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

ICL Israel Chemicals Ltd.

Preliminary Publication of Consolidated Financial Data

As at December 31, 2013
In Thousands of U.S. Dollars

(Unaudited)

The quantitative and financial data included in this preliminary report is not final and may not be considered audited data in accordance with the Securities Regulations (Annual Financial Statements), 2010, and the data may change, among other things, as a result of processing and analysis of the information. In addition, it is noted that the data is accurate as at the early publication date and it may be impacted in various ways by additional events occurring subsequent to the report date, whether since the data that will be included in the Company's financial statements will require adjustment or because it will be necessary to add an appropriate note in the financial statements, as stated – all of this based on the type of the relevant event. In addition, it should be clarified that the Company is providing to the investors the information included in this preliminary report since Management believes that this information is useful to the investors, nonetheless this preliminary report does not constitute a substitute for the full disclosure that will be included in the Periodic Report as at December 31, 2013 to be published by the Company.

Consolidated Statements of Financial Position as at December 31

	2013 (Unaudited) US$ thousands	*2012 (Audited) US$ thousands
Current assets		
Cash and cash equivalents	188,340	206,067
Short-term investments and deposits	96,388	142,689
Trade receivables	1,057,028	1,034,668
Other receivables and debit balances, including derivative instruments	186,317	217,021
Income taxes refundable	105,270	56,469
Inventories	1,408,297	1,406,151
Total current assets	3,041,640	3,063,065
Non-current assets		
Investments in companies accounted for using the equity method of accounting	174,511	173,952
Long-term deposits and receivables	15,768	22,080
Excess of assets over liabilities in respect of defined benefit plan	83,124	69,193
Long-term derivative instruments	7,619	17,515
Non-current inventory	62,252	54,723
Deferred taxes, net	111,157	112,189
Property, plant and equipment	3,686,240	3,097,385
Intangible assets	791,174	734,809
Total non-current assets	4,931,845	4,281,846
Total assets	7,973,485	7,344,911

* Restated – retroactive application due to initial application of International Reporting Standards IFRS 11 and IAS 19 (Revised).

	2013 (Unaudited) US$ thousands	*2012 (Audited) US$ thousands
Current liabilities		
Credit from banks and others	718,284	552,062
Trade payables	669,102	640,396
Provisions	38,485	40,217
Other payables, including derivative instruments	500,453	545,872
Income taxes payable	33,717	30,651
Total current liabilities	1,960,041	1,809,198
Non-current liabilities		
Loans from banks and others	1,243,638	916,594
Debentures	67,000	228,708
Long-term derivative instruments	6,582	23,812
Deferred taxes, net	220,877	215,149
Employee benefits	702,103	685,716
Provisions	94,570	77,470
Total non-current liabilities	2,334,770	2,147,449
Total liabilities	4,294,811	3,956,647
Equity		
Share capital	542,853	542,769
Share premium	133,633	101,501
Capital reserves	84,715	45,312
Retained earnings	3,152,832	2,935,537
Treasury shares	(260,113)	(260,113)
Total equity attributable to the equity holders of the Company	3,653,920	3,365,006
Non-controlling interests	24,754	23,258
Total equity	3,678,674	3,388,264
Total liabilities and equity	7,973,485	7,344,911

* Restated – retroactive application due to initial application of International Reporting Standards IFRS 11 and IAS 19 (Revised).

Consolidated Statements of Income

	For the twelve-month period ended		For the three-month period ended	
	December 31 2013 (Unaudited) US$ thousands	December 31 *2012 (Audited) US$ thousands	December 31 2013 (Unaudited) US$ thousands	December 31 2012 (Unaudited) US$ thousands
Sales	6,271,542	6,471,433	1,416,075	1,302,990
Cost of sales	3,861,572	3,760,235	889,385	801,900
Gross profit	2,409,970	2,711,198	526,690	501,090
Selling, transportation and marketing expenses	850,325	797,291	220,034	184,094
General and administrative expenses	281,491	248,782	74,350	65,315
Research and development expenses, net	82,870	74,099	21,579	19,994
Other expenses	110,194	61,085	99,546	57,675
Other income	(16,276)	(23,691)	(11,820)	(16,428)
Operating income	1,101,366	1,553,632	123,001	190,440
Financing expenses	158,403	81,595	51,267	471
Financing income	(131,548)	(20,701)	(45,720)	(3,429)
Financing expenses (income), net	26,855	60,894	5,547	(2,958)
Share in income of investee	25,685	26,555	7,049	3,132
Income before taxes on income	1,100,196	1,519,293	124,503	196,530
Taxes on income	280,023	217,561	4,941	(12,207)
Income for the period	820,173	1,301,732	119,562	208,737
Attributable to:				
The equity holders of the Company	818,573	1,300,076	119,202	208,105
Non-controlling interests	1,600	1,656	360	632
Income for the period	820,173	1,301,732	119,562	208,737
Earnings per share attributable the equity holders of the	US $	US $	US $	US $
Basic earnings per share	0.644	1.024	0.094	0.164
Diluted earnings per share	0.644	1.024	0.094	0.164

* Restated – retroactive application due to initial application of International Reporting Standards IFRS 11 and IAS 19 (Revised).

Consolidated Statements of Comprehensive Income

	For the twelve-month period ended		For the three-month period ended	
	December 31 2013 (Unaudited) US$ thousands	December 31 *2012 (Audited) US$ thousands	December 31 2013 (Unaudited) US$ thousands	December 31 2012 (Unaudited) US$ thousands
Income for the period	820,173	1,301,732	119,562	208,737
Components of other comprehensive income that will be recognized in future periods in the income statement				
Foreign currency translation differences with respect to foreign operations	49,142	24,674	26,706	14,884
Changes in fair value of derivatives used to hedge cash flows	1,718	15,634	(1,719)	4,277
Income tax on components of other comprehensive income that will be recognized in future periods in the income statement	(898)	313	(90)	1,595
Total	49,962	40,621	24,897	20,756
Components of other comprehensive income that will not be recognized in future periods in the income statement				
Actuarial gains (losses) from defined benefit plan	47,282	(43,904)	9,369	(29,044)
Income tax on components of other comprehensive income that will not be recognized in future periods in the income statement	(14,172)	9,018	(3,499)	7,606
Total	33,110	(34,886)	5,870	(21,438)
Total comprehensive income for the period, net of tax	903,245	1,307,467	150,329	208,055
Attributable to:				
The equity holders of the Company	901,749	1,305,242	150,054	207,474
Non-controlling interests	1,496	2,225	275	581
Total comprehensive income for the period	903,245	1,307,467	150,329	208,055

* Restated – retroactive application due to initial application of International Reporting Standards IFRS 11 and IAS 19 (Revised).

