



ICL

Analyst Call

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PRESENTATION

Operator:

Greetings. Welcome to the ICL Analyst Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Ms. Limor Gruber, Head of Investor Relations. Thank you Ms. Gruber, you may now begin.

Limor Gruber:

Thank you, Rob. So hello, good afternoon, welcome and thank you for joining our Fourth Quarter Analyst Meeting and Conference Call. Earlier today, we filed our report with the Securities Authorities in the US and in Israel and the stock exchanges in New York and Tel Aviv. The press release can be found on our website. The presentation that you will see today can also be found on our website and those of you who follow us through WebEx can follow the presentation online. Please don't forget to review Slide Number 2 for the disclaimer. A recording of this conference call will be available on our website shortly after its conclusion and the transcript will be available within 24 hours. Today we will start with the presentation by our President and CEO, Mr. Stefan Borgas, followed by Mr. Avi Doitchman, Executive Vice President, CFO and Strategy. In addition, our Chairman, Mr. Nir Gilad is also here today as well as our global Executive Members and we will all be happy to answer your questions after the presentation. Stefan, please.

Stefan Borgas:

Thank you, Limor. Good morning, good afternoon. Welcome to this conference. It's in a slightly new format now because since September of course we're a US stock market listed Company, but we have to find the right balance between satisfying our very large Israeli shareholders, as well as our new US shareholders and in order to give everybody the same chance to look at our financial results at the same time, we have moved the publication date to the early afternoon, we've halted the trade for 45 minutes in the TASE, very good collaboration here with the local stock exchange. We're doing this, this way everybody is awake when we publish our results. Everybody can see the results at the same time, everybody gets the same chance to react and buy ICL shares. Thank you for understanding this.

Let me immediately jump into the presentation and give you the highlights of the quarter and I'll mix it with the highlights of the year actually and I'll start with the financial results which you can see on Slide Number 3. I'm not going to read these numbers to you. I trust that you can do this by yourselves equally well. But the numbers are very much influenced by two items. First, of course, when you look at them year-over-year for the full year, they are influenced by a significant decline in potash prices because we have the first half here compares to 2013 still in the system and the second big noticeable effect here of course are all of the one-time effects. Let me get to this a little bit more in detail because 2014 was something like a clean-up year, I'd like to call it. We cleared a big issue of 14 years royalty dispute with the Israeli government and put a big reserve into our financials earlier this year. We laid the foundation for the cost reduction in our phosphate, bromine and potash operations. We have partially benefited this year from this—I'll get back to that in a little moment. But we will benefit from this significantly in 2015 and years beyond.

2014 was also characterized by labor disruptions, especially in phosphate in the first half of the year but also in potash right at the end of the year because we couldn't ship as much potash as we wanted to. If we had been able to ship, we would have been able to keep our market share but this potash shipments are now moved into 2015. This is not a financial loss; it's the movement into the next year.

We were also impacted by hedging cost on oil price and on currencies which we got a hit with in 2015 in the fourth quarter, but we didn't benefit from yet so this will also be a positive effect in 2015. Then we wrote off several divestitures because the moment you sign a contract for divesting a business and it is below book value, you have to book the loss immediately, whereas when you sell a business and you have a gain based on that sale, you can also only book this gain once the deal closes. So we have a time gap here. Our divestiture program overall is very successful. It will give us a good gain, but we will only see it in 2015 as well. We paid the price for all of these things in 2014, but we will enjoy the effects now. The same is true for the lower transportation costs. Because of the oil price, we will see these

effects only in 2015, but all of these things as well as the shekel-dollar currency effect will be majorly visible in 2015, so we will see quite a lot of tailwinds from all of these areas.

The second comment I want to make about the 2014 is the fact that our efficiency improvement really now is getting traction. We booked about \$100 million of efficiency gains from cost reduction mostly, but from some higher output in plants as well, \$100 million booked visibly in the P&L. If you calculate the potash price effect, it is actually 100 million bigger than you see in the P&L and the reason why you don't see it in the P&L is because it got offset by these efficiency gains. The run rate actually at the end of the year is about 120 million, so we're well very nicely on track towards our goal of 350 million run rate at the end of 2016.

It's important to understand that we are very determined to implement these efficiency plans that we have announced and that we have engaged into. The strike that we had to go through in phosphates showed I think the determination and as you can see in our published results, if you dig into the reports, the profitability of the phosphate business after the strike due to lower cost and higher output at the same time, it's quite impressive. It's really impressive. This is better than any performance that this business ever had before. This is a turnaround story that the team at Rotem is really proud about and that we're proud about them here from headquarters' perspective. The strike that we have in the bromine compounds business at the moment shows that we're determined to go through this as well. In that business, I will give you some details on that strike in a few minutes.

Third comment I want to make is on divestitures. We have reached the lower level of the range we have announced with the deal that we have signed. We have corrected almost all of the money now already in February because the biggest of this year just closed in February and the smaller ones will close now in March. So, that we have reached the 300 million threshold, we will add some smaller divestitures during the course of the year and of course the probability to exceed the 500 million is still there. It depends very much whether the divestiture of IDE will go through or whether because of value at the end of the day we decide not to divest it, then we will stay closer to the 300 million. But we're working on both scenarios.

