



**AICL**



**Q3 2018 Results**  
**Raviv Zoller,**  
**President & CEO**  
**November 1, 2018**





# Important Legal Notes

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Included in this presentation are certain non-GAAP financial measures, such as Adjusted operating income, Adjusted EBITDA and Adjusted net income, designed to complement the financial information presented in accordance with IFRS because management believes such measures are useful to investors. These non-GAAP financial measures should be considered only as supplemental to, and not superior to, financial measures provided in accordance with IFRS. Please refer to our Q3 2018 press release for the quarter ended September 30, 2018 for a reconciliation of the non-GAAP financial measures included in this presentation to the most directly comparable financial measures prepared in accordance with IFRS.



# Q3 2018 Highlights

**Sequential sales were flat** as a result of lower potash sales volumes due to the late signing of supply contracts with customers in India and China

**Operating income up by 9%. Net income up by 54%**

**Operating income excluding divested businesses<sup>(1)</sup> increased by 43%** driven by continuous positive business momentum

**EPS was 10 cents compared to 7 cents in Q3 2017 and 8 cents in Q2 2018**

**Focus on cash flow generation** resulted in 11% growth of operating cash flow compared to Q3 2017, despite divestments

**Dividend distribution for Q3 increased by 20%** to 5.1 cents/share, implying an annualized dividend yield of ~3.5%<sup>(2)</sup>



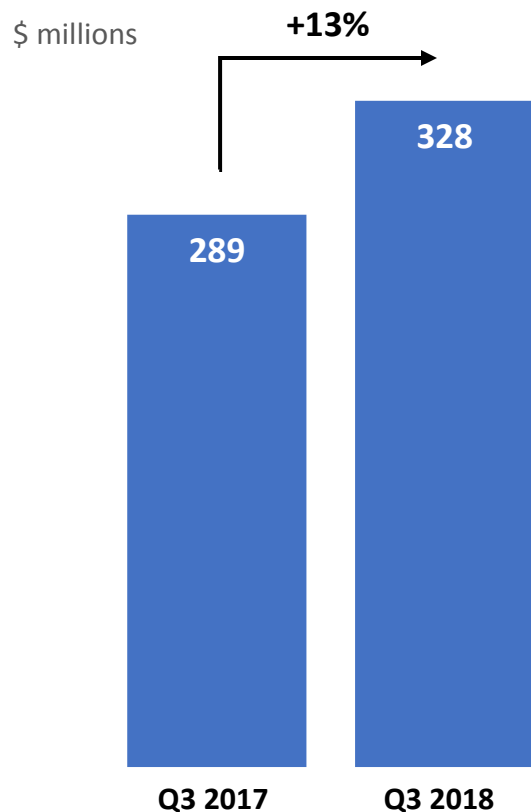
# Continued Strong Performance

\$ millions	Q2 18		Q3 18	Q3 17	% change
Sales	1,371	=	<b>1,371</b>	1,440	(5)%
Sales <b>pro-forma</b> <sup>(2)</sup>	1,362	↗	<b>1,371</b>	1,280	7%
Operating income <b>reported</b>	172	↗	<b>196</b>	180	9%
Operating income <b>adjusted</b> <sup>(1)</sup>	188	↗	<b>200</b>	215	(7)%
Operating income <b>Adj. <sup>(1)</sup> Pro-forma</b> <sup>(2)</sup>	190	↗	<b>200</b>	140	43%
Net income <b>reported</b>	101	↗	<b>129</b>	84	54%
Net income <b>adjusted</b> <sup>(1)</sup>	113	↗	<b>134</b>	115	17%
Net income <b>Adj. <sup>(1)</sup> Pro-forma</b> <sup>(2)</sup>	115	↗	<b>134</b>	70	91%
Operating cash flow	164	↗	<b>196</b>	176	11%
Net debt	2,267	↘	<b>2,205</b>	3,264	(32)%

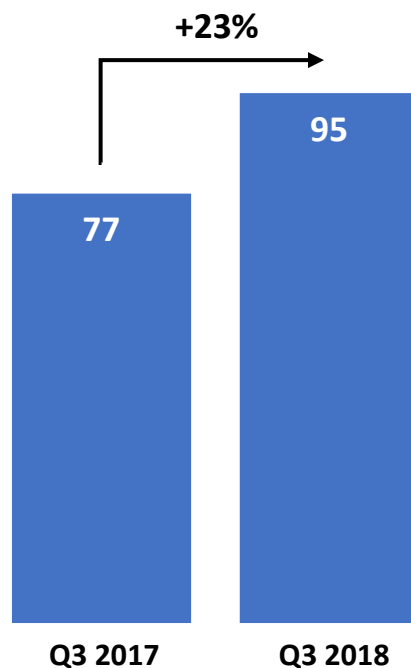
(1) Adjusted operating income and adjusted net income are non-GAAP financial measures. See appendix and Q3 2018 6-k for a reconciliation.

(2) Pro-forma figures are excluding the results of divested businesses of Fire Safety and Oil Additives (divested in Q1 2018) and of Rovita (divested in Q2 2018)

## SALES<sup>(1)</sup>

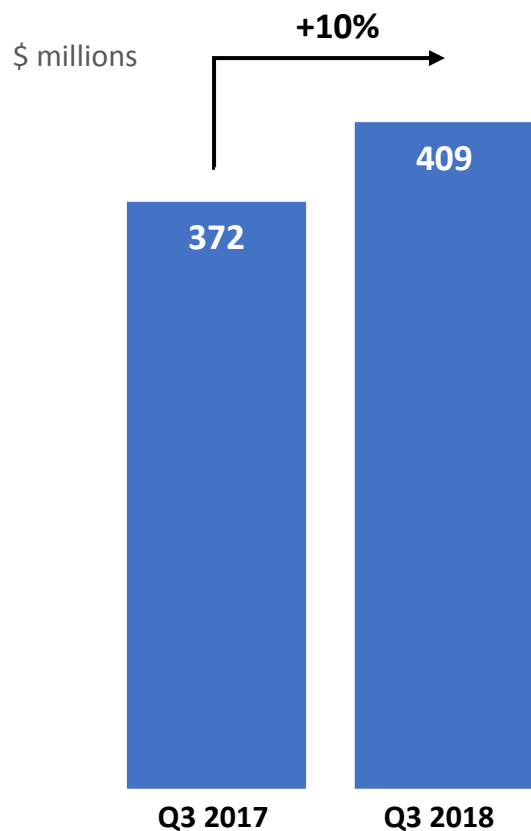


## SEGMENT PROFIT<sup>(2)</sup>

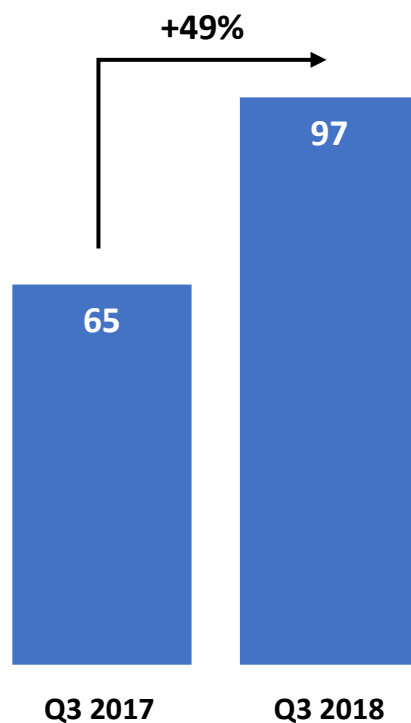


- ✓ **Another strong quarter** driven by higher prices and sales volumes
- ✓ **Strong sales of clear brine fluids carried forward into Q3** driven by demand from the oil and gas industry
- ✓ **Bromine and phosphorus based flame retardants sales benefitted** from environmental-related regulatory pressure in China and raw material shortage among competitors