Consolidated Statements of Changes in Equity

	Attributable to the equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve for foreign operations	Capital reserves	Treasury shares	Retained earnings	Total		
	(Unaudited)								
	US$ thousands								
For the year ended December 31, 2013									
Balance as at January 1, 2013 (Audited)*	542,769	101,501	(30,063)	75,375	(260,113)	2,935,537	3,365,006	23,258	3,388,264
Exercise of options allotted to employees	84	32,132	-	(32,216)	-	-	-	-	-
Share-based payments	-	-	-	21,776	-	-	21,776	-	21,776
Dividends to equity holders	-	-	-	-	-	(634,388)	(634,388)	-	(634,388)
Tax benefit in respect of allotment of shares to employees	-	-	-	(223)	-	-	(223)	-	(223)
Comprehensive income for the year	-	-	49,246	820	-	851,683	901,749	1,496	903,245
Balance as at December 31, 2013	542,853	133,633	19,183	65,532	(260,113)	3,152,832	3,653,920	24,754	3,678,674

* Restated – retroactive application due to initial application of International Reporting Standards IFRS 11 and IAS 19 (Revised).

Consolidated Statements of Changes in Equity (cont'd)

	Attributable to the equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve for foreign operations	Capital reserves	Treasury shares	Retained earnings	Total		
	(Audited)								
	US$ thousands								
For the year ended December 31, 2012*									
Balance as at January 1, 2012	542,377	94,798	(54,168)	53,866	(260,113)	2,689,569	3,066,329	23,922	3,090,251
Exercise of options allotted to employees	392	6,703	-	(3,295)	-	-	3,800	-	3,800
Share-based payments	-	-	-	8,668	-	-	8,668	-	8,668
Dividends to equity holders	-	-	-	-	-	(1,019,222)	(1,019,222)	(2,889)	(1,022,111)
Tax benefit in respect of allotment of shares to employees	-	-	-	189	-	-	189	-	189
Comprehensive income for the year	-	-	24,105	15,947	-	1,265,190	1,305,242	2,225	1,307,467
Balance as at December 31, 2012	542,769	101,501	(30,063)	75,375	(260,113)	2,935,537	3,365,006	23,258	3,388,264

* Restated – retroactive application due to initial application of International Reporting Standards IFRS 11 and IAS 19 (Revised).

Consolidated Statements of Changes in Equity (cont'd)

	Attributable to the equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve for foreign operations	Capital reserves	Treasury shares	Retained earnings	Total		
	(Unaudited)								
	US$ thousands								
For the three-month period ended December 31, 2013									
Balance as at October 1, 2013	542,853	133,633	(7,608)	62,765	(260,113)	3,082,165	3,553,695	24,479	3,578,174
Share-based payments	-	-	-	4,579	-	-	4,579	-	4,579
Dividends to equity holders	-	-	-	-	-	(54,405)	(54,405)	-	(54,405)
Tax benefit in respect of allotment of shares to employees	-	-	-	(3)	-	-	(3)	-	(3)
Comprehensive income for the period	-	-	26,791	(1,809)	-	125,072	150,054	275	150,329
Balance as at December 31, 2013	542,853	133,633	19,183	65,532	(260,113)	3,152,832	3,653,920	24,754	3,678,674

Consolidated Statements of Changes in Equity (cont'd)

	Attributable to the equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve for foreign operations	Capital reserves	Treasury shares	Retained earnings	Total		
	(Unaudited)								
	US$ thousands								
For the three-month period ended December 31, 2012									
Balance as at October 1, 2012	542,769	101,485	(44,998)	65,745	(260,113)	3,024,389	3,429,277	24,606	3,453,883
Exercise of options allotted to employees	-	16	-	(16)	-	-	-	-	-
Share-based payments	-	-	-	3,777	-	-	3,777	-	3,777
Dividends to equity holders	-	-	-	-	-	(275,519)	(275,519)	(1,929)	(277,448)
Tax benefit in respect of allotment of shares to employees	-	-	-	(3)	-	-	(3)	-	(3)
Comprehensive income for the period	-	-	14,935	5,872	-	186,667	207,474	581	208,055
Balance as at December 31, 2012	542,769	101,501	(30,063)	75,375	(260,113)	2,935,537	3,365,006	23,258	3,388,264

Consolidated Statements of Cash Flows

	For the twelve-month period ended		For the three-month period ended	
	December 31 2013 (Unaudited) US$ thousands	December 31 *2012 (Audited) US$ thousands	December 31 2013 (Unaudited) US$ thousands	December 31 2012 (Unaudited) US$ thousands
Cash flows from operating activities				
Income for the period	820,173	1,301,732	119,562	208,737
Adjustments for:				
Depreciation and amortization	347,741	322,511	102,086	86,904
Interest expenses, net	41,951	28,529	12,487	(2,454)
Share in income of companies accounted for using the equity method of accounting	(25,685)	(26,555)	(7,049)	(3,132)
Loss (Gain) on sale of property, plant and equipment, net	(1,958)	602	(2,216)	3
Share-based payment transactions	21,776	8,668	4,579	3,777
Revaluation of assets and liabilities denominated in foreign currency	29,541	7,511	5,907	13,063
Gain on entry into consolidation of associated company	(1,827)	(1,945)	-	(1,945)
Income tax expenses (revenues)	280,023	217,561	4,941	(12,207)
	1,511,735	1,858,614	240,297	292,746
Change in inventory	4,061	(54,852)	(44,784)	(146,567)
Change in trade and other receivables	19,614	217,118	(3,533)	158,479
Change in trade and other payables	(84,903)	(71,612)	24,298	24,015
Change in provisions and employee benefits	53,782	30,973	63,510	46,327
	1,504,289	1,980,241	279,788	375,000
Income tax paid	(333,794)	(220,179)	(146,772)	(53,251)
Interest received	2,380	12,207	506	6,303
Interest paid	(45,966)	(45,051)	(17,807)	(14,486)
Net cash provided by operating activities	1,126,909	1,727,218	115,715	313,566
Cash flows from investing activities				
Investment in long-term deposits	-	(2,397)	-	(849)
Proceeds from sale of property, plant and equipment	3,304	924	2,031	-
Short-term loans and deposits, net	38,770	(16,099)	(2,811)	(8,840)
Business combinations less cash acquired	(63,057)	(11,875)	-	8,768
Dividend received from companies accounted for using the equity method of accounting	23,168	17,089	8,226	520
Acquisition of property, plant and equipment	(826,588)	(711,721)	(236,722)	(147,995)
Acquisition of intangible assets	(22,093)	(11,350)	(10,132)	(3,076)
Investments and loans to companies accounted for using the equity method of accounting	-	(8,521)	-	(2,951)
Proceeds from sale of long-term deposits	7,164	3,241	5,926	566
Net cash used in investing activities	(839,332)	(740,709)	(233,482)	(153,857)
Cash flows from financing activities				
Proceeds from exercise of options allotted to employees	-	3,800	-	-
Dividend paid to the Company's equity holders	(634,388)	(1,019,222)	(54,405)	(275,519)
Dividend paid to non-controlling interests	-	(2,889)	-	(1,929)
Receipt of long-term loans	674,736	362,001	390,298	211,985
Repayment of long-term loans	(613,457)	(311,415)	(437,398)	(94,374)
Short-term credit from banks and others, net	263,119	(50,899)	96,654	(145,870)
Net cash used in financing activities	(309,990)	(1,018,624)	(4,851)	(305,707)
Net decrease in cash and cash equivalents	(22,413)	(32,115)	(122,618)	(145,998)
Cash and cash equivalents as at beginning of the period	206,067	238,141	309,222	351,758
Effect of exchange rate fluctuations on cash and cash equivalents	4,686	41	1,736	307
Cash and cash equivalents as at end of the period	188,340	206,067	188,340	206,067

* Restated – retroactive application due to initial application of International Reporting Standards IFRS 11 and IAS 19 (Revised).