Last comment, finally, we have not only worked on efficiency and cost reduction, we have also started to grow our core business; with the help of these proceeds we get from divestitures, we are able to do this. Of course, the big highlight for us from Management perspective was the strategic alliance with Yunnan Yuntianhua in China. This gives us the opportunity to double our phosphate business. In the midterm, we will have an integrated platform from rock all the way to specialty applications in China and in Asia. In our food business, we made a very nice progress as well. We brought a whey protein company in Austria with another site in Germany, so that now we can add these whey proteins to our Food Specialty portfolio. This will have a significant effect on the growth and on the margins because we can spread our cost structure over a bigger business but most importantly, it will have a very positive effect on innovation, and we have, finally, I have to say, completed the acquisition of our Fosbrasil business in Brazil. This is the white phosphoric acid, the specialty phosphoric acid business in Brazil which makes us now the market leader in South America in this area.

Let me try to give you a little bit more of a qualitative view on what happened in the markets, maybe with a bit of a perspective of how this plays into 2015.

Potash in 2014 was a very strong year with a little short of 60 million tonnes of sales we believe and therefore ICL couldn't participate in this growth to the fullest extent, so we lost market share because of the labor actions at the very tail end of the year. This doesn't make us very nervous because the material is there so we will sell it a little bit later. Two thousand fifteen, we think we'll not see much potash growth. First, because '14 was so strong but also because commodity prices of course are a little bit more under pressure than they were a year ago and return of this catch-up effect. So, we expect 2015 to be more or less at 2014 potash levels and as an industry we won't see dramatic growth. On the pricing side, we should see a bit of an improvement. It depends of course very much what the big players are going to

negotiate with the Chinese. The battle now is between \$10 and \$30 price increase if you believe all the publications. I'm sure you read this as careful as we do.

On the Phosphate side, we're very happy with the business in 2015. It was quite good from a demand perspective especially in the second half of the year, but it was for ICL, really driven by this turnaround in our Rotem operation. I already praised the team but we're really proud about this. We saw good pricing, so not all of the effect that you see in the P&L comes directly from efficiency improvements, some of it also comes from the market, but our competitiveness now has improved substantially.

In Specialty Fertilizers, the business had to fight with the weak environment in Eastern Europe, the specialty crops environment which was mostly due to the Russian crisis. The Eastern Europeans could not export very much to Poland anymore, as a result they didn't buy much fertilizers any longer. So, we had on the top line not a very satisfying business in the second half of the year, but this was offset by efficiency gains, cost reductions and better performance in the plants so that bottom line the Specialty Fertilizer still has a satisfying contribution and a little bit of growth.

In the Industrial Products business, the flame retardant decline came to a stop in 2014. This is already good news for this business that has really been beaten over the last few years. We have the first new product being launched, but until we see real substantial growth here, I think we'll still need to wait a couple of years. The biocide on the other hand continued to have good demand. The clear brine fluid had good demand and also orders for the first half of the year are still good. We had expected this to decline earlier but the time lag from when the drilling stops until we see it in our business is more or less a year. So we expect to see a decline of the clear brine fluids more in the second half of this year. We have announced price increases in bromine. The fact that we can't ship any right now because of the strike helps this price increase. So hopefully if this price increase will be solidly accepted by the market and then we should also in the second half of this year, see a positive effect of this price increase. Thirdly, the efficiency improvements that we're doing in bromine will also have a positive contribution after all of the work has been done here. So, second half of this year in Industrial Products should have a lot of positive elements. The first half of the year I'm a little bit more careful about making any projections, because it depends very much on how fast we can bring everybody back to work.

Performance Products, finally; we had a very disappointing fourth quarter, linked to several aspects in Europe. Obviously the economy is not helping us at all, especially not in the fourth quarter and half of that business, the Advanced Additives business, the Industrial Phosphates are dependent on GDP growth and Europe is one of our strong regions in addition to this, we have the depreciation of the euro that hit us on the top line. It is not very much a concern for margins because of balance in cost and revenue on the euro, but of course in top line reporting you will see it. In the US, competition especially from China is ramping up for white phosphoric acid. This is a concern, so our engagement in China comes, I think, not too early at all.

The Food Specialty business is starting to deliver on the investment of new resources that we put in this business. You know that we have started to build labs in Germany, in the US, in Brazil and in China. We are planning one for Southeast Asia for this year and we've hired around 60 professional scientists and commercial experts in this business and the launch of new products is really starting to deliver here. This build-up, it took about a year to do. In the last five months, this business has launched 30 new products. Now these are not mega products; these are product contributions between 0.5 million to several million dollars of sales, but the fact that we have 30 new products in five months is really a great success out of this innovation platform. This is more—this is almost 10 times as much as we have innovated, brought to the market, per year over the last decade, so we really see an acceleration here. This would continue into the first and the second quarter about the same rate. Then, of course, the Fosbrasil acquisition and the Prolactal acquisition will strengthen this platform as well. It will also help us with our geographic expansion. Once the China deal is closed, we have another region we can add to this business. So in the midterm, this business grows quite well.

Before I move on into the numbers and then hand over to Avi, let me just give you a little bit of granularity on these bromine compounds just because this strike is making a lot of noise at least locally here and as our investors, you should understand what the situation is. The bromine compounds in Neot Hovav are the downstream operation of the elemental bromine that we make in the Dead Sea. For the elemental bromine, we have fantastic competitors' position. We are the global cost and volume leaders in elemental bromine. By the way, we still ship elemental bromine today. This is not on strike, so that business is still ongoing.

Seventy percent of the elemental bromine however is not sold as such, but is sold through compounds, so the compounds' activities are very important. We have three plants, one in the Netherlands, one in China, and by far, largest of the three plants in Neot Hovav here in Israel. This plant should, because it gets bromine by pipeline from the Dead Sea and it's the largest in scale, should also be the most competitive in the world, but it's not. Over the last 10 years, this plant has lost a cumulative amount of 1.4 billion shekels, and it has eaten another 2 billion shekels of cap ex in maintenance and new products, anything like this.

