

ICL Q3 2015 - Fact Sheet

November 12, 2015

The information in this fact sheet represents a summary of the highlights reported on November 12, 2015, in ICL's Q3 2015 quarterly earnings release and quarterly presentation and does not purport to be a comprehensive overview of the Company's financial or business condition. The information contained herein may include statements of future expectations and other forward-looking statements that are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements. For a discussion of factors that could cause actual results to differ, see "Forward Looking Statements" in our third quarter report. The information contained herein should be read in conjunction with all parts of the Company's quarterly and annual reports and all exhibits and schedules thereto.

ICL Group Q3 2015 Results:

\$ million	Q3 2015	Q3 2014
Total sales	1379	1560
Gross profit	488	578
Operating income	197	262
Operating income - adjusted	242	262
Financial expenses, net	49	20
Share in income (loss) of investees	8	7
Income before taxes	156	249
Taxes on income	34	68
Net income attributed to shareholders	121	179
Net income attributed to shareholders - adjusted	154	179
EPS (diluted) - reported	0.10	0.14
EPS (diluted) - adjusted	0.12	0.14

- ❖ Weak potash prices, as well as lower potash, bromine and phosphate volumes were partially offset by overall lower costs, higher fire prevention products' volumes as well as higher bromine and phosphates prices.

- ❖ Strategic progress marked by completion of the formation of the phosphate JV in China and decision to transition ICL UK from potash to Polysulphate production.

- ❖ Q3 '15 revenues decreased by 11.6% from Q3 '14. Non-core divestitures, lower sales volumes, exchange rates fluctuations (mainly the devaluation of the euro against the dollar), the impact of the fire at the SSP facility at ICL Rotem and the impact of the post-strike ramp up period on bromine and magnesium products' volumes had a negative impact of 5.4%, 2.7% and 4.7% and 2.1% and 1.9%, respectively. This was partially offset by the consolidation of acquired companies, as well as higher elemental bromine, bromine compounds and phosphate prices which contributed 4.2% and 1.1%, respectively.

- ❖ Sales in South America increased mainly as a result of higher potash sales and the consolidation of Fosbrasil, partly offset by lower phosphate fertilizers volumes; sales in Europe declined mainly due to the devaluation of the euro and the British pound against the dollar and the divestiture of non-core businesses, partly offset by first time consolidation of acquisitions; sales in Asia declined as a result of non-core divestitures and lower elemental bromine and bromine compounds, partly offset by higher potash sales to China; and sales in North America declined mainly from lower potash volumes and prices partly offset by increased sales of fire prevention products.

- ❖ Cost of sales decreased by 9.3% compared to Q3 '14, mainly due to the devaluation of the euro and the shekel against the dollar, divestitures of non-core businesses, decrease in volumes sold, impact of the post-strike ramp up period on bromine and magnesium products' volumes and the impact of the fire at ICL Rotem which led to a decrease of 5.3%, 5.5%, 1.8%, 2.1% and 2.4%, respectively. This was partly offset by first-time consolidation of acquisitions, an increase in raw material prices, an increase in depreciation expenses and an increase in other expenses including non-recurring expenses, which led to an increase of 5.2%, 1.1%, 0.9% and 1.4% respectively.

- ❖ Adjusted operating in Q3 '15 excludes the employee strike's impact of \$9M, \$8M provision for compensation of a subcontractor for damage caused by the strike, a \$5M provision in respect of prior periods resulting from the arbitration decision, electricity retroactive charges of \$16M, the fire at ICL Rotem's impact in the amount of \$9M, insurance compensation for this fire in the amount of \$7M and a \$5M provision for a legal claim

- ❖ Net financial expenses increased from \$20 million to \$49 million due to expenses in respect of a change in the fair value of financial derivatives and revaluation of net short-term financial liabilities, the impact of exchange rate differences on the provisions for employee benefits, due to a devaluation of the shekel against the dollar, at the rate of about 4.1%, compared with a devaluation of about 7.5% in the corresponding period last year, and an increase in net interest expenses. This increase was partly offset by an increase in capitalization of credit costs and a decline in the interest expenses relating to provisions for employee benefits.