Note 4 - Business Segments

Operating segment data

	Fertilizers: Potash	Fertilizers: Phosphate	Fertilizers: Eliminations	Fertilizers: Total	Industrial products	Performance products	Other activities	Eliminations	Consolidated
	(Unaudited)								
	US$ thousands								
Year 2013:									
Sales to external parties	1,797,360	1,584,420	-	3,381,780	1,277,432	1,496,601	115,729	-	6,271,542
Inter-segment sales	229,237	169,815	(125,567)	273,485	19,253	78,095	38,980	(409,813)	-
Total sales	2,026,597	1,754,235	(125,567)	3,655,265	1,296,685	1,574,696	154,709	(409,813)	6,271,542
Income from ordinary activities	740,342	79,494	1,235	821,071	114,525	195,797	(16,574)		1,114,819
Unallocated expenses and intercompany eliminations									(13,453)
Operating income									1,101,366
Financing expenses									(158,403)
Financing income									131,548
Share in profit of Investee companies accounted for using the equity method of accounting									25,685
Income before taxes on income									1,100,196
Capital expenditures	551,508	141,983	-	693,491	141,338	93,394	8,860	-	937,083
Unallocated capital expenditures									10,180
Total capital expenditures									947,263
Depreciation and amortization	100,533	117,895	-	218,428	75,071	46,580	6,323	-	346,402
Unallocated depreciation and amortization									1,339
Total depreciation and amortization									347,741

Note 4 - Business Segments (cont'd)
Operating segment data (cont'd)

	Fertilizers				Industrial products	Performance products	Other activities	Eliminations	Consolidated
	Potash	Phosphate	Eliminations	Total					
	(Audited)								
	US$ thousands								
Year 2012: *									
Sales to external parties	1,964,741	1,568,944	-	3,533,685	1,401,645	1,406,626	129,477	-	6,471,433
Inter-segment sales	233,587	158,151	(119,544)	272,194	15,778	65,491	49,907	(403,370)	-
Total sales	2,198,328	1,727,095	(119,544)	3,805,879	1,417,423	1,472,117	179,384	(403,370)	6,471,433
Income from ordinary activities	996,491	162,419	(88)	1,158,822	217,336	179,256	630		1,556,044
Unallocated expenses and intercompany eliminations									(2,412)
Operating income									1,553,632
Financing expenses									(81,595)
Financing income									20,701
Share in income of Investee companies accounted for using the equity method of accounting									26,555
Income before taxes on income									1,519,293
Capital expenditures	428,474	151,235	-	579,709	138,488	47,727	7,798	-	773,722
Unallocated capital expenditures									5,894
Total capital expenditures									779,616
Depreciation and amortization	110,217	101,393	-	211,610	61,998	42,451	5,614	-	321,673
Unallocated depreciation and amortization									838
Total depreciation and amortization									322,511

* Restated – retroactive application due to initial application of International Reporting Standards IFRS 11 and IAS 19 (Revised).

Note 4 - Business Segments (cont'd)

Operating segment data (cont'd)

	Fertilizers				Industrial products	Performance products	Other activities	Eliminations	Consolidated
	Potash	Phosphate	Eliminations	Total					
	(Unaudited)								
	US$ thousands								
For the three-month period ended 31 December 2013									
Sales to external parties	415,880	317,427	-	733,307	298,905	355,451	28,412	-	1,416,075
Inter-segment sales	49,385	38,590	(27,075)	60,900	5,507	20,460	7,440	(94,307)	-
Total sales	465,265	356,017	(27,075)	794,207	304,412	375,911	35,852	(94,307)	1,416,075
Income from ordinary activities	139,772	(51,136)	(1,205)	87,431	(9,905)	34,997	(2,501)		110,022
Unallocated expenses and intercompany eliminations									12,979
Operating income									123,001
Financing expenses									(51,267)
Financing income									45,720
Share in profit of Investee companies accounted for using the equity method of accounting									7,049
Income before taxes on income									124,503
Capital expenditures	165,172	37,353	-	202,525	30,387	13,645	2,687	-	249,244
Unallocated capital expenditures									4,098
Total capital expenditures									253,342
Depreciation and amortization	27,251	34,267	-	61,518	26,762	11,792	1,564	-	101,636
Unallocated depreciation and amortization									450
Total depreciation and amortization									102,086

Note 4 - Business Segments (cont'd)

Operating segment data (cont'd)

	Fertilizers				Industrial	Performance	Other		
	Potash	Phosphate	Eliminations	Total	products	products	activities	Eliminations	Consolidated
	(Unaudited)								
	US$ thousands								
For the three month period ended December 31, 2012									
Sales to external parties	314,707	318,677	-	633,384	317,145	322,902	29,559	-	1,302,990
Inter-segment sales	62,066	47,106	(32,187)	76,985	5,025	15,710	12,298	(110,018)	-
Total sales	376,773	365,783	(32,187)	710,369	322,170	338,612	41,857	(110,018)	1,302,990
Income from ordinary activities	134,678	5,804	(1,134)	139,348	24,139	31,853	895		196,235
Unallocated expenses and intercompany eliminations									(5,795)
Operating income									190,440
Financing expenses									(471)
Financing income									3,429
Share in profit of Investee companies accounted for using the equity method of accounting									3,132
Income before taxes on income									196,530
Capital expenditures	112,930	35,024	-	147,954	40,328	14,353	2,828	-	205,463
Unallocated capital expenditures									4,489
Total capital expenditures									209,952
Depreciation and amortization	29,333	28,618	-	57,951	16,041	10,919	1,478	-	86,389
Unallocated depreciation and amortization									515
Total depreciation and amortization									86,904

1. Business environment and profitability

ICL is a multinational company, the financial results of which are affected by the global economic trends, changes in terms of trade and financing, and fluctuations in the currency exchange rates. The demand for ICL's products is affected by, among other factors, the demand for basic agricultural products and the global economic situation. Together with and as part of its business strategy, ICL is taking steps towards adapting its marketing and production policies to the global market conditions. ICL is also focusing on improving its cash flows and diversifying its financing sources, and is committed to taking action to improve efficiency and savings.

Most of ICL's sales are in foreign currency, mainly US dollars and Euro. A significant part of its operating expenses in Israel is denominated in shekels; therefore devaluation of the average shekel exchange rate against the dollar has a positive impact on ICL's profitability, while appreciation has the opposite effect. Devaluation of the average exchange rate of the euro against the dollar has a negative impact on ICL's profitability, while appreciation has the opposite impact. On the other hand, devaluation of the euro against the dollar improves the competitive ability of ICL's subsidiaries whose functional currency is the euro, compared with competitors whose functional currency is the dollar. ICL hedges against some of these foreign currency exposures. Most of ICL's loans bear variable interest rates, exposing the Company to fluctuations in the interest rates. The Company partially hedges against this exposure by using financial hedging instruments, including derivatives.