We have—with this kind of a scenario, we've invested a lot of money in this business without ever getting any returns. Now, we have three types of inefficiencies here. We have salary levels that are very, very high with an average of 40,000 shekels per month. They are the highest salaries in this business around the world, not only in our sales but in this industry. We have—we're just overstaffed. We have too many people and the plants are not running at a level where they should be running in terms of output and efficiency. So the capex is not used the right way and we got to fix all these three things. So we got to reduce people. We have to at least stop salary increases; we cannot cut people's salary, but we have to stop the increases for a while and we have to make sure that the best people on sites are used in the most in the best way of their capability and that's what we're doing with this restructuring process.

By the way, while the Company put 3.4 billion shekels into the site, the unions took out in benefits payment 500 million. So 20% of that loss goes on the account of union benefits which are used for holiday vacations and things like this. I can ensure you that the determination of the local Management is just absolutely fantastic. This group of professionals, managers but also professional people, including many of the unionized employees, their determination to turn this plant around and not only to make money but to make this the best bromine compounds plant in the world because they have the precondition to do this, is huge. Whenever I meet with them, they have very specific plans to get there; they know exactly what needs to be done. It's not going to go in three months; this is going to take two or three years. But they know exactly what to do. We have very good ideas for this site, but we need to make the step-down in cost so that they can start to breathe again and they can operate. So hopefully this will be successful just the same way it happened in the phosphate business in Rotem and we can move on and be happy about this business again.

Let me show you a little bit of granularity now on the efficiency and operational excellence initiative. You see that we should have had an impact of \$300 million due to the potash price decline. This is simply the market prices multiplied by the volumes and we were able to counteract this with about \$100 million by efficiency gains. The run rate at the end of 2014 was at 120 because of course these programs ramp up over time. Most of this comes from the plant and from some SG&A as well, but also procurement started to contribute to this and on the energy side, this is not oil price reduction, this is extra savings in kilojoules in energy needed.

The macroeconomic environment had in 2014 an overall negative effect on this. I already talked about the translation issue with the euro-dollar. I already talked about the overall problem in Specialty Fertilizers and in the food business; it affects us similarly because we have quite a good business in Russia. Russian customers can't buy the products anymore because it is just 100% price increase with the devaluation. The other two effects you see on the stage, the shekel-dollar exchange rate and the crude oil prices are positive in principle for last year, but not in the fourth quarter, because we had hedging costs that we had to absorb and equalize this. But you will see it very quickly now in 2015.

From a demand perspective, it was a strong fertilizer year. You see in all of the major markets in which ICL focuses on, it was great demand both in potash as well as in phosphates. We expect the potash demand to flatten now in 2015. In phosphate, there should still be some growth coming because we're coming from an even lower level.

The alliance with Yunnan Yuntianhua, our new partner for phosphates in China has been communicated efficiently I hope. I'll just repeat the principles. ICL and Yunnan Yuntianhua will operate an integrated phosphate operation business, one of their mines and one of their plants. They have four of those, one of them they will carve out of their company.

ICL will take it over and run it and operate it. ICL will integrate it into ICL, both from an operational perspective as well as from a P&L perspective, so you will see reported 100% in our numbers, at least that's what we're aiming at. The second thing we did is we bought 15% share in the mother company, called Yunnan Yuntianhua, with the opportunity to help improve this company and make it a world class phosphate player, to which of course we want to build a long-term alliance and the whole key of this joint phosphate platform is to turn it from a commodity business into a specialty business. The collaboration is great. The teams are working very, very well together. We have 30, 40, 50 people in China all the time. Our airplane costs are going up dramatically; if you want to play on this, you can invest in airlines that flies between Israel and Kunming, China.

In the Food business, we are now making the next step in the execution of our strategy. Multiples in the food business are very high. On principle, from the principle logic, acquisitions of food additives are not accretive for ICL when they're sizable. So, we cannot buy very large food businesses because they would be dilutive, so what—and we realized this very early on when we designed the strategy. So, what we have done is we have built a global platform of knowledge and a global commercial platform that focuses on texture enhancement and stability enhancement of processed foods. You see some of these examples here on the page: dairy, meat, bakery, beverage, cheese; that's why the burger is such a great example because you got everything in here. Once we have this global platform, we can buy smaller regional players and take these products and sell them through this entire network and this way we can afford these multiples that are a little bit higher than our multiples because we can leverage it in the platform.

The synergies in this deal are higher than the entire value of the company that we paid; at least that's what we think. So, now we have to execute. I spent two days with them last week in Germany. They are very energized in delivering this, hopefully in the—it will take one quarter to close this and hopefully in the middle of the year, I can report some positive contribution.

Fosbrasil, I talked about it enough already, so let me skip that.

On the divestiture side, the top box shows all the businesses we have signed for sales. In the meantime, the Water Solutions, the Aluminum Compounds, the Paper Solutions business have closed. We have received the funds. The Rhenoflex, Anti-Germ and Medentech business sales will close in the next six weeks, so that at the end of the first quarter, we should receive the funds here as well. This will accumulate to about \$300 million of net proceeds and the businesses that are still in the process, you see listed below here. IDE is of course important. We will continue to pursue the same policy that we have before. We are not going to dump these businesses. We are only going to sell them, if the value we can obtain through a sale is higher than the value they would present inside ICL.