- ❖ The effective tax rate in Q3 '15 amounted to about 22%.

Potash Sub-segment Results:

	Q3 2015	Q3 2014
Production - thousands of tonnes (KCl)	1,318	1,305
Closing inventory - thousands of tonnes	587	814
External sales volume - thousands of tonnes	1,126	1,234
Total sales volume - thousands of tonnes	1,202	1,318
Revenues (external)- million \$	344	399
Revenues (internal)- million \$	43	51
Potash revenues (total)- million \$	387	450
Operating profit - million \$	114	131
Adjusted operating profit	135	131

Q3 2015 results:

- ❖ Potash sales volumes decreased by 9% compared to Q3' 14, mainly due to lower sales volumes to the US and India.
- ❖ Potash revenues decreased by 14%. Lower sales volumes, exchange rates fluctuations (mainly the devaluation of the euro and the pound against the dollar) and lower prices had a negative impact of 8.4%, 4% and 1.6%, respectively.
- ❖ Q3' 15 adjusted operating income excludes an \$8M provision for compensation of a subcontractor for damage caused by the strike, a \$5M provision in respect of royalties relating to prior periods resulting from the arbitration decision, a \$5M provision for system-wide electricity costs in Israel relating to prior periods (June 2013 through June 2015) and provisions in respect to legal claims in the amount of \$3M.
- ❖ Adjusted operating profit increased by 3%. Lower volumes, prices and higher expenses related to the update and implementation of the Company's strategy and additional processes and higher depreciation expenses at ICL UK had a negative impact of 13%, 5.3% and 5.3%, respectively. This was more than offset by lower operating costs, lower shipping and energy costs and exchange rate fluctuations (mainly the devaluation of the shekel against the dollar) which contributed 10.7%, 10.7% and 5.3%, respectively.
- ❖ Annual potash production capability at ICL Dead Sea will be fully ramped up to 3.9 million tonnes by year-end.

Business trends:

- ❖ A number of macro-economic events negatively impacted the fertilizers market: a decline in economic growth and the stock market crisis in China, a drop in oil prices, weakening of agriculture commodity prices, slower growth in developing markets and the weakening of their currencies.
- ❖ Based on USDA data published on November 10, 2015, grains' stock to use ratio is expected to be about 22.9% for the 2015/2016 agricultural year, similar to 22.8% in the 2014/2015 agricultural year.
- ❖ Potash imports into China in the first nine months of 2015 reached 6.1 million tonnes, an increase of about 9% compared with the corresponding period last year. Potash imports into India in the first nine months of 2015 amounted to about 3.3 million tonnes, an increase of approximately 7.7% compared with the corresponding period last year. Potash imports into Brazil in the first nine months of 2015 amounted to approximately 6.5 million tonnes, a decrease of approximately 8% compared with the corresponding period last year. The decrease is attributed mainly to the decrease in the prices of agricultural commodities and to the impact of the devaluation of the Brazilian currency along with limited availability of credit to farmers.
- ❖ Global potash shipments in 2015 are expected to decline compared with 2014, mainly due to lower demand in North America and Brazil, the imposition of 13% VAT in China, which led to an increase in potash prices and created uncertainty, and the devaluation of the rupee and lower than average monsoon rains in India. The slowdown in potash demand globally triggered a downward trend in potash prices, and recently led to announcements by a number of leading producers that they will cut back their levels of production.

Fertilizers & Phosphate Sub-segment Results:

	Q3 2015	Q3 2014
Phosphate rock production - thousands of tonnes	964	975
Fertilizers production - thousands of tonnes	352	447
Rock sales volume (external) - thousands of tonnes	301	194
Rock internal use - thousands of tonnes	813	744
Fertilizers sales volume (external) - thousands of tonnes	372	440
Revenues (external) - million \$	337	378
Revenues (internal) - million \$	43	46
Phosphate & Fertilizers revenues (total) - million \$	380	424
Operating profit - million \$	31	37
Adjusted operating profit	39	37

Q3 2015 results and business trends:

- ❖ Lower sales volumes derive mainly from lower production as a result of the fire at the SSP facility at ICL Rotem and lower sales volumes to Brazil.
- ❖ Quarterly revenues decreased by 10.4% due to lower sales volumes and exchange rates fluctuations (mainly the devaluation of the euro against the dollar) which had a negative impact of 9% and 5.2%, respectively. This was partially offset by higher prices which contributed 3.8%.
- ❖ Adjusted operating income in Q3 '15 excludes the impact of the fire at the SSP facility at ICL Rotem in the amount of \$9M, an insurance compensation in respect of this fire in the amount of \$7M as well as a provision for system-wide electricity costs in Israel relating to prior periods (June 2013 through June 2015) in the amount of \$6M.
- ❖ Adjusted operating profit increased by 5.4% compared to Q3 '14. Price contribution of 43% was partly offset by lower sales volumes, expenses related to the update and implementation of the Company's strategy and additional processes, as well as higher raw material prices, mainly at ICL Specialty Fertilizers which had a negative impact of 13.5%, 10.8% and 13.5%, respectively.
- ❖ Global demand for phosphate fertilizers decreased during the third quarter of the 2015 mainly due to lower demand in India, the world's largest phosphate importer, as a result of devaluation of the rupee against the dollar, the high level of inventories and lower than average Monsoon rains. Imports of phosphates into Brazil in the first nine months of the year fell by 8% to 2.2 million tonnes (in P2O5 terms). Phosphate prices decreased moderately due to the low demand and an increase in exports from China. Recently, there has been an increase in demand in the United States, as the fall season application approaches. Imposition of VAT at the rate of 13% had an adverse impact on local demand for phosphate fertilizers in China; however, recently there has been increased interest in anticipation of the fall season application.
- ❖ The results of ICL Specialty Fertilizers were unfavorably impacted by an increase in the level of competition with respect to a number of main markets and products, a weakening of the sale currencies and the economic situation in Eastern Europe and Greece.

ICL Industrial Products Segment Results:

\$ million	Q3 2015	Q3 2014
Revenues (external)	277	323
Revenues (internal)	5	5
Industrial Products revenues (total)	282	328
Operating profit	28	36
Adjusted operating profit	36	36

Q3 2015 results and business trends:

- ❖ Revenues decreased by 14%. Lower sales volumes, mainly of brominated flame retardants, the impact of the ramp up period following the strike at ICL Dead Sea and ICL Neot Hovav and currency fluctuations had a negative impact of 7.7%, 5.9% and 3.4%, respectively. This was partly offset by higher elemental bromine and brominated FR prices which contributed 2.8%.

- ❖ Adjusted operating profit excludes the impact of the ramp up period following the strike at the amount of \$6M and a provision for legal claim at the amount of \$2M.
- ❖ Adjusted operating profit was stable compared to Q3 '14 as higher prices and lower energy costs contributed 25% and 5.6%, respectively, offset by lower sales volumes.
- ❖ Full production ramp up to targeted levels was achieved at the end of Q3. Cost reduction initiatives taken this year are expected to generate about \$23 million in annual savings in 2016.
- ❖ ICL continues to be focused on value creation and to sell elemental bromine and Hydrobromic acid at the higher prices it announced in late 2014. Higher prices are also supported by reduced imports and stricter hazardous materials handling regulation by the Chinese authorities following the Tianjin port explosion. Furthermore, Bromine compounds prices in Asia increased as a result of the increase in elemental bromine prices.
- ❖ Demand for bromine-based flame retardants for the printed circuit boards market declined compared with 2014 in light of the economic situation in China and postponement of purchasing as a result of a fall in BPA (Bisphenol A) prices at a time when the TBBA prices remained relatively stable at an elevated level. In addition, demand in the television market weakened due to the general economic conditions and inventory destocking along the supply chain. There was a decrease in demand for other bromine-based products as a result of the weakening of the demand in the Agrochemicals markets and strong competition in the polyester fibers industry. During the quarter there was relatively high demand for clear brine fluids for oil drilling, in light of demand in Africa, South America and the Gulf of Mexico, as opposed to a slowdown in the North Sea area. ICL anticipates demand for clear brine fluids to weaken as a result of the drop in oil prices. In addition, growth was recorded in sales of bromine compounds for mercury emission control (the Company's Merquel product), while demand for flame retardants in the market of connectors for electricity and vehicles remained stable.
- ❖ Market-related volume weakness especially in FRs is expected to continue in Q4 2015 and stabilize in 2016. Prices are expected to slightly increase.
- ❖ There has been an increase in demand for FR122P – the new polymer flame retardant used in insulation materials in the construction sector which is replacing HBCD. During the third quarter of 2015, Albemarle and ICL decided to terminate their agreement to establish a joint venture. Nevertheless, the parties intend to discuss a long-term supply arrangement pursuant to which ICL will supply Albemarle with this polymeric flame retardant.
- ❖ Sales of phosphorous-based flame retardants were unfavorably impacted by the weakening of the euro against the dollar and as a result of an increase in competition from Chinese manufacturers.
- ❖ In the nine months ended September 30, 2015, there was a decline in demand for bromine based biocides used for oil and gas drilling due to a decrease in drilling activities in North America as a result of a fall in oil and gas prices. On the other hand, a new regulation in Europe requires manufacturers to register and confirm biocide products, and thus removes competitors from the market that did not take action and invest in execution of the said registration. process, which creates a business opportunity.