There is interdependence between the amount of available arable land and the amount of food needed for the population, and the use of fertilizers. The natural population growth, change in food consumption habits (a shift to richer nutrition, largely based on animal protein, which increases grain consumption) resulting from the rising standard of living, mainly in the developing countries, and environmental-quality considerations along with the aspiration of western countries to reduce dependence on oil imports, which have strengthened the trend of shifting to production of fuel from agricultural products (bio-fuels), affect the increase in global consumption of grains (cereals, rice, soya, corn, etc.). These trends already led to significantly lower grain inventories a few years ago, and consequently, higher prices of agricultural produce, increased planting of grain crops worldwide, and higher yield per unit of agricultural land, mainly by increased application of fertilizers. In the recent period, there was an increase in cheap alternative energy sources (shale gas, mainly in the U.S.). The impact of these products on the overall energy prices could also impact the economic viability of production of bio-fuels and the rate of growth of their use. Production of ethanol (from corn) in 2013 is expected to be higher than last year. Nonetheless, in light of the pressure on the U.S. government to reduce the required level of ethanol production (the required use levels of bio-fuels in the primary countries (the U.S., Europe, Brazil) are defined by law) and the decision not to increase the percentage of ethanol in gasoline (the blending rate) from 10% to 15%, no growth is expected in 2014.

In the middle of 2012, there was a sharp increase in grain prices due to the drought and dry weather conditions in the main growing regions in the United States, Russia and Kazakhstan. Commencing from the first quarter of 2013, there was a moderate decline in the prices of most of the grains, due to an expectation of a large harvest and an increase in the planting areas, mainly of corn in the United States. Towards the end of the first quarter of 2013, a trend of falling corn prices began due to an increase in the planting areas and the USDA's expectation of record harvests in the United States, which continued in 2013, and the corn prices fell to the lowest level since August 2010. The soya prices also decreased compared with the second quarter of the year, however more moderately than the corn prices, as a result of strong demand in the United States and China. Wheat prices, as well, fell more moderately from their record levels in June 2012 compared to the decrease in corn prices, this being due to the effect of the weather on development of the winter wheat in the United States, an increase in the demand for wheat imports in China and a fear of damage to the harvests in South America. Rice is the only agricultural product that maintained its high price with a mild upward trend from the beginning of 2012[1].

Based on a report published by the US Department of Agriculture (USDA) in January 2014, an increase is expected in the ratio of the inventories of grains to annual consumption, to a level of 20.15% at the end of the 2013/2014 agricultural year, compared with 19.60% in the prior agricultural year and 20.19% in the 2011/2012 agricultural year. Most of the increase stems from the inventory of corn.

In the short term, demand for fertilizers is volatile and is affected by factors such as the weather in the world's central agricultural growing regions, fluctuations in the scope of the planting of the main crops, agricultural input costs, agricultural product prices and developments in biotechnology. Some of these factors are influenced by subsidies and credit lines granted to farmers or to producers of agricultural inputs in various countries, and by regulation of environmental quality matters. Changes in currency exchange rates, legislation and international trade policy also affect the supply, demand and level of consumption of fertilizers worldwide. Notwithstanding the volatility that may be caused in the short term as a result of these factors, the Company estimates that the policy of most countries in the world is to ensure an orderly supply of high-quality food to their residents, including by encouraging agricultural production, which should act preserve the long-term growth trend[2].

In the beginning of 2013, ICL Fertilizers signed framework contracts with a number of customers in China for three years for sale of 3.3 million tons of potash. The sale prices in these agreements will be set in negotiations between the parties. As part of these agreements, in January 2013 ICL Fertilizers signed contracts for sale of potash in the first half of 2013 in the overall scope of 660 thousand tons, with a price reduction of $70 per ton CFR compared with the contracts signed in 2012. The terms of the contracts signed are similar to those agreed to with the other potash importers to China. During the second half of the year, a number of sale transactions were executed based on the current (SPOT) rate.

In the Indian market, change in the subsidy policies for fertilizers and devaluation of the local currency against the dollar, gave rise to a significant increase in the retail price of potash and phosphates to the farmer and a drop in demand. Imports of potash into India fell from 4.5 million tons in 2011 to 3.4 million tons in 2012 and to 3.1 million tons in 2013. In the first quarter of 2013, the potash manufacturers signed a contract at a price that embodies a decline of $63 compared with the price closed in the prior supply contracts in India. Due to a significant erosion in the exchange rate of the Indian rupee and the decision of the Indian government to reduce the budgets for subsidies of phosphate and potash fertilizers, the Indian fertilizer importers struggled to meet their obligations. Declines in the potash prices in the SPOT market and pressure on the part of the Indian importers forced the potash producers to reduce the price in the existing agreement by an additional $58. ICL Fertilizers agreed with its customers in India to supply potash in 2013 and up to January-February 2014, in an aggregate quantity of 820 thousand tons

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[1] Source – CBOT (Chicago Board of Trade).

[2] The assessments regarding future trends in this paragraph constitute forward-looking information and there is no certainty that they will be realized, when and at what pace. The assessments could change as a result of fluctuations in world markets and local markets, especially at ICL's production sites and in the target markets for ICL products, including, among others, changes in the levels of supply and demand and in the prices of products, commodities and grains. There could also be an impact from actions taken by governments, producers and consumers. In addition, there could be an impact from the situation in the financial markets, including changes in the exchange rates, credit situation and interest rates.

(including an option for an additional 50 thousand tons). The selling price agreed to is about the same as the price set in transactions with other producers supplying potash to the Indian market.

Import of potash to Brazil in 2013 reached about 7.6 million tons, constituting an increase of about 3.5% over last year, which was a record year for potash imports.

At the end of July 2013, the Russian potash manufacturer Uralkali announced its exit from the marketing company that is jointly owned by it and Belaruskali (BPC), through which the two manufacturers, Uralkali and Belaruskali, exported their output to points outside of their countries. Concurrent with the exit announcement, Uralkali also gave notice of a change in its selling strategy and transition to a policy favoring quantity over price while taking full advantage of the company's production capacity. This announcement triggered a trend of falling prices in the potash markets and also caused a postponement of potash acquisitions by customers with an expectation of additional price declines. During the fourth quarter and in January 2014, the demand resumed, the level of activities in the various markets returned to a regular level and the prices stabilized.

As at the date of the report, a number of manufacturers announced signing of a contract for the first half of 2014 for supply of potash in China: Uralkali signed a contract for supply of 700 thousand tons at a price constituting a decline of $95 compared with the supply contracts for the first half of 2013; Canpotex, the export company of the North American manufacturers, gave notice of signing a contract for supply of potash to Sinofert, covering a quantity of 700 thousand tons; and Arab Potash, the Jordanian potash manufacturer, signed a contract covering a quantity of 300 thousand tons. For the first half of 2014, ICL has agreed with its customers with respect to sale quantities roughly the same as the quantities agreed to for the corresponding period last year, on commercial terms similar to those agreed to in the supply contracts with other Chinese potash importers.

2013 was characterized by a decline in the phosphate fertilizer trade along with an erosion of the prices of phosphate fertilizers. The phosphate market was adversely affected by the decline in purchases made by the main importer – India, mainly due to a cut in the subsidies for these products and erosion of the exchange rate of the Indian currency against the dollar. Towards the end of the year, a certain recovery was felt and the prices started to rise moderately due to good demand in South America, commencement of preparations of the North American merchants for the upcoming season and return to the market of other buyers that had postponed purchases based on an expectation of continued price declines.