A short update on our growth activities inside the potash world; you know that we are continuously frustrated with the lack of our competitors to invest in the demand creation for potash, so as the little guys, we are doing it pretty much by ourselves. We have added a program in Ethiopia now through the activities that we've had already in India. We have good hopes for this market. We have a share participation in a mining project in Ethiopia. We think this is one of the stable places in Africa so the outreach program that we have here for farmers, the 600 demonstration plots is not just quite yet at the

same size in India. India is about 800 plots, but in order of magnitude it's the same, and we will show you the results as soon as they come.

In Amsterdam, we have inaugurated our European headquarters and the seat of our European Shared Service Center and the office that will house our Global Procurement Organization. We are very proud that the Dutch Prime Minister came to this inauguration and did it himself personally. This is a sign how well the Company can work together with authorities. This is a tough place to be. They are not easy pushovers but it's a very constructive political environment. Authorities take decisions; sometimes they are in our favor, sometimes not, but they take decisions and this gives us a very good, stable planning environment. Similarly in Spain, similarly in the UK, as well. I wish sometimes that our local politicians here in Israel would copy this kind of behavior because it would be so great for our country here.

We launched a branding website. I encourage you to take a look at this. There are small video clips on this that explain our business, how we actually fulfill essential needs of consumers in the world. It is quite well done. It's available in many different languages and as we make more of these clips, we'll add them to the sight.

(Video Presentation).

Many more of those stories. Great job by the team. This brings me to the end of the first part of the presentation. I hand over the clicker to Avi and then he will lead you more through the quarter results. Avi?

Avi Doitchman:

Thank you, Stefan. Stefan showed you the rough analysis between our 2014 annual results and 2013. With your permission, I will concentrate on the quarterly results. Our sales in the fourth quarter of 2014 was \$1.4 billion, 1% lower than our sales in the fourth quarter last year.

Our adjusted operating income was \$200 million, 8% lower than our adjusted operating income in 2013. Since we suffered in the last quarter from the workers' disruptions on sales and operating profit, we lost about \$60 million of sales and \$35 million of operating profit as a result of this work interruptions. So taking into consideration this interruptions, basically our adjusting operating profit is \$235 million was better than previous year.

Just to understand what is the gap analysis between our operating profit and adjusted operating profit, so we exclude non-core write-off of assets in Europe and in the US as a result of restructuring, mainly a result of restructuring that we've done in our assets. We exclude a one-time income as a result of a consolidation of Fosbrasil in our balance sheet and we got \$9 million of return from the funds on compensation on strike that we had in Rotem. This bring us to adjusted operating income of \$200 million this quarter. We had \$66 million financial expenses. On this \$66 million, \$43 million are non-recurring financial expenses. Basically we hedge our currencies and also our energy costs. Energy costs and currency, and mainly shekel-dollar, as Stefan mentioned, work in our favor. Energy costs go down; the depreciation of the shekel against the dollar support our cost in Israel, so basically this is good for us.

But as a result of the mark to market of our hedging instrument by fair value bring us to a provision of \$43 million this quarter and this is of course the benefit that we are going—assuming the exchange rate there, oil price will stay as it's today. So basically we are going to gain from this next year and we have the provision this year. The rest of the \$23 million financial expenses, more or less our normal financial expenses based on our level of the net loss.

If we look on the bridge analysis by our product businesses, basically our sales in the potash business go down from 465 to 431. Improvement of prices by \$12 million and reduction of volume by \$35 million affect our sales. Again, if we eliminate the disruption of sales in the fourth quarter by \$60 million, we

could see an improvement. The same in operating profit, you can see a negative effect of \$11 million on volume and better prices contributed \$12 million.

In phosphates, basically we see very nice improvements in our results compared to last year. \$385 million as compared to \$356 million in 2013, mainly volume and prices. Slightly negative effect from exchange rates. But if we look on operating income and prices, but much more important, efficiencies that help us to improve to this output by \$15 million. If we take this quarter and calculate this to annual amount, we talk about \$60 million efficiency in our phosphate business on an annual basis.

Industrial Products. Improving on our sales and operating, mainly by the volume, partially negative effect by exchange rate. On the operating profit, again, volume support us, negative because of the effect of the exchange rate, but also by higher royalties as a result of the arbitration. We paid more royalties by \$4 million this quarter compared to last year's royalties.

Performance Products. As Stefan mentioned already, the situation in Russia and in Europe affect our result of Performance Product. While some companies in 2014, mainly Hagesued and also the consolidation of Fosbrasil, this support us and increase our sales by \$23 million, but reduction of volume and exchange rate impacted our sales and the effect of volume of course affect our operating profit. By this, I summarize our presentation and open to question.

Limor Gruber:

Thank you, Avi. Thank you, Stefan. We will now move to the Q&A session. We will start with questions from the line, please.

Operator:

Yes, if you would like to ask a question, you may press star, one on your telephone keypad at this time. A confirmation tone will indicate that your line is in the question queue. You may press star, two if you would like to remove yourself from the question queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment please, while we poll for questions. Thank you.

Our first question is from the line of Yonah Weisz with HSBC. Please go ahead with your question.

Yonah Weisz:

Thank you very much. Two questions; one would be on potash. Could you talk a bit about your stake of the European potash demand and pricing. Stefan, you mentioned something which I didn't catch. I could be wrong, but Poland and inability to sell into Poland, Eastern European potash, if I caught that correctly, and if you could elucidate a bit more about that situation into this Eastern European sales into Europe and how European farmers are reacting to what seems to be price increases driven by currency; are they expecting them or not?