## SALES<sup>(1)</sup>



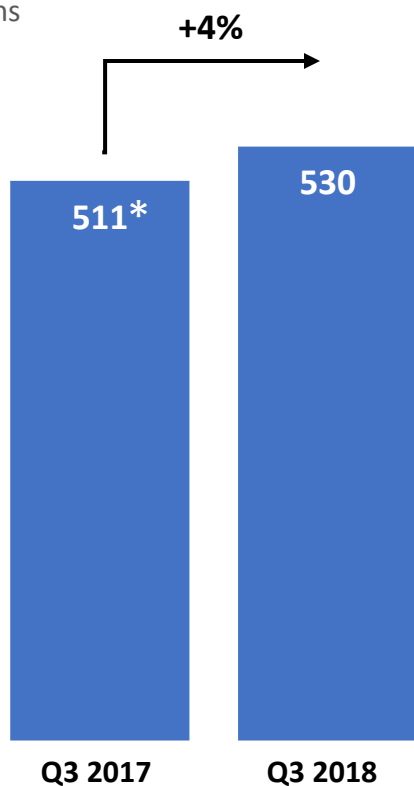
## SEGMENT PROFIT<sup>(2)</sup>



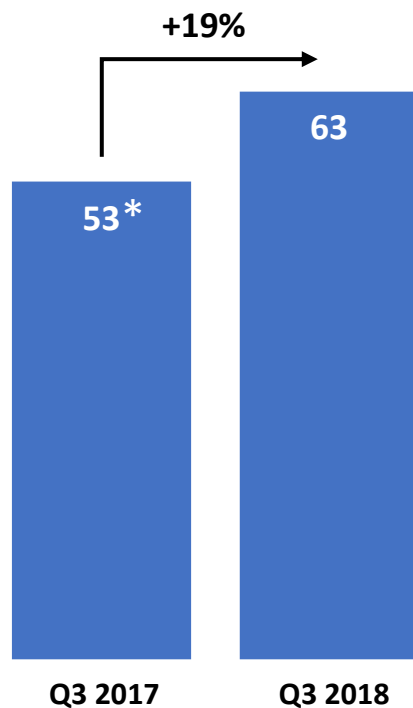
- ✓ **Tight market conditions** reflected in higher than expected increase in contract prices and a continuous upward trend in spot prices
- ✓ **Lower sales volumes** due to the delay in signing of supply contracts with China and India
- ✓ **Average realized price<sup>(3)</sup> up** by 22% to \$287/tonne
- ✓ ICL Boulby (UK) discontinued potash mining and commenced transition into exclusive Polysulphate products

## SALES<sup>(1)</sup>

\$ millions



## SEGMENT PROFIT<sup>(2)</sup>



- ✓ **Consolidation of commodity and specialty business on track.** Focus on value chain optimization and strategy execution continues
- ✓ **Performance improved significantly** with an 11% sequential growth in operating income, as our global organization benefits from favorable market conditions
- ✓ **Sulphur prices** continued to rise

\* Excludes businesses divested during 2018

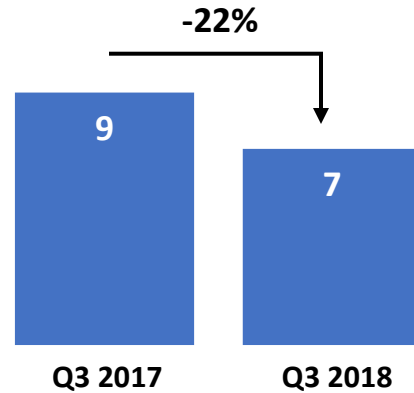
(1) Including inter-segment sales (2) excluding G&A, unallocated expenses

## SALES<sup>(1)</sup>

\$ millions



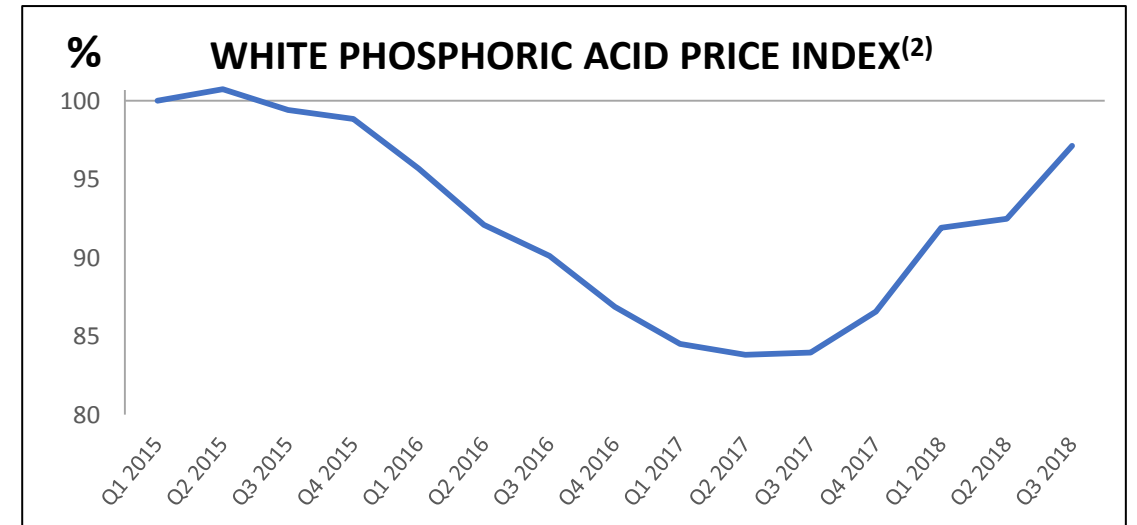
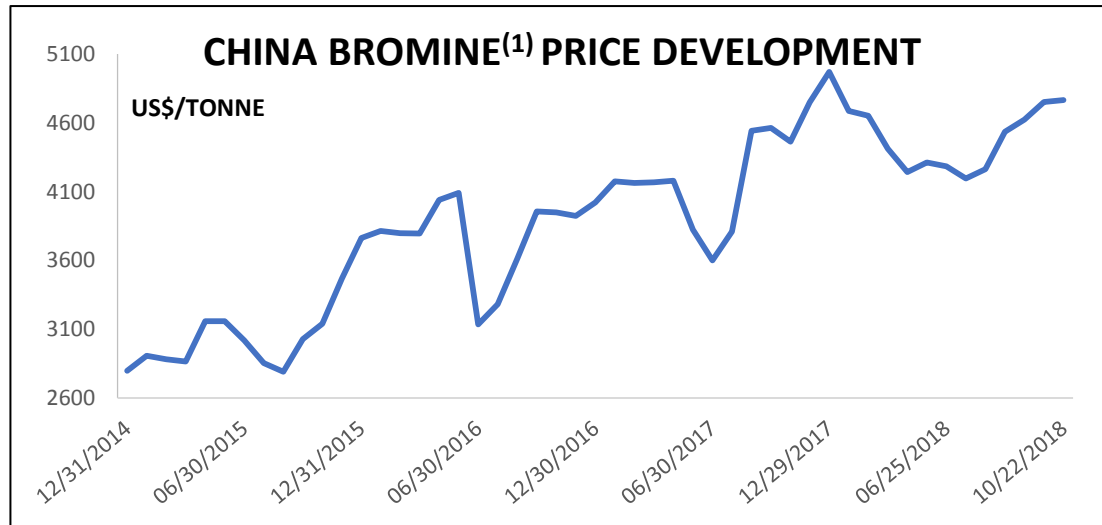
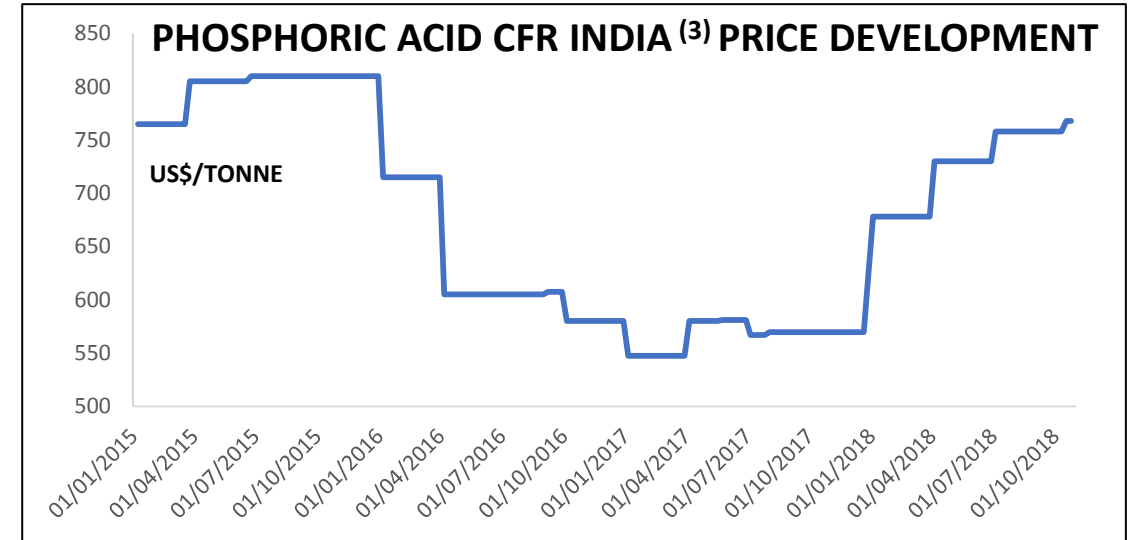
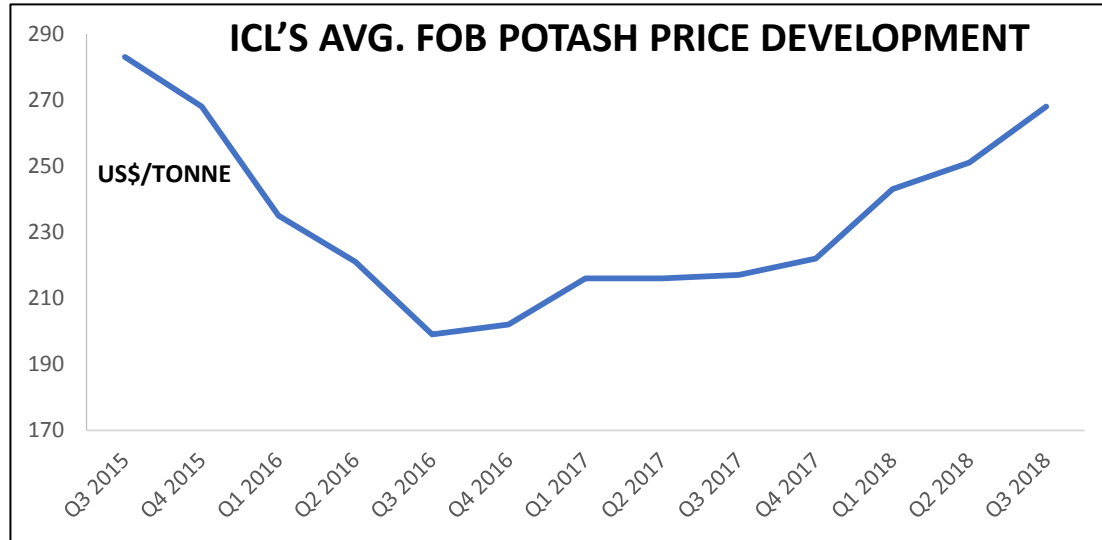
## SEGMENT PROFIT<sup>(2)</sup>



