

March 19, 2014

*Translation from the Hebrew. The Hebrew version is the binding version.*

**Immediate report on the Dead Sea Works claim for arbitration against the Government of Israel**

Further to Note 23 of the Company's financial statements for 2013 Which was published on March 19, 2014 (Reference No. 2014-01-017478), the Company hereby announces that yesterday, March 18, 2014, the subsidiary of the Company, Dead Sea Works Ltd. ("DSW"), advised the Israeli Government that it has filed a claim within the framework of an arbitration process in connection with the violation of the Concession agreement, which is the addendum to the Dead Sea Works Concession Law, 1961 ("**Concession agreement**" and "**the Dead Sea Concession Law**") which provides the DSW with, inter alia, the exclusive right to produce minerals from the Dead Sea, and, in addition, announced the appointment of an arbitrator on its behalf and requested the appointment of an arbitrator on behalf of the Israeli government.

The subject of the statement of claim is the announcement of the Minister of Finance, Mr. Yair Lapid, dated June 17, 2013 regarding the establishment of a public committee headed by Prof. Eytan Sheshinski to review the policy regarding the share received by the State for the use of private entities, including DSW, for the use of national natural resources ("**the Committee**"). On December 3, 2013 the Company requested the Minister of Finance, including in the name of DSW, to exclude this matter from the letter of appointment, however, this request was denied.

According to the main arguments in the statement of claim, which were attached to DSW's announcement, the conduct of the State in implementing unilateral steps to review the aforementioned consideration that the DSW is obliged to pay to the State for the rights granted to it in the Concession agreement described above, constitutes a violation of the Concession agreement which was provided for in the Dead Sea Concession Law that determines, inter alia, that any doubt, controversy or dispute arising between the parties with regard to the Concession agreement shall be conducted through an arbitration process. In addition to the above, the conduct of the State constitutes a breach of its responsibility to act in a reasonable manner, and in good faith, in the fulfillment of the commitments and the use of the rights arising out of the Concession agreement, as well as the disregard of the material provisions of the Concession agreement determining the agreements of the State and the DSW with regard to the full consideration to be paid by the DSW to the State for the minerals in the Dead Sea. In light of these violations, DSW believes that this establishes the Company a right to compensation for any damage caused or that shall be caused to the Company as a result of the conduct of the state.

**Yours sincerely,**

**Israel Chemicals Ltd.**