Second question on potash is about sale to China. In the past, Israel Chemicals has been selling one level deeper into the supply chain directly to the NPK blenders as opposed to getting to final purchase. I think Potash Corp announced that Canpotex will be now copying that strategy. Do you find more competition there in China in 2015 now that Canpotex is going deeper into the supply chain where you happen to be now? Thank you.

Stefan Borgas:

All right. Let me clarify the comment in Europe because I think there's two components to this. The potash market in Europe is quite stable. It's quite unexciting and predictable good stable demand and good stable pricing. There is nothing extraordinary really to reports from here. The comment that I made

on Eastern Europe was not linked to potash. It was linked to specialty fertilizer business where we serve mostly the spec ag business, mostly fruits and vegetables actually. The farmers who buy our products in Eastern Europe exports to a very large extend, around 50% to Russia. They produce the vegetables and the fruits and because of the sanction that the Russians have to suffer under, they did counter sanctions and they are not buying fruits and vegetables from Eastern Europe at the moment. As a result of this, the Eastern European farmers have stopped to buy inputs at the end of their growing season compared to what they usually do and that weakened the demand; but this is demand for specialty fertilizer,

The China situation doesn't make us nervous at all. First of all, the customers we have are very, very loyal. Nissim was in China just a few days ago, building with this group of customers like he always does, and he came back and said nobody's nervous here. This is a very loyal group of customers who will continue to buy from us, first. Second, we have contracts with them that still run for a long period of time. Third, we are very proud that PCS actually is copying us, as the little guys in this market which—because it means that we're really doing something right. Plus, with our engagement in Kunming with Yunnan Yuntianhua, we have now the opportunity to actually build up our direct sales force and the plan is focus on specialty fertilizers and we will build a sales force of several hundred people in China. This sales force will sell to customers of these regional distributors, so we will have access again one step further down the line. We are not planning to sell significant amounts of potash through this channel but we could do this at anytime if we should ever get under pressure here. Fifth, Yunnan Yuntianhua themselves buy as much potash per year as we sell to China, so we have, if you want to call it captive use, or at least we have a partner who at the same time could be also a customer. So we are not nervous at all about not being able to sell to China or having increased competition here. If there is one thing we are nervous about is not having enough potash available because our production increases are coming a little bit later.

Yonah Weisz:

If you could just maybe just revisit the idea of pricing in Europe that is influenced by currencies; are farmers accepting this currency induced price increases in Europe or not?

Stefan Borgas:

The US has one big influence just in recent weeks; the Belarusians had—they got freed from the import restriction by the Obama administration. As a result of this, they can sell more into the US. They looked at the price in the US and price in Europe and I must say, not very smartly, went to the US, dropped the price to try and get market share, everybody reacted. I don't think they gained very much and that had a negative effect on pricing in the US. It was isolated incident. One still has to see what the effect will be in the US really throughout the course of the year. Again, the buying season hasn't really fully started yet there.

Yonah Weisz:

Thank you.

Operator:

Thank you.

Stefan Borgas:

Next question.

Operator:

As a reminder, we ask that you please limit yourself to two questions per person to allow as many as possible to ask questions. The next question today comes from the line of Joseph Wolf with Barclays. Please go ahead with your question.

Joseph Wolf:

Thank you. One quick question. You talked about the fourth quarter with the potash shipments down because of the workers. Could you talk about—and the growth in the three emerging market regions—could you talk about where you think your market shares ended up for 2014 in China, India and Brazil given those high growth rates?

Stefan Borgas:

Yes, Limor, you have the data right there? Very good.

Limor Gruber:

Hi Joseph. Okay, so in China we had a relatively high market shares that was 20%. In Brazil, due to the availability of granular potash and the maximization of—or optimization of shipments during the year, our market share was lower than 10% in 2014. In India, we were at mid double-digit which is also slightly lower than last year, but this is mainly because of the labor disruptions we had in the fourth quarter at the Dead Sea.

Joseph Wolf:

Right and just as a follow-up. With the China investment, it seems to be a long process, but you noticed that you have a lot of people going over there already. Can you talk about how you feel about that? What you need to do with the government and what you're allowed to do, not allowed to do, while that's being approved, so that where you'll be when the JV finally closes and just the timing on how that works and then related to that, an update on the Ethiopian investment? If I recall, you were making a decision about further investments in Ethiopia. You mentioned it briefly during the presentation, but I'm not sure that we've heard any final answer to further investments in Ethiopia.

Stefan Borgas:

Okay. Let me start with the last one. We haven't made any announcement on whether we will go the next step in Ethiopia or not. We're still contemplating that. The discussions are ongoing and there's still technical things to be sorted out. With respect to the closing in China, there are three major streams of approvals that have to happen. The first one is the approval by the stock exchange regulators for us to be able to invest into the Yunnan Yuntianhua, the mother company, our 15% share. This is probably going to be the fastest approval. We expect this to take about six months and then after this, we could do this investment anytime we want within a six-month window or we have to ask for an extension of that approval I think, which we can also do.

The second track is the regular joint venture approval by MOFCOM for—that any foreign joint venture has to have. This takes anywhere between six and eight months, as well as with other—it's a well oiled machine. MOFCOM is very serious; they are very diligent; you cannot cut any corners, but the surprises you should get should also be relatively low here; and the third one which is the determining part of the timeline is the approval by the Mining Ministry in—first in the province, and then in Beijing, for the transfer of the mining rights to the mine that will be owned by the joint venture that ICL will operate. This is expected to take 13 to 14 months. It's also something that is not so routinely done in China because it hasn't yet happened in our industry and this is the one where we spend the most amount of time to prepare data and analysis and submission papers and also understand what in detail the government authorities need.