- ✓ **Realigning the business for future growth** including sales, marketing, logistics and digital infrastructure, and customer base optimization
- ✓ **A clear and defined seasonality** impacts results, with the second half of the year performing weaker than the first half
- ✓ Despite intentional sales reduction in Turkey due to currency crisis, the segment's YTD performance is on track.



# Favorable Market Pricing Trends



(1) Source: Bloomberg  
(2) Global price index for Food Grade White Phosphoric Acid, from ICL internal sources. Prices are indexed to Q1 2015 average  
(3) Source: CRU



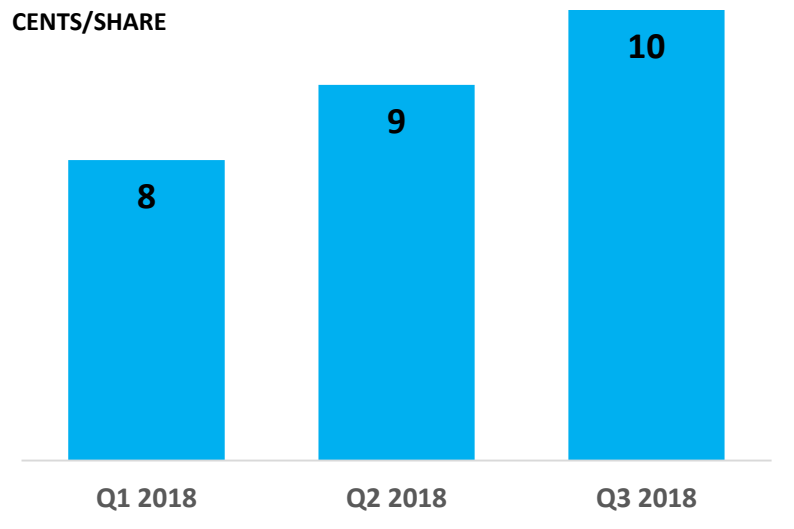
AICL

Kobi Altman, CFO



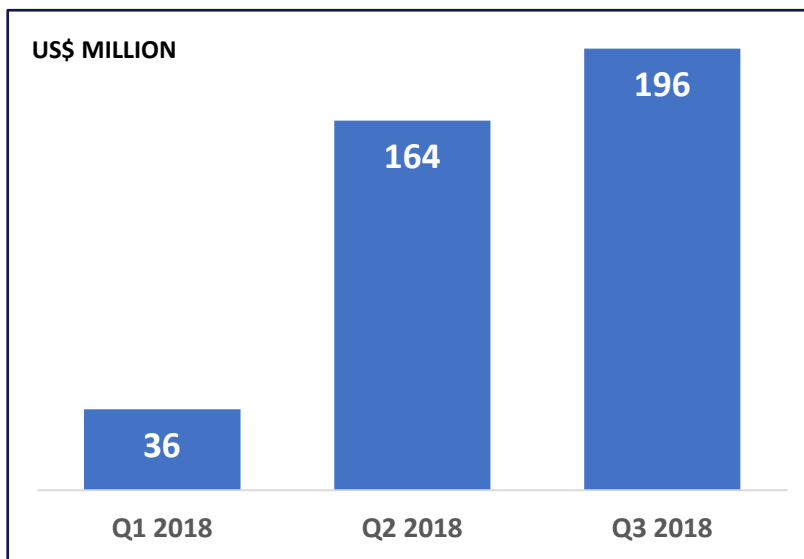
## ADJUSTED EPS

CENTS/SHARE



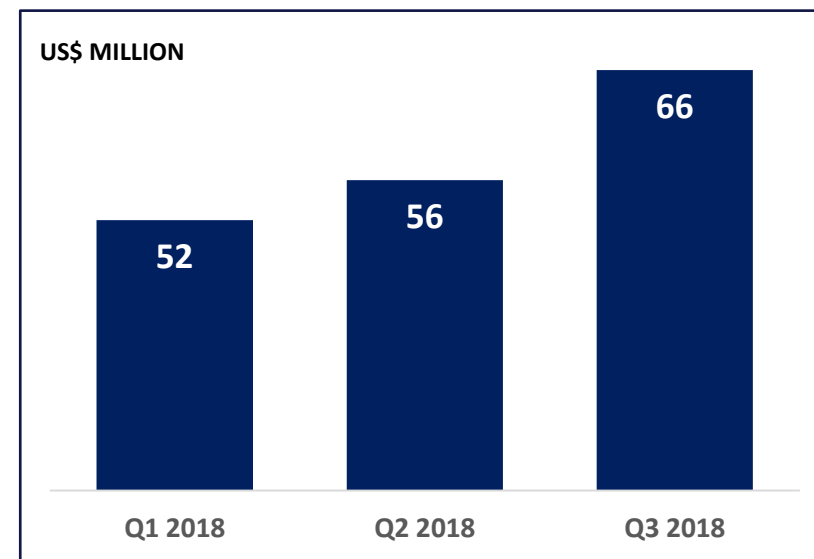
## OPERATING CASH FLOW

US\$ MILLION



## QUARTERLY DIVIDEND PAYOUT

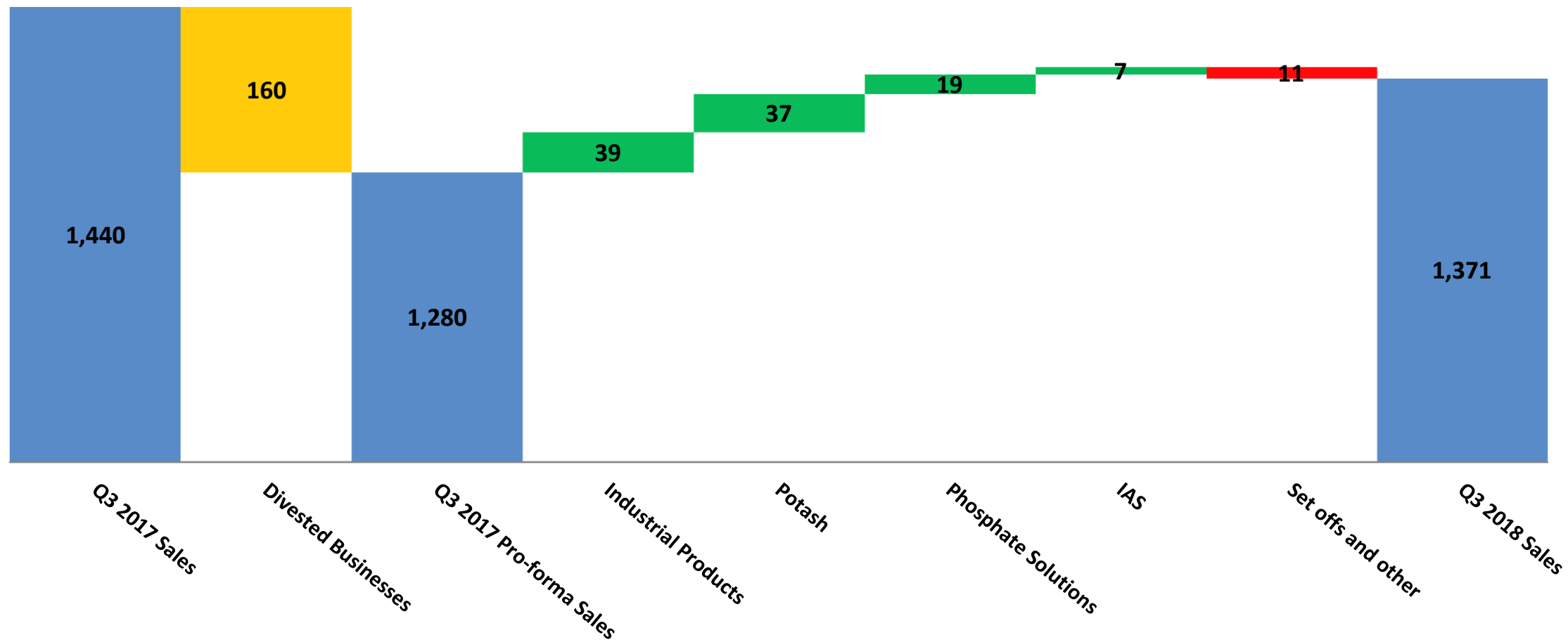
US\$ MILLION





# Another Quarter of Positive Contribution to Sales from All Segments

\$ millions

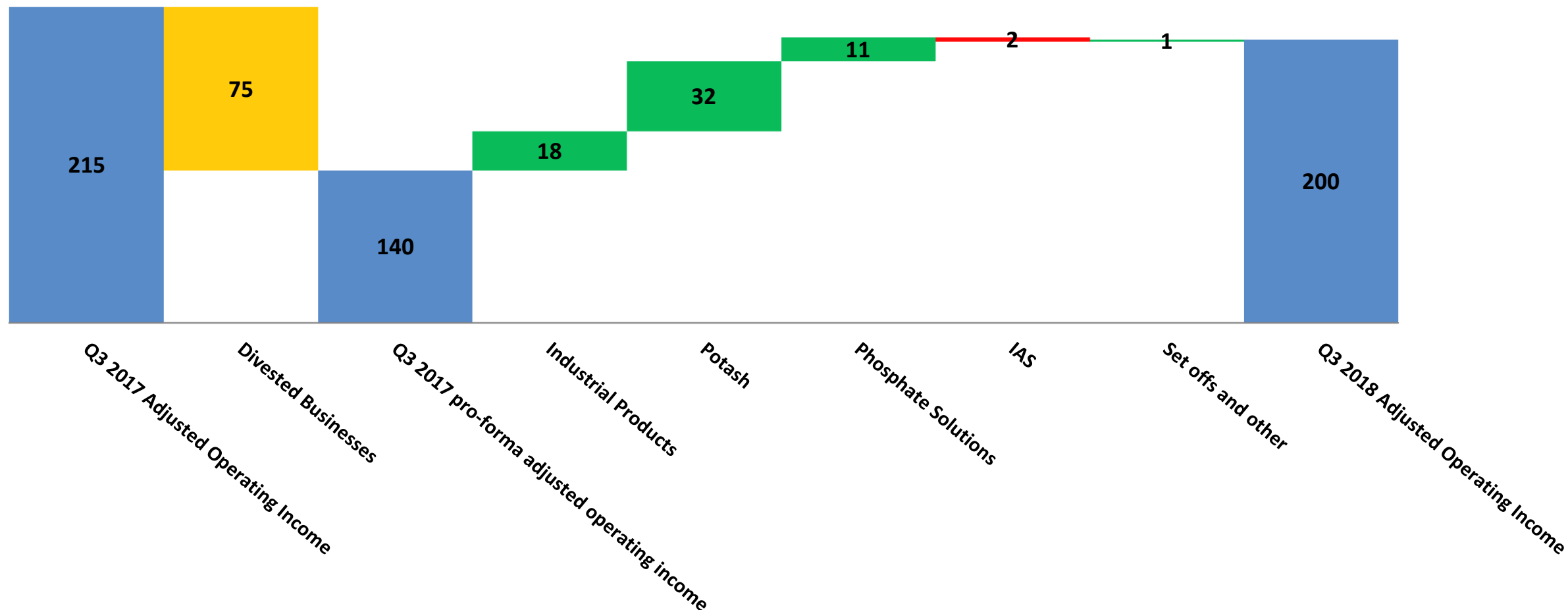


Numbers may not add due to rounding and set offs.



# Solid Operating Income Performance Despite Divestments

\$ millions



See Q3 2018 6-K for a reconciliation of adjusted operating income to operating income. Numbers may not add due to rounding and set offs.

