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

IMMEDIATE REPORT:
PERMANENT SOLUTION FOR THE DEAD SEA & ROYALTIES

Further to clause 9.11 in the Company's Q3 2011 Board of Directors' Report and its Immediate Reports submitted on July 3rd, September 11th, November 17th and December 28th, the Company hereby announces that its Board of Directors has received yesterday the proposal offered by Israel's Ministry of Finance regarding a permanent solution to the level of the Dead Sea and the Company's payment of royalties ("the proposed Solution") and approved it without any changes. The Board approved the proposed solution after discussing developments that took place during negotiations between ICL and the Finance Ministry in meetings which took place on May 25th, June 20th, November 10th and December 25th.

The principles of the proposed solution include the following:

1. The Salt Harvesting for the Dead Sea Work's Pond #5 ("the salt harvesting") is the permanent solution for stabilizing the level of the Dead Sea.

2. The planning and execution of the Project will be carried out by Dead Sea Works (DSW).

3. The Government will declare that the salt harvesting and the building of a new pumping station are national infrastructure projects that will be expedited by the National Infrastructure Committee ("the Committee"). The Government will instruct the Committee and DSW, as the initiators of the project, to focus their full efforts on the matter to ensure that all related planning is effected by June 30, 2013.

4. According to DSW projections made in October 2010, the salt harvesting cost will total approximately NIS 3.8 billion in present value terms assuming a discount rate of 7%. The Israeli Government will bear 20% of the expense of the project, but no more than NIS 760 million. The Government's commitment will be adjusted to the CPI index and carry 7% interest. The Government's portion of the financing of the Project includes $30 million that it received from DSW in 1992 as a one-time dividend, paid as an advance towards a permanent solution.

5. DSW agrees to increase the rate of royalties on potash sales above a quantity of 1.5 million tons for any given year. Instead of the 5% royalty currently stipulated in clause 15(a) of its concession agreement, DSW

agrees to pay a 10% royalty. This revision of the royalty rate will take effect on sales closed after January 1, 2012, except for revenues related to the sale of yearly quantities above 3 million tons, for which the royalty rate will be 10% starting from January 1, 2010. In parallel, the portion of allegations currently being arbitrated between DSW and the State of Israel regarding royalty commitments on yearly quantities sold above 3 million tons will be cancelled.

6. The Israeli government will resolve that, for the time being, it does not recognize a need to make additional changes to its existing specific fiscal policies towards mining activities in the Dead Sea or related commercial activities. As such, it will not at this time initiate changes to these policies, and, will, according to the matter, oppose legislation that might be proposed. If, despite this assurance, new legislation is passed that changes the government's aforesaid fiscal policy. DSW's agreement to raise its royalty payments, as described in clause 5.

7. A detailed agreement shall be signed between the Israeli Government and the Company.

The proposed solution is pending the approval of the Israeli government.