The initial feedback is that on the first two, we don't see any major problems. On the second one, we receive excellent, excellent support from the provincial governments. Again, these are no pushovers; these are very, very serious people. They look at every data point. They look at the economic impact of this—of such a mining rights transfer for the province in a very, very serious way. You can't cut corners here. You don't want to, either. At least we don't want to. The approval process that comes afterwards in Beijing for us is going to be the next step. We have to investigate so we have relatively little visibility on this as of yet, as a regulatory change that could make things easier that will happen in March of this year or is expected to happen in March of this year. We do not count on this, so the timeline I gave you is the baseline that we're building this on.

In the meantime, the pre-closing activities are actually pretty significant and here also we have several streams. We have a few things we can always do before we get any approval. There is a joint venture we already operate with Yunnan Yuntianhua on the food phosphates, to which we will add the industrial phosphates and because this is an operating joint venture already, we will all most likely be able to operate this already in the middle of this year. So this could be a pre-closing activity and we can start to run this in large joint venture same as before.

There's a joint R&D center we're building. We also already started to do this because this doesn't require any approval, so we're defining project and we should start R&D projects already in the second quarter of this year.

Third stream is the build of the commercial network. As I have explained before, when we published this deal, the entire logic of this joint venture operation is driven by converting a commodity business into a specialty business and when you do that, obviously you need the product, you need the technical infrastructure, but you also need the commercial infrastructure because you need to go out to farmers and explain to them—and explain to them relatively complicated products with an agronomical educated sales force.

We are starting to build up the sales force. This takes about a year to do. We need to hire 200 people and train them and send them into this field. Our partner will help us with products already during that time so we will act as a distributor for our partners and then when the joint venture closes, we already hit the ground running. This is the third track.

The fourth track is the preparation of the capital investments into specialty plants that we want to do here. There is no reason that we can't start with the basic engineering and then later on the detailed engineering of these cap ex projects because this way we save one year on the execution and on the implementation. So a lot of activities; I can get much more into detail if you like, but all of us are in China quite a lot of these days.

Joseph Wolf:

Thank you, Stefan.

Operator:

Our next question comes from the line of Gilad Alper with Excellence Nessuah. Please go ahead with your question.

Gilad Alper:

Hi. Stefan, can you please comment on the possibility of a general strike or some kind of strike in ICL, in the short-term, in the Dead Sea works, and how bad you think it could get? How long do you think it could go for and do you have any type of contingency plans to deal with the—with that risk? This is the first question. The second is you're building a lot of—expanding a lot of your potash capacity outside of Israel; can you give a rough estimate, let's say 10 years down the road, what could be the cost per tonne

in overseas versus the cost per tonne in Israel, including a lot of the effects of the Sheshinski Committee. Thank you.

Stefan Borgas:

Okay. I think the risks for a general strike which means a strike in all of ICL in Israel is very, very low. Why on earth should the phosphate workers go on strike? It makes no sense. They already have this behind them. You have to understand that in Israel, when workers strike, they don't get paid. So it's maybe fun to strike two or three days; it's a burden because it's emotionally not funny for anybody really that work every day. It's a burden to strike for two or three or four weeks and it's financially really painful to strike for more than a month because at the end of the first month, there is no salary that's coming on your account, and you have mortgages to pay and so on and so forth.

So if we take the first experience, if we take the experience of a strike in the Dead Sea in 2011, usually the length, duration of strike is somewhere four to six weeks. Let's assume this time it's more vigorous, then it will be eight weeks. I think this is probably as long as it goes, I would say, because...

Gilad Alper:

Okay.

Stefan Borgas:

...the other side of the medal of having very high salaries is that when you don't have them, you have very high loss. So I think hopefully—actually we're trying to encourage our union not to strike at all because the solution is relatively simple on the table and it won't be very different before the strike or after the strike. So it could be done just soberly around the negotiation table.

I'm not sure, and being still a foreigner in Israel, I'm not sure how that—how well that goes with the psyche of at least these types of unions there. So, but this is the order of magnitude that we would expect.

Gilad Alper:

Okay.

Stefan Borgas:

But this would cost money of course. This is an investment into restructuring benefits. But this is an investment we've decided to take because the payback of course is relatively predictable.

If we look at ICL's potash activities, what we aim—we have two aims, two strategic aims, of course. The first one of course is that in the long run, our cost of goods don't go up, but go down. This is the reasons why we can expand really substantially bigger than it is, so that the asset base there can be spread over a higher volume and this is what we've talked about many times and explained many times. This is what will happen. So we will see a dramatic reduction of cost in Spain. In the Dead Sea, we will see a significant increase in cost after-tax, if tax are—can be considered as costs but it's the payout that we have to do. Our costs plus tax, plus royalties; it's the cost plus government take—in Israel, despite all of the cost reductions that we're doing, will go up, assuming that these taxation increase proposals that are on the table will be implemented as such. Personally, I still have the hope that eventually the new Israeli government or maybe the one thereafter will come to reason and will understand that it's not very smart for a country to price itself out of the market by excessive taxation. My Chairman doesn't share my optimism and he is more entrenched here in the local market. So, we're operating on the worst case scenario at the moment. But I can tell you we have great projects here in Israel, that if we could do them

profitability, they would be great for the country and they would be great for ICL. But at the moment, this is not possible; maybe in six months, we can talk differently. We'll let you know.

Then of course, we have this option in Ethiopia. If it can be executed the way we have indicated it, this will do two things. It will further reduce our cost of goods of the entire portfolio and, together with Spain, we will then have enough capacity to potentially replace the entire volume in the Dead Sea because we have one other issue to deal with. This is the expiration of our concession in 2030 which hasn't been decided upon and we haven't received any much from the local government to help us to make a decision on this.