The operations of ICL-IP are largely affected by the level of activities in the electronics, construction, automotive, oil drilling, furniture, pharmaceuticals, agriculture, textile and water treatment markets. Pressure is being exerted by "green" organizations in the area of environmental protection to reduce the use of bromine-based flame retardants. On the other hand, additional and new uses for bromine and its related compounds are being developed, along with regulation in various countries leading to increased use of bromine and bromine compounds. The slowdown of the global economy that characterized most of 2012 and continued into the period of the report triggered a slowdown in the demand for electronic products and in the construction area, which in turn caused a decline in the demand for flame retardants, mainly bromine-based, for these markets. Based on the Company's forecasts[3], no significant improvement

[3] The assessments regarding future trends in this paragraph constitute forward-looking information and there is no certainty that they will be realized, when and at what pace. The assessments could change as a result of fluctuations in world markets and local markets, among other things, due to changes in the levels of supply and demand.

is expected in the demand for flame retardants in the electronics and construction sectors in 2014. In the period of the report, the elemental bromine prices were relatively stable.
\In the market for clear brine fluids for oil and gas drilling, the demand continued to be strong in the period of the report, due to an increase in the number of drillings worldwide and in off-shore drillings in particular.

In 2013, the market for chemicals used in swimming pools was impacted by falling prices as a result of a strategy by the competitors to increase their market share. In the beginning of 2013, the U.S. Department of Commerce decided to impose an anti-dumping tax on manufacturers of chlorine-based biocides from China, at the rate of about 30%–38%. In the beginning of 2014, the anti-dumping tax on the Chinese was increased by a further 20%, in addition to the fact that there has been progress in the deliberations with respect to imposition of new "countervailing duty" taxes on both the Chinese and Japanese manufacturers. The impact of the anti-dumping tax on biocide prices in the U.S. market started to become visible only at the end of the year. Demand for bromine-based biocides used for water treatment, continued to be strong in the period of the report. The market de-icing salts was characterized by high demand in 2013.

ICL-PP is strongly affected by the global economic situation, competition in the target markets and volatility of prices in the fertilizers' market, which affect the prices of ICL-PP’s principal raw materials and availability of the raw materials, as well as by fluctuations in the energy prices. These market conditions create a competitive market for ICL-PP's products. In addition, some of ICL-PP's target markets are characterized by a seasonal factor, mainly in the area of wildfire flame retardants. Further to the trend that has recently characterized the global markets, the fourth quarter was also affected by the uncertainty with respect to the financial situation in the United States, the economic developments in Europe and the slowdown in China. Notwithstanding that stated above, ICL-PP's performance in the period of the report was good, mainly due to stability in the level of prices and the Company's well-balanced products' basket.

Marine transportation expenses amount to about 7% of ICL’s total operating costs in the period of the report. The marine transportation costs in the period of the report amounted to about $384 million.

After several years of falling marine bulk transportation prices, commencing from the third quarter of the year there was an increase in the transportation prices that continued in the fourth quarter of the year as well. The average index (the BDI (Baltic Dry Index) marine shipping index) for the fourth quarter of 2013 was 1,858 points, constituting an increase of about 100% compared with the corresponding quarter last year.

Energy costs account for approximately 7% of ICL's total operating costs in the period of the report. In 2012, the Yam Tethys partnership announced that it is forced to reduce the quantities of gas it supplies because of the dilution of the gas in the well. The rate of the decline in the supply of gas from Yam Tethys, compared with the potential use in 2012 amounted to about 53%. On April 1, 2013, supply of gas from the Tamar Field commenced, as a substitute for the quantity supplied by the Yam Tethys partnership. Supply of the gas from the Tamar Field fulfills all of ICL's gas needs for the facilities the conversion of which has been completed. Increase in the use of natural gas in ICL's facilities will significantly reduce emissions of pollutants in the area of the factories, improve the quality of the output, reduce the maintenance expenses and lead to a significant monetary savings due to the switch from use of expensive fuels.

2. Results of Operations

2.1 Principal financial results

Set forth below are the condensed results of operations for the period reviewed, compared with the results for the corresponding period last year, in millions of dollars.

	1-12/2013		1-12/2012		10-12/2013		10-12/2012	
	USD millions	% of sales	USD millions	% of sales	USD millions	% of sales	USD millions	% of sales
Sales	6,272		6,471		1,416		1,303	
Gross profit	2,410	38.4	2,711	41.9	527	37.2	501	38.5
Operating income	1,101	17.6	1,554	24.0	123	8.7	190	14.6
Profit before tax	1,100	17.5	1,519	23.5	125	8.8	197	15.1
Net income attributable to the Company's shareholders	819	13.1	1,300	20.1	119	8.4	208	16.0
Adjusted net income attributable to the Company's shareholders *	1,012	16.1	1,339	20.7	195	13.8	247	18.9
EBITDA**	1,569	25.0	1,946	30.1	327	23.1	324	24.9
Cash flows from current operations	1,127		1,727		116		314	
Investment in property, plant and equipment	827		712		237		148	

* After elimination of non-recurring tax effects (in 2013, mainly, tax in respect of release of trapped earnings, provision for early retirement in Rotem and provision for removing waste in Bromine; in 2012, mainly, provision for early retirement in Rotem and Bromine).

** The EBITDA is calculated as follows, in millions of dollars:

	1-12/2013	1-12/2012	10-12/2013	10-12/2012
Net income to Company shareholders	819	1,300	119	208
Depreciation and amortization	348	323	102	87
Finance expenses (income), net	27	61	6	(3)
Taxes on income	280	218	5	(12)
Non-recurring expenses	95	44	95	44
Total	1,569	**1,946**	327	**324**

2.2 Results of operations for the period January-December 2013

Sales

ICL's sales in the period of the report amounted to about USD 6,272 million, compared with USD 6,471 million in the corresponding period last year. This decrease is due mainly to a decrease in the selling prices that led to a decrease in the total sales of about USD 495 million. On the other hand, this decrease was partly offset by an increase in the quantities sold, including the first-time consolidation of the financial statements of companies acquired which led to an increase in sales of about USD 230 million and a change in the currency exchange rates, which contributed to an increase in the sales revenues of about USD 65 million.

Below is a geographical breakdown of the sales:

CIF sales	1-12/2013		1-12/2012	
	USD millions	%	USD millions	%
Israel	319	5.1	325	5.0
North America	1,207	19.2	1,252	19.4
South America	748	11.9	815	12.6
Europe	2,378	37.9	2,332	36.0
Asia	1,464	23.3	1,615	25.0
Rest of the world	156	2.6	132	2.0
Total	6,272	100.0	6,471	100.0

The sales' breakdown indicates an increase in sales in Europe, stemming mainly from an increase in the quantities of potash sold. On the other hand, there was a decrease in sales, mainly in Asia, as a result of a decline in the selling prices of the potash and fertilizers in India, a decrease in sales in South America, deriving mostly from impact of the decline in the price of potash, and a decrease in the sales in North America, mainly due to a drop in sales of bromine-based flame-retardants, inorganic bromine products, and chlorine-based biocides for water treatment.