\* Pro-forma excluding contribution of \$75 million of divested businesses



# Cash flow Development

\$ millions	Q3 18	Q2 18	Q3 17
Net income	<u>134</u>	<u>113</u>	<u>115</u>
Depreciation, amortization	94	105	97
Other adjustments to net income	75	9	(18)
Change in Working capital	<u>(107)</u>	<u>(63)</u>	<u>(18)</u>
Net cash provided by operating activities	<u>196</u>	<u>164</u>	<u>176</u>
Capex	(145)	(121)	(98)
Free cash Flow	51	43	78



***STRONG PERFORMANCE***



***IMPROVING BUSINESS  
ENVIRONMENT***



***CONTINUOUS  
EXECUTION OF OUR  
VALUE-FOCUSED  
STRATEGY***



# On the Verge of a Tipping Point...



## POSITIVE BUSINESS MOMENTUM

Q2 2018 continued strong performance, margin expansion and successful value-oriented initiatives in specialty businesses



## IMPROVING MARKET CONDITIONS

Higher commodity prices, demand growth and tight supply



## SHARE OVERHANG REMOVED

Nutrien successfully sold its ~14% stake to a group of Israeli and foreign institutional investors

# QUESTIONS?



## GROWTH STRATEGY

Enhance market leadership and capture growth throughout our businesses



## DEBT OPTIMIZATION

Providing financial flexibility to execute strategy



## ALIGNED ORGANIZATION

New long-term labor contracts, streamlining organization, smooth transition of new CEO