The Sheshinski Committee, it has one good thing—has recommended to the government to find an answer to this. So, we know that there is a Committee inside the government, a professional Committee working on this; maybe we can clarify the situation. This will be good for everybody I think. But again, as a Management of ICL, we have to assume the worst case scenario. We lose this concession in 2030, this means it will be a cash-out phase on this side and we will take as much cash as possible and replace it and we've got these things in place now to do that.

Gilad Alper:

Okay. Thank you very much.

Operator:

Our next question comes from the line of Joel Jackson with BMO. Please go ahead with your question.

Adam Bredlo:

Hi, this is Adam Bredlo for Joel. My first question is on potash and China, just going back there. Are you concerned that the first half contracts are going to be delayed by pre-contract shipments into China? So people shipping into China currently, before the true price settlement has been established, and also do you think that the Chinese market will eventually become a spot market? Then my second question is on—can you please give us an update on progress with the Israeli government related to ICL's undeveloped phosphate concessions? Thanks.

Stefan Borgas:

Okay. Let me answer the second one because the answer is easy. I can't; there's no updates. There is no government, so nothing else happening at the moment. Second—first question, potash in China, we're not so concerned, at least in terms of our business, for pre-contract shipments because it doesn't affect us very much. I think if we have a concern, then it is on the price settlement. I think the Chinese, if it's correct what I read, is the same sources that you read, the Chinese have offered \$10 increase; the Russians and the Canadians are asking for 30 or 35 and I think the truth will be somewhere in the middle; we will see. Let me put it this way, we don't have a budget risk if it stayed in this frame.

Anarelo:

Okay and then on just the second part of my question on whether you think that the Chinese market could eventually become a spot market? Do you have any comments on that?

Stefan Borgas:

I mean, look, if—there could be a little bit more spot elements, but every two or three years, when Chinese New Year is late and Chinese price settlement happen late, we have these kinds of speculations. If I were the Chinese imports authority, I wouldn't go to spot market fully, but it's just too risky. It's too important of a commodity and the country is too short of potash, so I don't believe they

would go there. But, you know, this is an opinion, so we believe that it will remain in some kind of a contractual—some kind of a contractual structure. If you look at it, it's partially a spot market already now because there are a few people, the Belarusians for example, they ship aside the contract, and the Russians who use rail, also they ship aside the contract. So part of—70% of the Chinese market is contract and I think will stay this order of magnitude.

Anarelo:

Okay, great, thanks.

Limor Gruber:

We have one question in the room.

Female Speaker:

Would you put a number on the impact of shekel appreciation in terms of operationality?

Stefan Borgas:

The best one to do is Avi.

Avi Doitchman:

We had annual expenses in shekel of 1 billion in dollar terms. We hedge about 50% of our exposure, so our exposure is relative \$500 million; 1% is one—is \$5 million on annual net profit.

Female Speaker:

Thank you.

Limor Gruber:

You can go back to questions on the line please.

Operator:

Thank you. Our next question is from the line of Sophie Jourdier with Liberum. Please go ahead with your question.

Sophie Jourdier:

Good afternoon. Three quick questions please. I mean, first of all, just on your cost efficiency, you say you had a run rate of 120. You're aiming to get to 350 in a couple of years time. Can you just give me an idea of how many of the remaining cost synergies are coming from Israel. That's the first question. The second question, I just want really to have an update on the capex outlook for 2015 and beyond that if possible, and then third, I just want to, if you could give us a bit of an update on the Spanish restructuring and expansion and works going on, where we are at the moment. Thanks.

Stefan Borgas:

Okay, let me start with—maybe Avi, you can give a comment later on how much of the restructuring comes from Israel. Let me start with the other two questions. The Spanish, the news on the Spanish activities, restructuring from two mines into one, and then expanding that one mine, is there is no news. That's also the good news which means everything is on track. We expect to start up the plant, the

surface plant in the middle of the year, do all the test runs, start the soft production there and the ramp should be finished at the end of year and we can clearly plan that at the new level and we have, thanks to the flexibility of the Catalonian government, we have the flexibility to continue the old mine for another two years.

This is important, because it could give us flexibility in quantities during these two years. So we can decide this three months on the spot basis and that's what we will do. Cap ex 2015 will be, again, around \$800 million and that's about the run rate that we expect to have into the following years as well. That is not counting cap ex that could come in addition to very large new projects.

The percentage of cost reduction from Israel, Avi?

Avi Doitchman:

Basically the \$350 million that we project came from procurements, from energy saving, from operational excellence, many operations globally and from other activities. So basically if we look on our activities, about 50% of our activities are in Israel, and 50% out of Israel. So I think, more or less the same portion of the cost reduction will come from Israel and out of it.

Sophie Jourdier:

Okay. Thank you. That's helpful, thanks.

Operator:

Our next question comes from the line of Bruce Schoenfeld from BlueStar. Please go ahead with your question.

Bruce Schoenfeld:

Yes, hi. I think this is probably a question for Stefan in regard to the phosphate business. Obviously after the big deal in China, I'm curious to know where you think that business is going, whether you are going to be looking at other geographies, especially given the uncertainty in Israel and specifically, there is several Greenfield or big assets in Canada that are probably trading at distressed prices at the moment. I'm wondering if you're looking at those.