Gross profit

The gross profit amounted to USD 2,410 million, compared with gross profit of USD 2,711 million in the corresponding period last year, a decrease of about USD 301 million. The gross profit margin as a percentage of sales was about 38.4%, compared with about 41.9% in the corresponding period last year.

The decrease in the gross profit and the gross-profit margin compared to the corresponding period last year stems mainly from a decrease in the selling prices, which gave rise to a decline in the amount of about USD 465 million, the impact in the change in the currency exchange rates, in the amount of about USD 21 million and from an impairment of inventory, in the amount of about USD 10 million. This decrease was partially offset by an increase in the quantities sold, including the first-time consolidation of the statements of companies acquired, in the amount of about USD 97 million, from a decrease in energy and raw-material prices, in the amount of about USD 98 million.

Selling and marketing expenses

The selling and marketing expenses amounted to about USD 850 million, compared with about USD 797 million in the corresponding period last year. The increase stems mainly from the increase in the quantities sold, as noted above.

General and administrative expenses

The general and administrative expenses amounted to about USD 281 million, compared with about USD 249 million in the corresponding period last year. The increase stems primarily from the impact of the currency exchange rates due to the strengthening of the shekel against the dollar.

Operating income

The operating income amounted to about USD 1,101 million, a decrease of about USD 453 million compared with the corresponding period last year. The decrease in the operating income stems mainly from the decrease in the gross profit, the increase in the selling and marketing expenses and the general and administrative expenses, as noted above, an expense, in the amount of about USD 60 million, in respect of a plan for early retirement in Rotem, a provision of about USD 25 million for removal of waste at Bromine and an impairment in value of assets, in the amount of about USD 10 million. The operating income last year was impacted by a provision for early retirement, in the amount of about USD 55 million, in Bromine and Rotem, and from income, in the amount of about USD 11 million, relating to a VAT refund outside of Israel. The rate of the operating income out of the total sales was about 17.6%, compared with about 24.0% in the corresponding period last year last year.

Financing expenses

The net financing expenses amounted to about USD 27 million, compared with financing expenses of about USD 61 million in the corresponding period last year. The decrease in the financing expenses this year compared with the corresponding period last year stems mainly from revenues in the year as a result of change in the fair value of financial derivatives and from revaluation of net short-term financial liabilities, in the amount of USD 60 million. On the other hand, there was an increase in the financing expenses due to the impact of exchange rate differences on provisions for employee benefits, in the amount of about USD 13 million, stemming from an upward revaluation of the shekel against the dollar, at the rate of about 7.0%, compared with an upward revaluation of the shekel, at the rate of about 2.3%, in the corresponding period last year. In addition, there was an increase in the interest expenses, which totaled about USD 42 million, compared with about USD 29 million in the corresponding period last year.

Tax expenses

The tax expenses amounted to about USD 280 million, compared to about USD 218 million in the corresponding period last year. The tax rate on the pre-tax income is about 25.5% compared to about 14.3% in the corresponding period last year. The increase in the tax rate in the period of the report compared with the corresponding period last year derives mainly from non-recurring tax expenses, in the amount of about USD 107 million, due to the Company's decision to release trapped earnings and the impact of update of the deferred taxes as a result of increase of the Companies Tax rate in Israel to 26.5% commencing from January 2014. This increase was partially offset by the impact of the change in the exchange rate of the dollar against the shekel, compared with the corresponding period last year, which triggered a decline in the tax rate applying to the companies operating in Israel, the source of which is differences in respect of the measurement basis. On December 29, 2013, an assessment was received from the Taxes Authority whereby the Company is required to make a further tax payment in addition to the amount it already paid in respect of 2009-2011, in the amount of about USD 230 million. The Company disagrees with the position taken by the Taxes Authority and it has a legal opinion supporting its position. The Company has contested the assessment issued by the Taxes Authority. No tax expenses were included in the financial statements in connection with the said assessment.

Net profit

The net profit for the Company's shareholders amounted to about USD 819 million, compared with USD 1,300 million in the corresponding period last year – a decrease of about USD 481 million.

2.3 Results of operations for the period October-December 2013

Sales

ICL's sales in the period of the report amounted to about USD 1,416 million, compared with USD 1,303 million in the corresponding period last year. This increase stems mainly from an increase in the quantities sold, including the first-time consolidation of the financial statements of companies acquired during 2013 and 2012, which led to an increase in the sales of about USD 275 million, and from the impact of the change in the currency exchange rate, in the amount of about USD 25 million. This decrease was partly offset by a decrease in the selling prices, which led to a decrease in the sales of about USD 185 million.

Below is a geographical breakdown of the sales:

	10-12/2013		10-12/2012	
	USD millions	%	USD millions	%
Israel	83	5.9	75	5.8
North America	276	19.5	279	21.4
South America	121	8.6	134	10.3
Europe	535	37.8	520	39.9
Asia	364	25.7	268	20.5
Rest of the world	37	2.5	27	2.1
Total	1,416	100.0	1,303	100.0

The sales' breakdown indicates an increase in sales in Asia, stemming primarily from an increase in the quantities of potash sold in China and India, and an increase in sales in Europe, due to an increase in sales, mainly of phosphate salts for food additives and P2S5 from the ICL Performance Products segment. On the other hand, there was a decrease in the sales, in South America, stemming from a decline in the selling prices of potash in Brazil.

Gross profit

The gross profit amounted to USD 527 million, compared with gross profit of USD 501 million in the corresponding period last year, an increase of about USD 26 million. The gross profit margin as a percentage of sales was about 37.2%, compared with about 38.5% in the corresponding period last year.

The increase in the gross profit compared to the corresponding period last year stems mainly from an increase in the quantities produced and sold, in the amount of about USD 142 million, a decline in the prices of raw materials and energy, in the amount of about USD 45 million, and a decrease in other operating expenses, in the amount of about USD 10 million. This increase was partially offset by a decrease in the selling prices, of about USD 168 million, and an impairment in the value of inventory, in the amount of about USD 4 million.

Selling and marketing expenses

The selling and marketing expenses amounted to about USD 220 million, compared with about USD 184 million in the corresponding period last year. The increase stems mainly from an increase in the quantities sold, as stated above.

General and administrative expenses

The general and administrative expenses amounted to about USD 74 million, compared with about USD 65 million in the corresponding period last year. The increase stems mainly from the impact of the currency exchange rates as a result of the strengthening of the shekel against the dollar.

Operating income

The operating income amounted to approximately USD 123 million, a decrease of about USD 67 million compared with the corresponding period last year. The decrease in the operating income derives mainly from the increase in the selling, marketing, general and administrative expenses, as stated above, and from an expense, in the amount of about USD 60 million, in respect of a plan for early retirement in Rotem, a provision, in the amount of about USD 25 million, for removal of waste in Bromine and an impairment in value of assets, in the amount of about USD 10 million. The operating income last year was impacted by a provision for early retirement, in the amount of about USD 55 million, in Bromine and Rotem, and from income, in the amount of about USD 11 million, relating to a VAT refund outside of Israel. The rate of the operating income out of the total sales was about 8.7%, compared with 14.6% in the corresponding period last year last year.