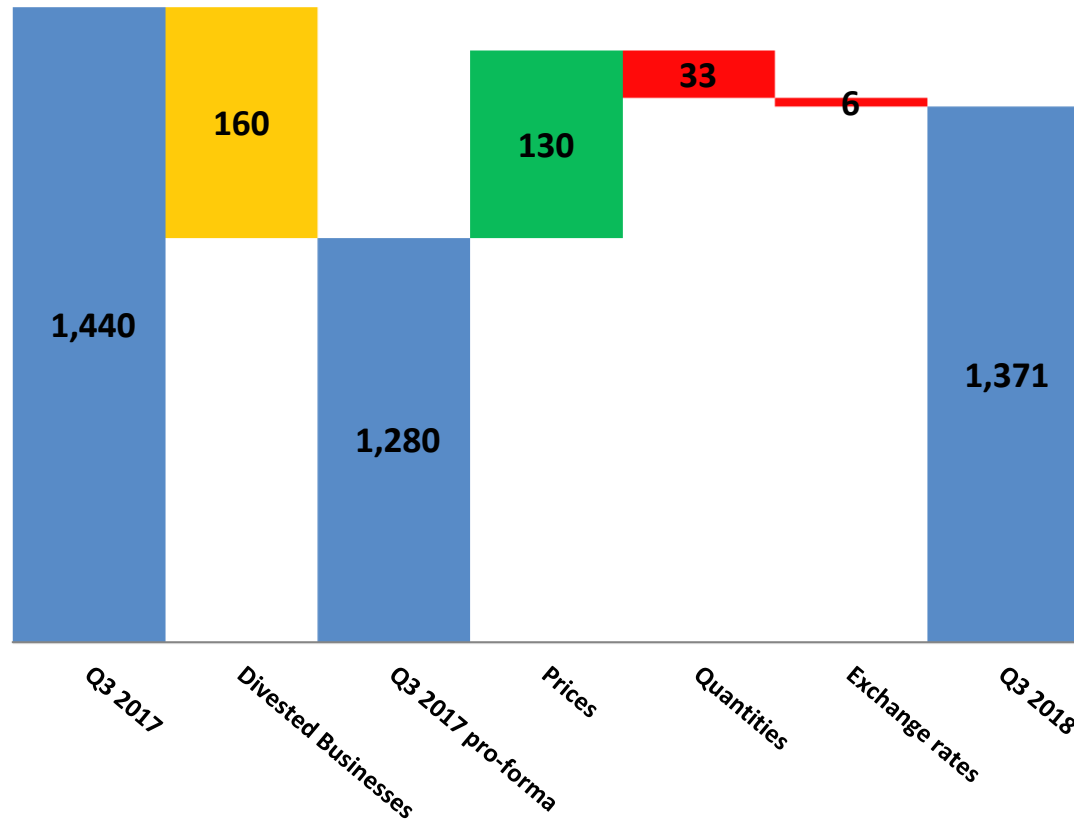
# APPENDIX



# Sales and Operating Income Analysis

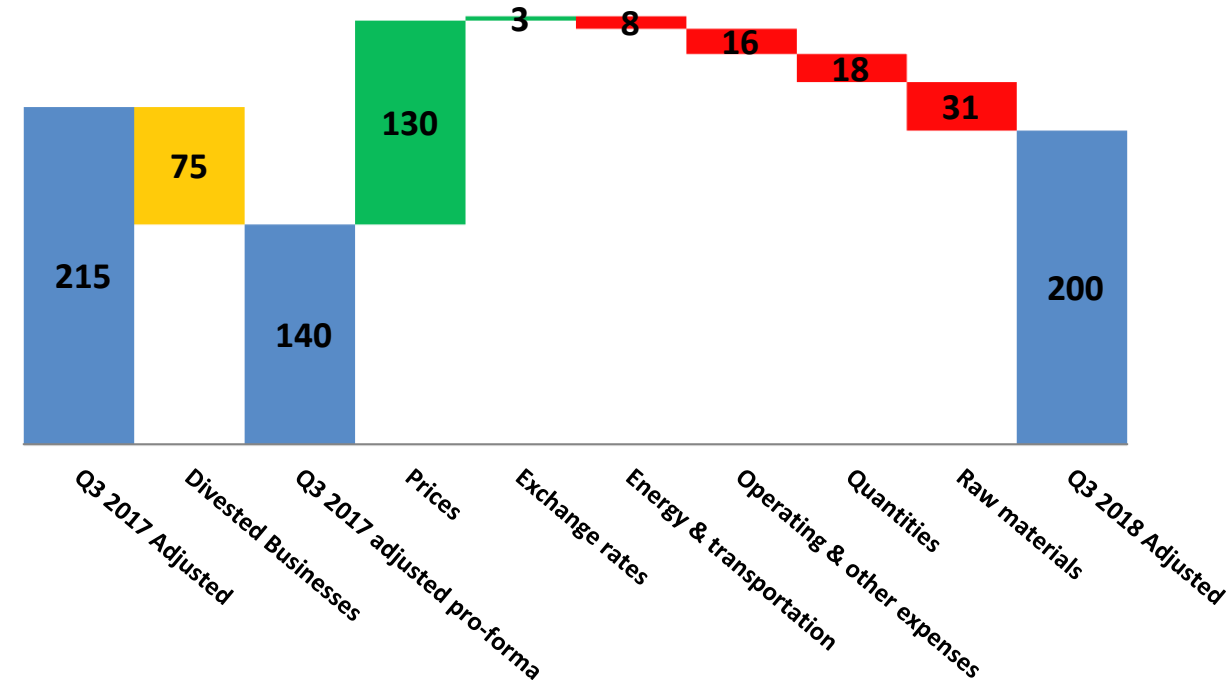
## Q3 2018 SALES

\$ millions

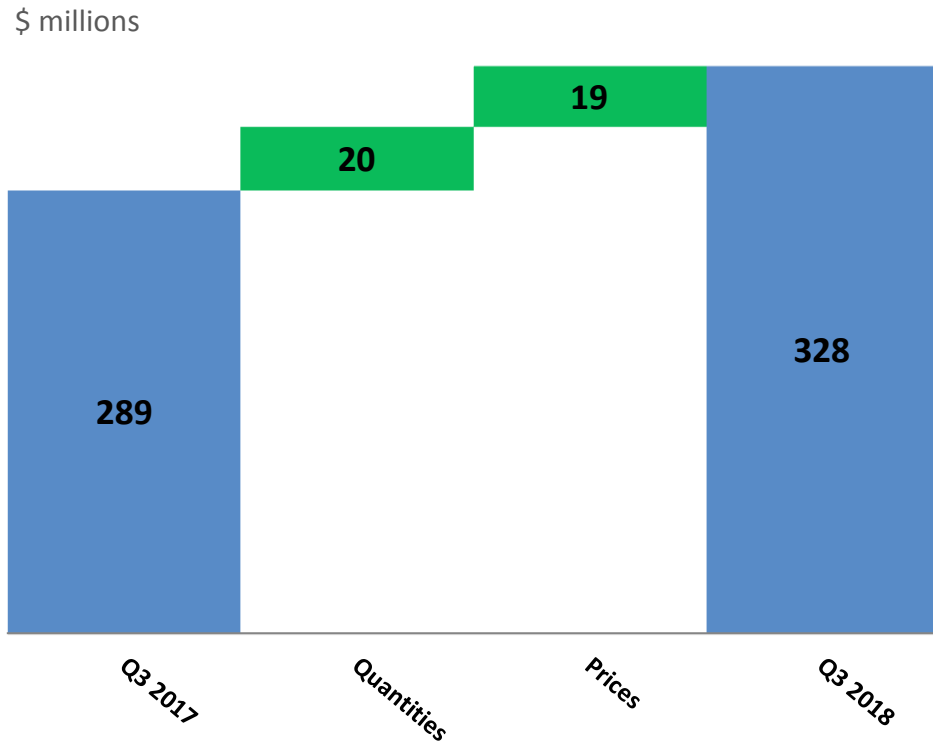


## Q3 2018 ADJUSTED OPERATING INCOME

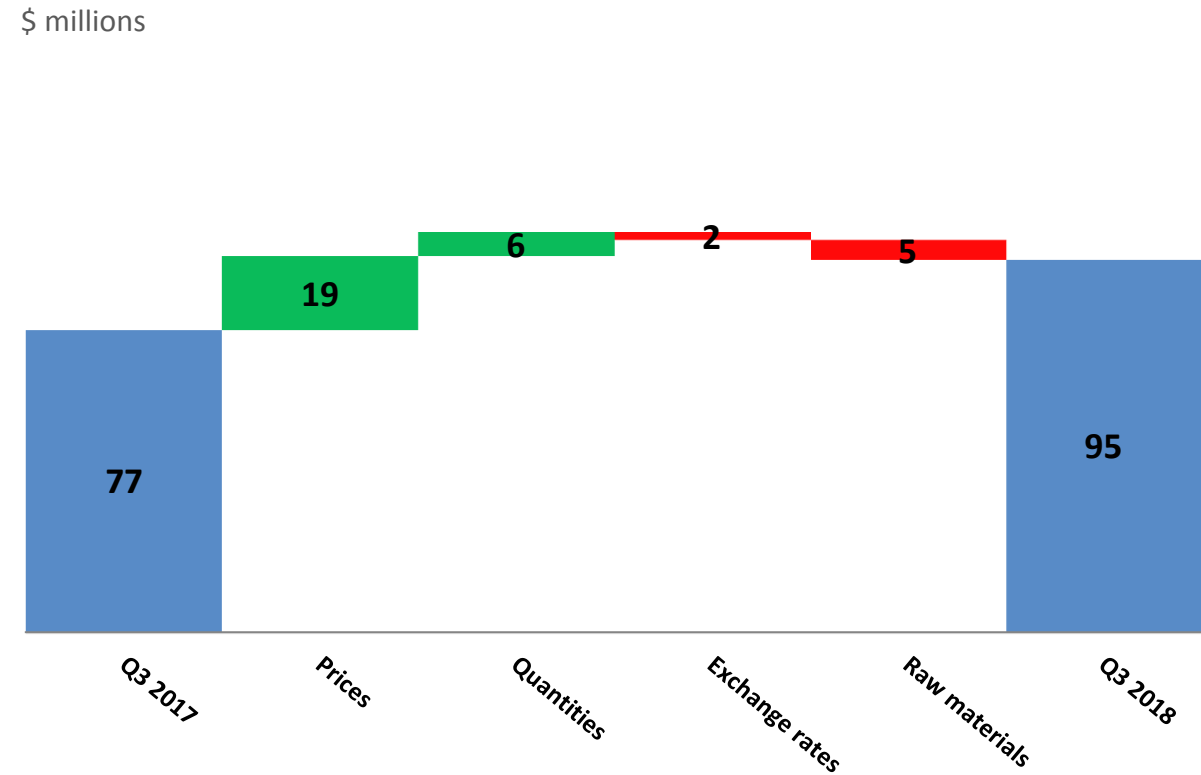
\$ millions



## SEGMENT SALES



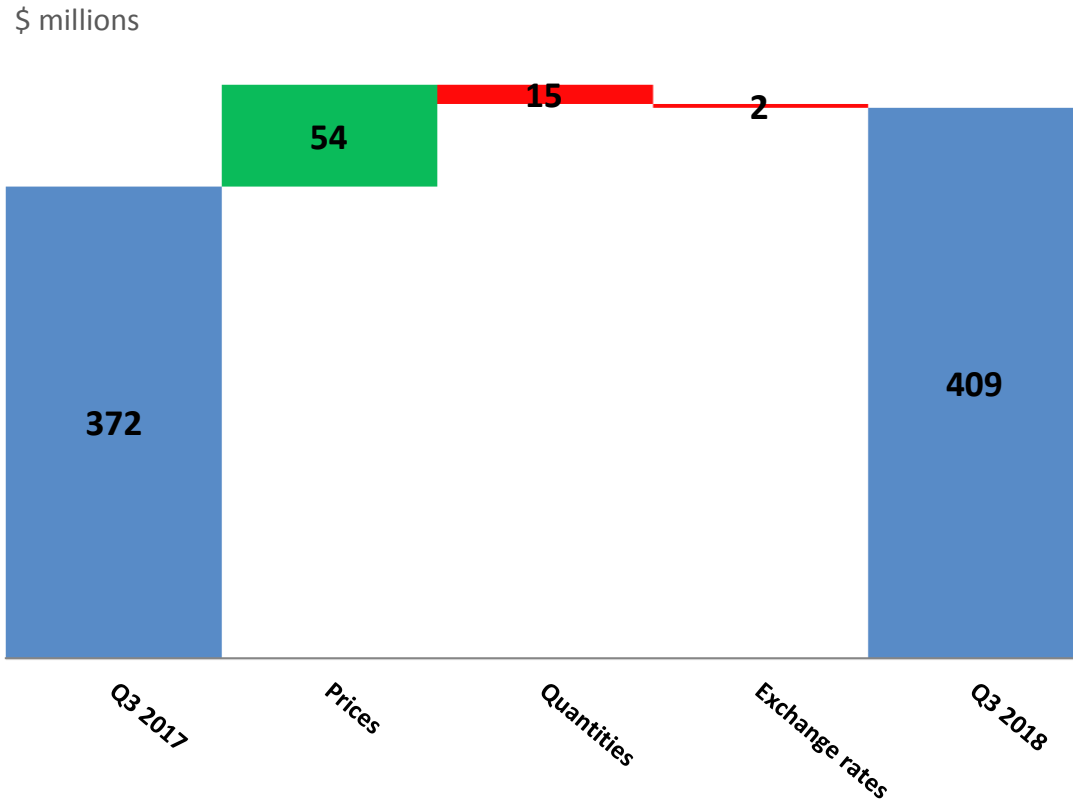
## SEGMENT PROFIT



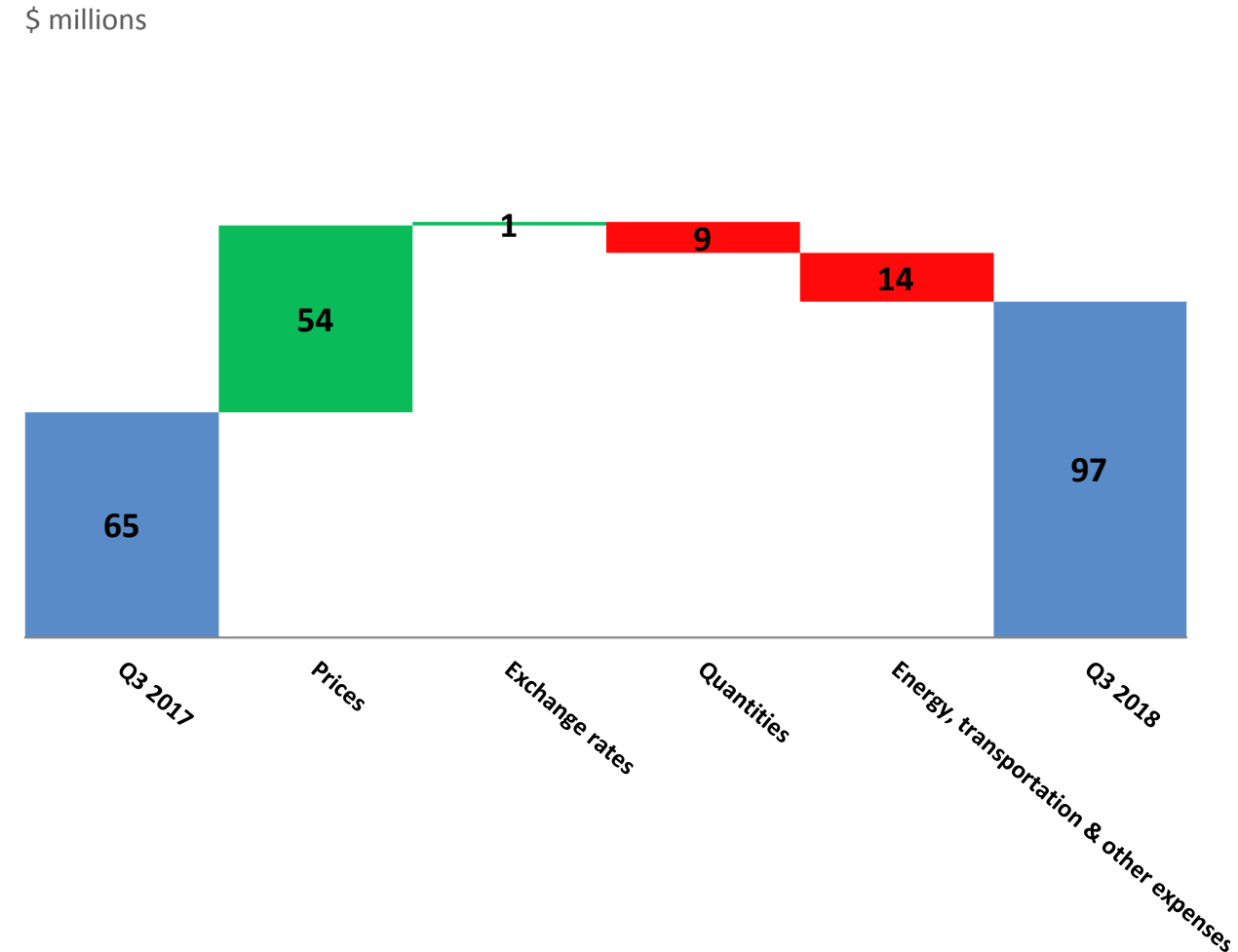


# Potash Sales and Segment Profit Analysis

## SEGMENT SALES



## SEGMENT PROFIT

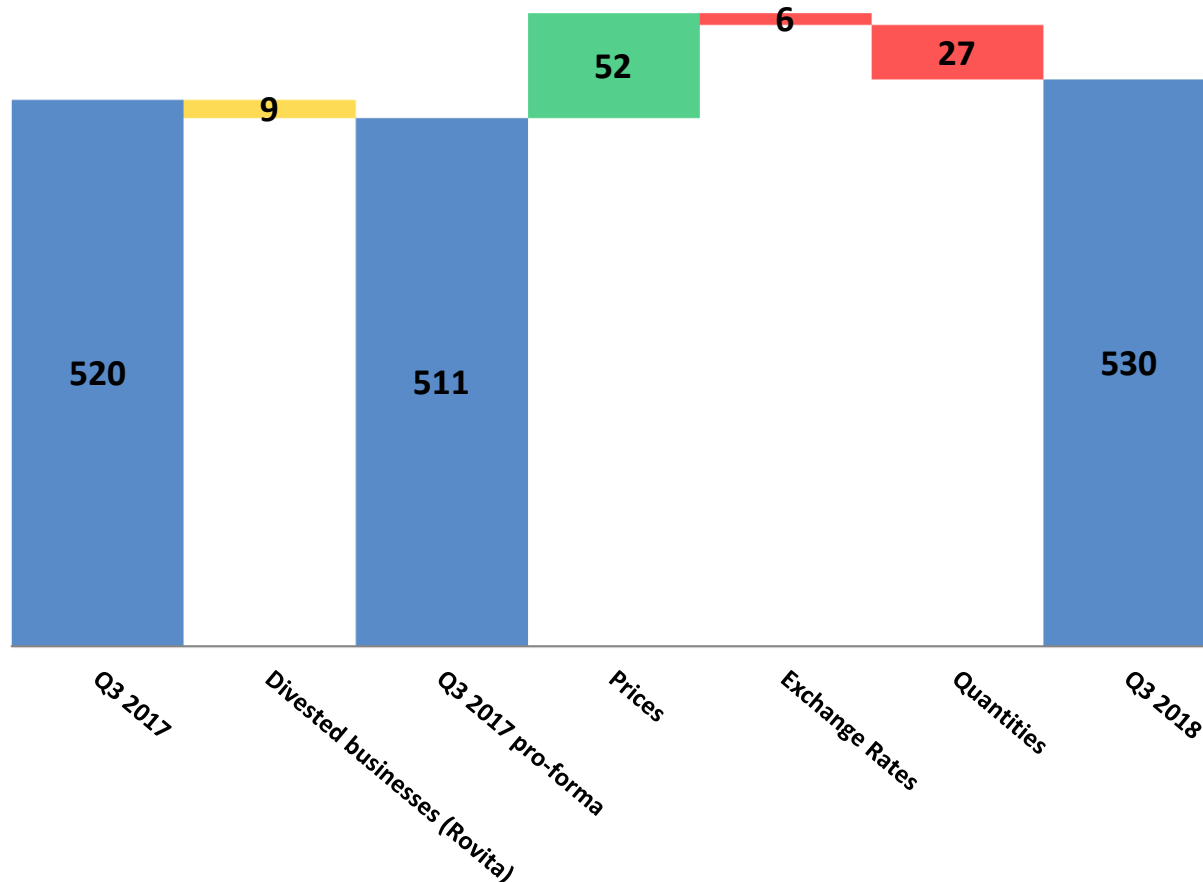




# Phosphate Solutions Sales and Segment Profit Analysis

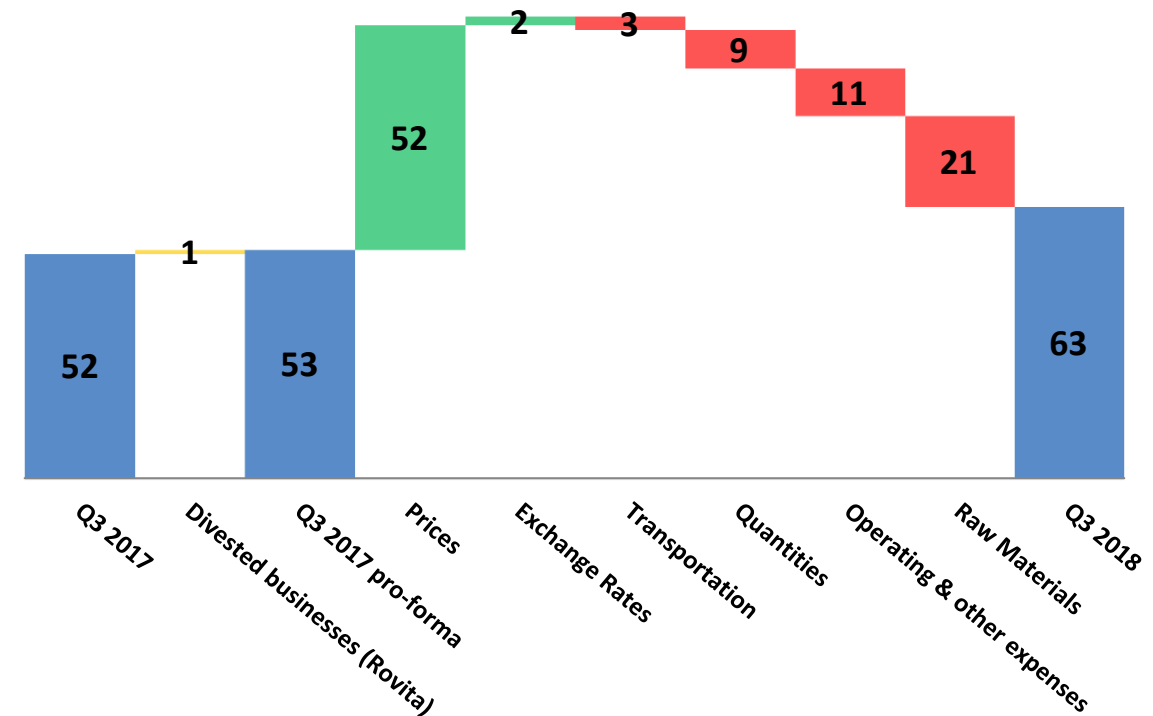
## SEGMENT SALES

\$ millions



## SEGMENT PROFIT

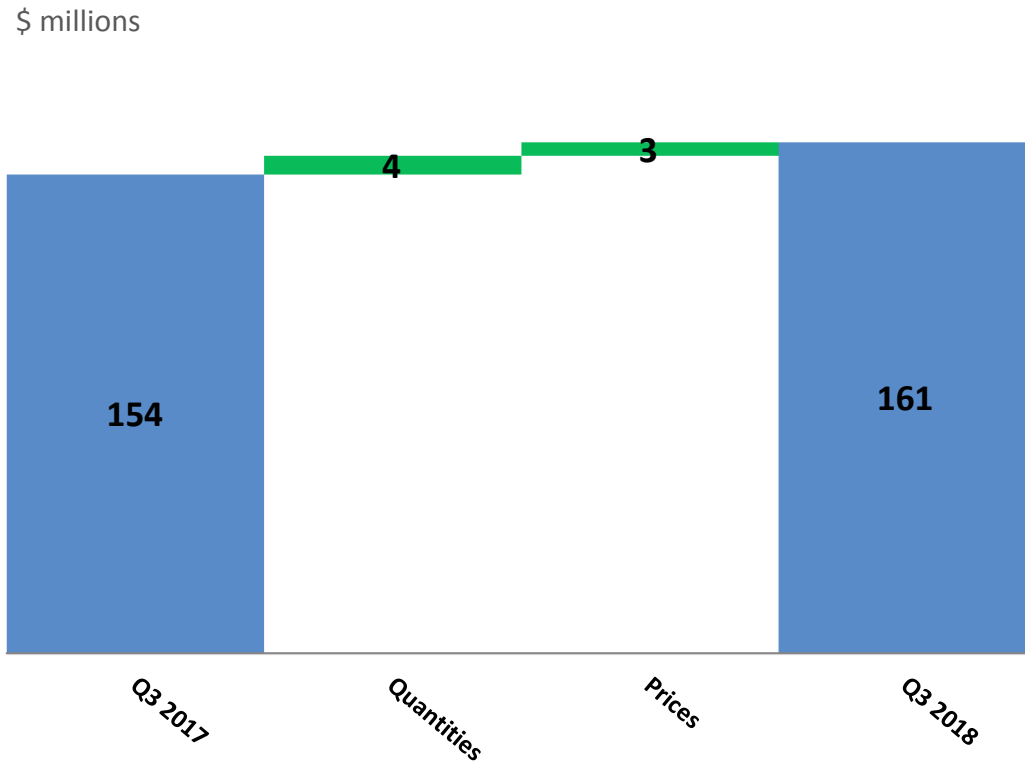
\$ millions



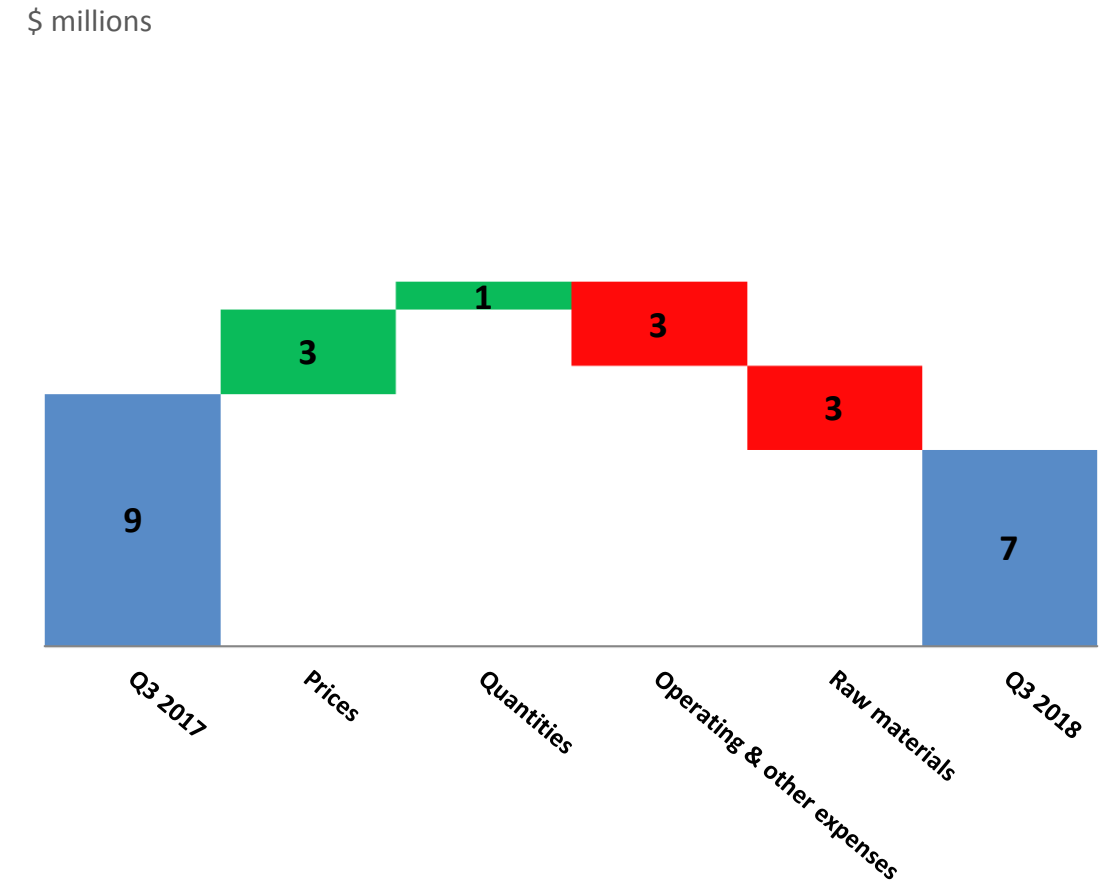


# Innovative Ag Solutions Sales and Segment Profit Analysis

## SEGMENT SALES



## SEGMENT PROFIT



\$ millions	Q3 18	FY2017
Adjusted income before tax <sup>(1)</sup>	<u>179</u>	<u>528</u>
Normalized tax rate (including resource tax)	23%	25%
Normalized tax expenses	<u>42</u>	<u>136</u>
Carryforward losses not recorded for tax purposes	4	19
Sub-Total	<u>46</u>	<u>155</u>
Sub-Total - %	26%	29%
Other items (mainly exchange rate impact)	1	1
Adjusted income tax	<u>47</u>	<u>156</u>
<b><i>Actual Effective tax rate</i></b>	<b><u>26%</u></b>	<b><u>30%</u></b>

(1) See calculation in the appendix of this presentation



# Reconciliation Tables

Calculation of Adjusted income before tax (\$ millions)	Q3 18	FY2017
Adjusted operating income	200	652
Finance expenses	(23)	(124)
Share in earnings (losses) of equity-accounted investees and adjustments to financial expenses	2	-
<b>Adjusted income before tax</b>	<b><u>179</u></b>	<b><u>528</u></b>