ICL Performance Products Segment Results:

\$ million	Q3 2015	Q3 2014
Revenues (external)	400	429
Revenues (internal)	19	22
Performance Products revenues (total)	419	451
Operating profit	59	66
Adjusted operating profit	59	66

Q3 2015 Results & Business Trends:

- ❖ Revenues were 7% lower than Q3 '14 as non-core divestitures, exchange rates fluctuations (mainly the devaluation of the euro and the Brazilian real against the dollar), and lower prices had a negative impact of 18.6%, 4.9% and 1.1%, respectively. These were partially offset by higher sales volumes and consolidation of acquired companies which contributed a total of 17.5%.
- ❖ Operating income decreased by 10.6%. Non-core divestitures, lower selling prices, higher shipping expenses and higher expenses related to the update and implementation of the Company's strategy and additional processes had a negative impact of 16.7%, 7.6%, 4.5% and 3%, respectively. This was partly compensated by higher sales volumes and lower raw material and energy prices which contributed 15.2% and 6.1%, respectively.
- ❖ Sales of ICL Food Specialties in the third quarter of 2015 were favorably impacted by the integration of Prolactal, offset by lower sales in Eastern Europe, the financial crisis in Russia which resulted in the ruble depreciation and weaker sales in North America as large food companies experienced slower sales as consumer preferences and the market becomes more diversified.
- ❖ ICL Food Specialties' strategy is targeted at meeting consumer demand for healthier food with higher protein content while maintaining favorable texture and stability.
- ❖ Demand for ICL's Advanced Additives was impacted by competitive price pressure in the US phosphoric acid market due to increased imports from China. The upcoming ban of STPP in automatic dishwasher detergents in Europe has resulted in reformulations and STPP volume decline. Sales of phosphoric acid were favorably impacted by the contribution of Fosbrasil which was acquired at the end of 2014.
- ❖ Demand for forest fire prevention products significantly increased due to historically high wild fire activity in the northwestern United States and Canada during the third quarter, as well as a significant increase in customers' tanker capacity in the US.
- ❖ The P2S5 business declined from the prior year primarily due to lower volume as a result of maintenance shutdowns in Europe (which are expected to impact North America in the fourth quarter) and a generally weaker market.

Other & Setoffs:

\$ million	Q3 2015	Q3 2014
Revenues (external)	21	31
Revenues (internal)	7	5
Other revenues (total)	28	36
Operating profit	-8	-
Adjusted operating profit	-5	-
Unallocated expenses and eliminations	-26	-8
Unallocated expenses and eliminations adjusted	-21	-8

Financial position, Cash Flow & Investments:

- ❖ Q3 '15 operating cash flow amounted to \$124M compared to \$295M in Q3 '14. This decrease stems from the decline in income, an increase in working capital, the impact of the strike, payment of royalties relating to prior periods and payments relating to retirement of employees.
- ❖ Net financial liabilities amounted to \$2.67B, an increase of \$9M compared to the balance at the end of 2014.
- ❖ The total amount of the securitization framework and credit facility amounts to \$405M. As at September 30, 2015, ICL had used \$316M of the securitization facility.
- ❖ ICL also has long-term credit facilities of \$1,740M and €127 million, of which \$878M has not been used as of September 30, 2015.
- ❖ On October 29, 2015, S&P Ratings Services revised its rating outlook of the Company's credit, which is rated BBB from stable to negative.
- ❖ ICL's Board of Directors has decided to distribute a dividend in the amount of \$84M, or \$0.07/share. The record date is November 30, 2015 and the payment day is December 15, 2015.