Financing expenses

The net financing expenses amounted to about USD 6 million, compared with net financing income of about USD 3 million in the corresponding period last year. The increase in the financing expenses in the quarter compared with the corresponding period last year stems mainly from interest expenses in the period, in the amount of USD 12 million, compared with non-recurring interest income, in the amount of USD 2 million, in the corresponding period last year, which stemmed mainly from non-recurring interest received relating to a VAT claim outside of Israel and interest income from short-term deposits. In addition, there was a decline in income in the period as a result of change in the fair value of financial derivatives and from revaluation of net short-term financial liabilities, in the amount of USD 4 million. On the other hand, there was a decrease in the financing expenses, due to the impact of exchange rate differences on provisions for employee benefits, in the amount of about USD 9 million, as a result of an upward revaluation of the shekel against the dollar, at the rate of about 1.9%, compared with an upward revaluation, at the rate of about 4.6%, in the corresponding period last year.

Tax expenses

The tax expenses amounted to about USD 5 million, compared with about USD 12 million in the corresponding period last year. The tax rate on the pre-tax income is about 4.0% compared to about (6.2%) in the corresponding quarter last year. The low rate of the tax expenses in the quarter stems, mainly, from the change in the exchange rate of the dollar against the shekel, which caused a decrease in the tax rate of the companies operating in Israel, the source of which is differences in respect of the measurement basis. The low rate of the tax expenses in the corresponding quarter last year stems, mainly, from non-recurring revenues recognized due to a tax credit in a foreign subsidiary in respect of distribution of a dividend, and the impact of not claiming accelerated depreciation in a subsidiary on the balance of the deferred taxes. On December 29, 2013, an assessment was received from the Taxes Authority whereby the Company is required to make a further tax payment in addition to the amount it already paid in respect of 2009-2011, in the amount of about USD 230 million. The Company disagrees with the position taken by the Taxes Authority and it has a legal opinion supporting its position. The Company has contested the assessment issued by the Taxes Authority. No tax expenses were included in the financial statements in connection with the said assessment.

Net profit

The net profit for the Company's shareholders amounted to about USD 119 million, compared with USD 208 million in the corresponding period last year – a decrease of about USD 89 million.

3. ICL Fertilizers

Potash

The revenues from potash include the sales of potash from Israel, Spain (Iberpotash) and the United Kingdom (Cleveland Potash).

Potash – Revenues and Profit

$ millions	1-12/2013	1-12/2012	10-12/2013	10-12/2012
Revenues*	2,027	2,198	465	377
Operating income	740	996	140	135

* Including revenues from inter-segment sales

The decrease in the revenues in the period of the report, compared with the corresponding period last year, stems mainly from a decrease in the selling prices, which led to a decrease in the revenues, in the amount of about USD 359 million. On the other hand, this decrease was partly offset by an increase in the quantities sold, which caused a rise in the total sales of about USD 177 million, and the impact of the change in the currency exchange rates, in the amount of about USD 10 million.

The increase in revenues in the fourth quarter compared with the corresponding quarter last year stems from an increase in the quantities sold, which led to an increase in the revenues, in the amount of about USD 210 million, and from the impact of the change in the currency exchange rates, in the amount of about USD 6 million. In contrast, this increase was partly offset by decrease in the selling prices, which led to a decrease in revenues, in the amount of about USD 128 million.

The decrease in the operating income in the period of the report stems mainly from the impact of the decline in the selling prices of potash which reduced the operating income by about USD 341 million, the effect of the change in the currency exchange rates, in the amount of about USD 10 million and an increase in other operating expenses, in the amount of about USD 9 million. This decline was offset a bit by an increase in the quantities sold, in the amount of about USD 80 million, and a decline in the energy prices, in the amount of about USD 24 million.

The increase in the operating income in the quarter stems mainly from increase in the quantities sold, which led to an increase in the revenues, in the amount of about USD 107 million, a decrease in the energy prices, in the amount of about USD 11 million, and a decrease in other operating expenses, in the amount of about USD 8 million. In the other direction, this increase was partly offset by the impact of the decline in the selling prices of potash, in the amount of about USD 121 million.

Potash – Production, Sales and Closing Inventories

Thousands of tons	1-12/2013	1-12/2012	10-12/2013	10-12/2012
Production	5,155	4,936	1,351	1,258
Sales to external customers	4,712	4,336	1,249	730
Sales to internal customers	323	293	82	79
Total sales (including internal sales)	5,035	4,629	1,331	809
Closing inventory	1,126	1,006	1,126	1,006

The quantity of potash sold to external customers in the period of the report was about 376 thousand tons higher than in the corresponding period last year, mainly as a result of an increase in the quantities sold to China and Brazil. Production of potash in the period of the report was about 219 thousand tons higher than in the corresponding period last year, as a result of an improvement in production in the Company's mines in Europe.

The quantity of potash sold to external customers in the fourth quarter is about 519 thousand tons higher than in the corresponding period last year, mainly due to an increase in the quantities sold to China and India. Production of potash in the fourth quarter was about 93 thousand tons higher than in the corresponding period last year, as a result of an improvement in the production in Israel and in the United Kingdom.

Fertilizers and Phosphates

The revenues in this segment derive from sales in and outside of Israel of phosphate rock, fertilizers (including phosphate fertilizers, compound, liquid and fully soluble fertilizers, along with slow-release and controlled-release fertilizers), phosphoric acid used as a raw material for fertilizer production ("green acid"), and other products.

Fertilizers and Phosphates – Revenues and Profit

$ millions	1-12/2013	1-12/2012	10-12/2013	10-12/2012
Revenues*	1,754	1,727	356	366
Operating income (loss)	79	162	(51)	6
Operating income excluding onetime events	139	195	9	39

* Including revenues from inter-segment sales.

The increase in revenues in the period of the report is mainly due to an increase in the quantities of phosphate fertilizers sold, including the first-time consolidation of the financial statements of companies acquired, which led to an in increase in the total revenues, in the amount of about USD 99 million, as well as due to the impact of the change in the currency exchange rates, in the amount of about USD 39 million. This increase was mostly offset by a decrease in the selling prices of the segment's products, which led to a decline in the revenues of about USD 109 million.

The decrease in revenues in the fourth quarter is due to a decline in the selling prices of phosphate fertilizers, which caused a decrease in the revenues of about USD 57 million. This decrease was partly offset by an increase in the quantities sold, the first-time consolidation of the financial statements of companies acquired during 2013, which led to a increase in the total revenues, in the amount of about USD 36 million, and from the impact of the currency exchange rates, in the amount of about USD 13 million.

The operating income in the period of the report in 2013 and 2012, after eliminating non-recurring impacts, amounted to about USD 139 million and about USD 195 million, respectively. The rate of the adjusted operating income of the sales was about 7.9%, as opposed to an operating income rate about 11.3% last year.

The decrease in the operating income in the period of the report stems mainly from a decrease in the selling prices, in the amount of about USD 97 million, a provision for early retirement in Rotem, in the amount of about USD 60 million, the impact of the change in the currency exchange rates, in the amount of about USD 8 million, and an impairment in the value of inventory, in the amount of about USD 10 million. This decrease was partly offset by a decline in the raw-material prices, in the amount of about USD 52 million and a decline in other operating expenses, in the amount of about USD 7 million. The operating income last year was impacted by a provision for early retirement, in the amount of about USD 33 million.