Calculation of Pro-forma Adjusted operating income (\$ millions)	Q3 18	Q3 17
Operating income	196	180
Adjustments <sup>(1)</sup>	4	35
Adjusted operating income	<b>200</b>	<b>215</b>
Divested businesses' profit	-	(75)
<b>Pro-forma Adjusted operating income</b>	<b><u>200</u></b>	<b><u>140</u></b>
Calculation of Pro-forma Adjusted net income (\$ millions)	Q3 18	Q3 17
Net income	129	84
Adjustments <sup>(1)</sup>	5	31
Divested businesses' operating income	-	(75)
Allocated tax and finance expenses for divested businesses	-	30
<b>Pro-forma Adjusted net income</b>	<b><u>134</u></b>	<b><u>70</u></b>

See Q3 2018 6-K for a reconciliation of adjusted operating income to operating income and adjusted net income to net income.

(1) See detailed reconciliation table in the Q3 2018 6-K



# Non-GAAP Financial Measures

We disclose in this Quarterly Report non-IFRS financial measures titled adjusted operating income, adjusted net income attributable to the Company's shareholders, adjusted EBITDA and free cash flow. Our management uses adjusted operating income, adjusted net income attributable to the Company's shareholders and adjusted EBITDA to facilitate operating performance comparisons from period to period and present free cash flow to facilitate a review of our cash flows in periods. We calculate our adjusted operating income by adjusting our operating income to add certain items, as set forth in the reconciliation table "Adjustments to reported operating and net income" above. Certain of these items may recur. We calculate our adjusted net income attributable to the Company's shareholders by adjusting our net income attributable to the Company's shareholders to add certain items, as