan is required due to the continuing erosion of profits on bromine compounds as a result of a decline in demand for flame retardants, low structural growth of the world market, a drop in prices, strengthening of the shekel, compounded by the significant recent developments related to the partial arbitration decision with respect to royalties on sales of downstream products, including bromine compounds and the possibility that the interim recommendations of the Sheshinski Committee will be adopted and enacted into legislation. The Company's management is making preparations to formulate a plan, as stated, which it expects will include the reduction of labor and other costs in the Bromine Compounds company. No assurances can be provided that the Company will be able to formulate such a plan or that such a plan can be implemented successfully, as a result of various factors, including the situation of the market, competition, regulation, labor relations and/or each and any of the risk factors associated with the operation of the Company as set forth in the Company's annual report for 2013. In addition, the Company could be adversely affected as a result of such plan, including through potential labor unrest.

The Magnesium Plant – the Board of Directors has instructed management to make preparations for the closure of the Company's magnesium plant at the Dead Sea, commencing from January 1, 2017, unless the discussions with the State of Israel regarding the tax and royalties issues will support the continuation of the activities of the magnesium plant. Management has been instructed to support all existing and future customer orders and commitments in order to avoid any interruptions until the final closure of the plant. The main economic justification for continuation of the activities of the magnesium plant at the Dead Sea, stems from the plant's synergies with other facilities of the Company in Sodom, which provide it with, and receive from it, raw materials (the "**Synergies**"). The net value of the Synergies has declined due to the increase in the tax burden on production from natural

resources in Israel that have already been implemented, and will further decline if the interim recommendations of the Sheshinski Committee are enacted into law. As a result of the abovementioned tax burden, the Company has halted all investments in the magnesium plant (other than investments required by law). In 2013, the Company's total sales of magnesium were approximately \$115 million and the gross profit of the magnesium company in 2013 was approximately \$1 million, the net book value of the assets of the magnesium company as of June 30, 2014 was approximately \$35 million and the depreciation expenses in 2013 were approximately \$ 6 million.

Name of authorized signatory on the report and name of authorized electronic reporter: Lisa Haimovitz

Position: VP, General Counsel and Company Secretary

Signature Date: August 28, 2014