Stefan Borgas:

Yes. Our first comment here, we just did a very large transaction in China. We are very, very focused on the integration and then integrating it in 2015 and 2016. So, just in terms of the bandwidth of the team, we don't have the bench strength to do many more or to do even one more of project of that size right now. Just from a people perspective.

Bruce Schoenfeld:

Okay.

Stefan Borgas:

But, on the other hand, you can rest assured that we looked at absolutely every possible phosphate asset in the world, those available, those not available, those already operating, and those that are Greenfield projects. We took two years in order to get to this arrangement with Yunnan Yuntianhua and there was a lot of work done before. So we are in contact with many of these projects, with some of the Greenfield ones which are actually quite attractive and we are also in contact with some of those companies that are thinking of exiting phosphates because it's not big enough for them or scalable enough for them. If the

opportunity should present themselves—itsself and it makes sense from a deal perspective, we would probably try to push our bench to do it anyway.

Bruce Schoenfeld:

Okay. Great. Thank you.

Stefan Borgas:

It's more of an opportunistic reaction rather than us pushing to do another deal, at least in the next 12 to 15 months.

Bruce Schoenfeld:

Okay. Great. Thanks.

Operator:

Thank you. Our final question is from the line of Rosemarie Morbelli with Gabelli & Company. Please go ahead with your question.

Rosemarie Morbelli:

Good morning. Thank you. I was wondering if you could touch on the bromine a little bit more. Do you have a feel for how successful your pricing phases are and I understand that it is only a couple of product lines and only in Asia, and then regarding the excess capacity of approximately 90 million, 90,000 tonnes. How do you think that capacity is going to be utilized over the next year or two? How much will go to mercury? Based on your opinion, do you think there is a need actually to eliminate some capacity by some of the players? If you could help me understand more of that bromine market, that would be helpful. Thank you.

Stefan Borgas:

Let me pass on to Charlie in a minute just to talk about the price increase success and also the future uses of bromine. But just let me make one comment on excess capacity. The excess capacity's in the hands of basically two players, which is Albemarle and ourselves, and both of this is around the Dead Sea—is not significantly pressing excess capacity, because these are relatively cheap assets that we have available in order to ramp up capacity really, really fast. So we don't need to shut anything down because they're not operating at this point in time. We can increase the operations, reactor by reactor, so it's actually pretty ingenious system that has been built here in order to ramp up or reduce capacity, as well. The biggest challenge we always have, especially on reduced capacity, is we have a staff that is not flexible. As you know, we're working on this quite heavily at this moment in time. So this—so we don't need to adjust capacity or invest into capacity adjustments. But maybe Charlie, you can give, you can give, shed some light on the price increase and on the future uses of bromine.

Charles M. Weidhas:

Yes, for now our price increase activities have been focused on China where we announced a 20% increase on bromine prices about a month ago, little bit more than that and we're beginning to see the impact now with pricing going up in China. It's also the slow time that we're right before the New Year's and what not, and as the industry ramps up later after the New Year's, we should see even more impact. So our thinking is that as bromine prices go up in China, so do the compound prices of the brominated products and so far we feel comfortable with it.

Rosemarie Morbelli:

Okay, and then the use of—the future use of mercury please—I mean of bromine?

Charles M. Weidhas:

Yes. So, today, when you look at what are one of the areas that are growing in terms of bromine consumption, mercury control in North America is one of them, and that should continue to grow. The other, more in the future where we see this coming, is mercury control happening in Asia. As you know, coal, consumption is huge in China, also in India, and this is one of the focuses for our advocacy.

Stefan Borgas:

So if you put this in numbers, in the US there is maybe another 15,000 to 20,000 tonnes of demand from bromine that we expect when everybody has adopted the regulation. In China, the demand, if there is a regulation at the same level than (ph) the US, should be at least as big in the US, so this would be big step forward. Then, we of course have some other innovation areas such as energy storage applications that are a little bit earlier in the innovation cycle, so it's difficult to quantify this, but energy storage for example is also a several—more than 10,000 tonne application if it comes. But we are maybe three years away from really planning this and then there's a few others that we'd rather keep to ourselves.

Rosemarie Morbelli:

Do you think, if I may, do you think that that still is far from using up that 90,000 tonnes? So I am just wondering if price increase, if the market is going to perceive that the capacity is becoming tighter and therefore price increases will be more accepted, or are price increases mostly going to be accepted because of the value added that the new bromine compounds are going to bring?

Stefan Borgas:

No, no, no. The dynamic here is a little bit different. This is not an overcapacity that is equally spread around all players in the market. The price determining players are the Chinese Chinese bromine producers—they sell at—worse case they sell at their cost and their cost is somewhere we believe around \$1,800, a little short of \$2,000 a tonne. But the Chinese do not make enough bromine anymore to supply their own compound producers. Hence, we have an opportunity here to increase prices in China, as long as we are accepting underutilization which, from our sales perspective makes sense because of the value consideration and that's why this price increase is picking on the elemental bromine. The value add can only come if we really have the new applications in which we have unique technology, otherwise on the value add we have to compete with the Chinese which is one of the issues why our bromine compounds in Israel are not so profitable because we haven't had any new products which are protected by IP, and from a cost position we've been sloppy, so we need to get to the Chinese cost, otherwise we won't make very much money on the compounds.

Rosemarie Morbelli:

Thank you.

Operator:

At this time, I will turn the floor back to Management for closing comments.

Stefan Borgas:

Is there another question in the room? Last chance. Limor, back to you.



Limor Gruber:

Thank you. Thank you very much. Thank you, everyone, for joining us today. I hope to see you again of course in the future and we are available for any question if you have going forward. Thank you.

Operator:

Thank you. This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.