set forth in the reconciliation table "Adjustments to reported operating and net income" above, excluding the total tax impact of such adjustments and adjustments attributable to the non-controlling interests. We calculate our adjusted EBITDA by adding back to the net income attributable to the Company's shareholders the depreciation and amortization, financing expenses, net, taxes on income and the items presented in the reconciliation table "Adjusted EBITDA for the periods of activity" below which were adjusted for in calculating the adjusted operating income and adjusted net income attributable to the Company's shareholders. We calculate our free cash flow as our cash flows from operating activities net of our purchase of property, plant, equipment and intangible assets, and adding Proceeds from sale of property, plant and equipment and Dividends from equity-accounted investees during such period as presented in the reconciliation table under "Calculation of free cash flow".

You should not view adjusted operating income, adjusted net income attributable to the Company's shareholders or adjusted EBITDA as a substitute for operating income or net income attributable to the Company's shareholders determined in accordance with IFRS, or free cash flow as a substitute for cash flows from operating activities and cash flows used in investing activities, and you should note that our definitions of adjusted operating income, adjusted net income attributable to the Company's shareholders, adjusted EBITDA and free cash flow may differ from those used by other companies. However, we believe adjusted operating income, adjusted net income attributable to the Company's shareholders, adjusted EBITDA and free cash flow provide useful information to both management and investors by excluding certain expenses that management believes are not indicative of our ongoing operations. In particular for free cash flow, we adjust our Capex to include any Proceeds from sale of property, plant and equipment because we believe such amounts offset the impact of our purchase of property, plant, equipment and intangible assets. We further adjust free cash flow to add Dividends from equity-accounted investees because receipt of such dividends affects our residual cash flow. Free cash flow does not reflect adjustment for additional items that may impact our residual cash flow for discretionary expenditures, such as adjustments for charges relating to acquisitions, servicing debt obligations, changes in our deposit account balances that relate to our investing activities and other non-discretionary expenditures. Our management uses these non-IFRS measures to evaluate the Company's business strategies and management's performance. We believe that these non-IFRS measures provide useful information to investors because they improve the comparability of the financial results between periods and provide for greater transparency of key measures used to evaluate our performance.

We present a discussion in the period-to-period comparisons of the primary drivers of changes in the company's results of operations. This discussion is based in part on management's best estimates of the impact of the main trends in its businesses. We have based the following discussion on our financial statements. You should read the following discussion together with our financial statements.



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