Key events during the quarter:

Completion of formation of phosphate JV in China: After the quarter, ICL completed the establishment of a joint venture with Yunnan Phosphate Chemicals Group, China's leading phosphate manufacturer. The joint venture is expected to be a leading player in the Chinese phosphate market. The YPH JV's global-level joint manufacturing platform includes activities across the value chain, from upstream mining and bulk sales of phosphates to the manufacture of downstream specialty products, as well as of phosphates for special applications in the food market and the market for engineered materials. The JV is currently engaged in 11 R&D projects in the food, engineered materials, agro and process improvements areas. The JV will increase ICL's phosphate platform by 50%, secure its long-term phosphate reserves, expand its phosphate end-to-end business model with a focus on Asia, transform the Company into the world's leading specialty phosphate player and improve the cost competitiveness of ICL's phosphate operations.

The following table illustrates ICL's increased phosphate production capability following the formation of the YPH JV, including YPH JV's capabilities stemming from existing operations that were folded into the JV:

Production capability	YPH JV	Total ICL***	Change (total ICL vs. ICL pre-JV)
Phosphate Rock	2.5mt*	6.5mt	63%
Fertilizers	850kt**	2.7mt	45%
Specialty Fertilizers	115kt	895kt	15%
Phosphoric Acid	700kt	1.3mt	117%
Purified Phosphoric Acid	60kt	290kt	26%
- Incl. Expansion Plans	160kt	410kt	64%

* Million tonnes

** Thousands tonnes

*** Including 100% of the JV's production capability

Subsequent to the date of the financial statements, the Company increased its long term debt to fund the payment of its share of the YPH JV as well as consolidating the JV's debt, in the total amount of approximately \$400 million.

ICL UK: Transition to Polysulphate operation: During the quarter a re-examination was made with respect to the economic viability of potash reserves at ICL UK, which resulted in a reduction in the ore reserves from 16.9 million tonnes of ore in December 2014 to 7.5 million tonnes as of September 30, 2015. This change is the result of continuing mining activities, changes in geological interpretation and no new conversion of resources to reserves from ongoing exploration activities. In light of the updated reserve estimates and assuming annual potash production capacity of about 600 thousand tonnes and no conversion of resources into reserves, the potash production activities at ICL UK are expected to conclude in 2018. As a result, potash production facilities will be depreciated over a period that is three years shorter than the original estimate and, accordingly, depreciation expenses will increase by \$12M per year. Immediate restructuring, mainly through labor reduction, is expected to contribute \$30 million annually, starting from 2H 2016.

ICL UK operations will be gradually transformed from high-cost potash production to lower-cost production of Polysulphate, of which there is estimated to be approximately 200 million tonnes of potential resources and substantial market potential. The mineral contains four nutrients, is environmentally friendly in its natural form, approved for organic agriculture and suitable for chloride sensitive crops. It is also used as a raw material in the production of specialty fertilizers. The Polysulphate is as a cost-effective solution for sulphur-depleted soils due to relatively low production cost as the product requires no chemical intervention and due to low investment requirements as ICL UK already contains most of the required large-scale infrastructure. . The company expects to cease production of potash at ICL UK by 2018 and intends to invest approximately £40 million to upgrade and adjust ICL UK's mining infrastructure to produce Polysulphate. ICL is also evaluating an additional investment of £40 million to build a granulation facility specifically for Polysulphate. ICL, which entered the Polysulphate market in 2012, plans to improve its production capabilities and sales to the level of one million tonnes by 2020, with long-term potential for up to three million tonnes. As a result, the company expects to double its operating income at ICL UK by 2020 based on current prices and anticipated cost production volumes and cost structure.