The operating income in the fourth quarter of 2013 and 2012, after eliminating non-recurring impacts, amounted to about USD 9 million and about USD 39 million, respectively. The rate of the adjusted operating income of the sales was about 2.5%, as opposed to an operating income rate about 10.7% in the final quarter last year.

The decrease in the operating income in the fourth quarter derives mainly from a decrease in the selling prices, in the amount of about USD 46 million, a provision for early retirement in Rotem, in the amount of about USD 60 million, the impact of the change in the currency exchange rates, in the amount of about USD 5 million, and an impairment in the value of inventory, in the amount of about USD 4 million. This decrease was partly offset by a decline in the raw-material prices, in the amount of about USD 22 million and an increase in the quantities sold, in the amount of about USD 5 million. The operating income last year was impacted by a provision for early retirement, in the amount of about USD 33 million.

Fertilizers and Phosphates – Production and Sales

Thousands of tons	1-12/2013	1-12/2012	10-12/2013	10-12/2012
Phosphate rock				
Production of rock	3,578	3,513	903	941
Sales *	879	739	198	251
Phosphate rock used for internal purposes	2,577	2,491	621	680
Fertilizers				
Production	1,747	1,598	416	408
Sales *	1,695	1,575	316	277

* To external customers.

Phosphate rock is produced according to demand, both for internal use and for sales to external customers, while maintaining appropriate inventory levels. Production of phosphate fertilizers in the period of the report was higher than in the corresponding period last year, mainly due to maintenance work in the production facilities performed in the first half of 2012. The quantity of the fertilizers sold in the fourth quarter was higher than in the corresponding period last year, mainly due to an increase in the quantities sold in the United States.

4. ICL Industrial Products

Sales

Sales of ICL-IP in the period of the report reached about USD 1,297 million, a decrease of about USD 120 million compared with the corresponding period last year. The decrease in sales stems mostly from a decrease in the quantities sold, mainly bromine-based flame retardants, inorganic bromine products and chlorine-based biocides for water treatment, which decreased the total sales by about USD 82 million, as well as from a decline in the selling prices, in the amount of about USD 42 million. This decrease was offset somewhat by the impact of the changes in the currency exchange rates, in the amount of about USD 3 million.

Sales of ICL-IP in the fourth quarter reached about USD 304 million, a decrease of about USD 18 million compared with the corresponding quarter last year. The decrease in sales stems mostly from a decrease in the quantities sold, mainly of inorganic bromine products, which decreased the total sales by about USD 13 million, as well as from a decline in the selling prices, in the amount of about USD 7 million. The decline was partly offset as a result of the changes in the currency exchange rates, in the amount of about USD 2 million.

Profitability

The operating income in the period of the report totaled about USD 115 million, compared with operating income of about USD 217 million in the corresponding period last year. The operating income in 2013 and 2012, after eliminating non-recurring impacts, amounted to about USD 150 million and about USD 239 million, respectively. The rate of the adjusted operating income of the sales amounted to about 11.6% compared with an operating income margin of about 16.9% last year.

The operating income decreased primarily as a result of a decrease in the quantities sold and produced, which caused a decline in profits of about USD 49 million, a drop in the selling prices, which caused a decline in profitability of about USD 42 million, an expense relating to update of the provision for waste removal, in the amount of about USD 25 million, an impairment of assets, in the amount of about USD 10 million, and the impact of the changes in the currency exchange rates, in the amount of about USD 9 million. This decrease was partly offset by a fall in the raw-material and energy prices, which acted to increase the profitability by about USD 14 million. The operating income last year was impact by a provision for early retirement, in the amount of about USD 22 million.

The operating loss in the fourth quarter totaled about USD 10 million, compared with operating income of about USD 24 million in the corresponding quarter last year. The operating income in the fourth quarter of 2013 and 2012, net of non-recurring impacts, amounted to about USD 25 million and about USD 46 million, respectively. The rate of the adjusted operating income of the sales amounted to about 8.2% compared with an operating income margin of about 14.3% in the final quarter of last year.

The decrease in the operating income stemmed primarily from a decrease in the in the quantities sold and manufactured, which led to a decline in profitability of about USD 18 million, a decrease in the selling prices, which caused a decrease in profitability of about USD 7 million, an expense relating to update of the provision for waste removal, in the amount of about USD 25 million, an impairment of assets, in the amount of about USD 10 million, and the impact of the changes in the currency exchange rates, in the amount of about USD 5 million. This decrease was partly offset by a fall in the raw-material and energy prices, which acted to increase the profitability by about USD 6 million. The operating income last year was impact by a provision for early retirement, in the amount of about USD 22 million.

5. ICL Performance Products

Sales

Sales in this segment in the period of the report amounted to approximately USD 1,575 million, an increase of USD 103 million compared with the corresponding period last year.

This increase stems from a rise in the quantities sold, including the first-time consolidation of the financial statements of companies acquired during the period of the report, which led to an increase of about USD 90 million, and from the impact of the changes in the exchange rates, which gave rise to an increase of about USD 12 million.

Sales in this segment in the fourth quarter amounted to approximately USD 376 million, an increase of about USD 37 million compared with the corresponding quarter last year.

This increase stems from an increase in the quantities sold, including as a result of the first-time consolidation of the financial statements of companies acquired during 2013, which led to an increase of about USD 33 million, and the impact of the changes in the currency exchange rates, which gave rise to an increase of about USD 4 million,

Profitability

The segment's operating income in the period of the report amounted to about USD 196 million, an increase of about USD 17 million compared with the operating income in the corresponding period last year. The increase stems mainly from a decline in the raw-material prices, in the amount of about USD 24 million and an increase in the quantities sold, in the amount of about USD 20 million. This increase was partly offset by an increase in other operating expenses, in the amount of about USD 16 million, and from the income of non-recurring income in respect of a VAT refund, in the amount of about USD 11 million recognized in 2012.

The segment's operating income in the fourth quarter amounted to about USD 35 million, an increase of about USD 3 million compared with the corresponding quarter last year. The increase derives mainly from a decline in the raw-material prices, in the amount of about USD 11 million, and an increase in the quantities sold, in the amount of about USD 6 million. This increase was partially offset by the impact of non-recurring income in respect of a VAT refund, in the amount of about USD 11 million recognized in 2012, and an increase in other operating expenses, in the amount of about USD 3 million.

6. Cash Flows

The cash flows generated by operating activities in the period of the report amounted to USD 1,127 million, compared with USD 1,727 million in the corresponding period last year. Most of the decline in the cash flows from current operating activities derives from the decline in income and change in the working capital, mainly as a result of the increase in trade receivables, due to the increase in sales in the fourth quarter compared with the corresponding quarter last year. The cash flows from current operating activities, along with the increase in the financial liabilities, as stated above, were the main source for financing payment of the dividend, in the amount of about USD 634 million, the net investments in property, plant and equipment, in the amount of USD 827 million and acquisition of activities, in the amount of about USD 63 million.

7. Investments

In the period of the report, the investments in property, plant and equipment amounted to approximately USD 827 million, compared with about USD 712 million in the corresponding period last year. Most of the increase in the investments stems from performance of work in the dyke surrounding the evaporation ponds of ICL Fertilizers at the Dead Sea, construction work with respect to a new power station in Sodom and increase of the production capacity in the Company's mines in Europe.