



**ICL Q1 2019 Conference Call  
7 May 2019**

Operator: Ladies and gentlemen, thank you for standing by and welcome to the ICL Analyst conference call.

Our presentation today will be followed by a question and answer session, at which time if you wish to ask a question you will need to press “star,” “1” on your telephone. I must advise you that this call is being recorded today. If you experience any technical difficulties, please press “star,” “0” on your telephone.

I'd like to hand the call over to your first speaker today, Miss Limor Gruber, Head of Investor Relations. Please go ahead miss.

Limor Gruber: Thank you. Hello everyone, welcome and thank you for joining us today to our first quarter 2019 conference call.

The event is being webcast live on our website at [www.icl-group.com](http://www.icl-group.com). Earlier today we filed our reports to securities authorities and the stock exchanges in the U.S. and in Israel. The reports as well as the press release are available on our website.

The presentation that will be reviewed today was also filed to the securities authorities and is available on our website as well. Please don't forget to review the disclaimer on slide number two.

There will be a replay for the webcast available a few hours after the meeting and a transcript will be available within a few days. Our comments today will contain forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on



management's current expectations and are not guaranteed for future performance.

Today, we will begin with the presentation by our president and CEO, Raviv Zoller followed by Kobi Altman, our CFO. Following the presentation, we will open the line for the Q&A session. Raviv, please.

Raviv Zoller: Thank you, Limor. Good morning and good afternoon everyone. Following our strong performance last year, 2019 also started on a positive note and slide three brings you this quarter's main highlights.

After excluding Q1 2018's divested businesses, sales increased by 4%. Most notably, in parallel to the increase in sales, our profit margins increased significantly, leading to a 65% growth in our adjusted operating profit. That growth and margin expansion was the result of strong performance in all of our three mineral value chains as we continue to execute our strategy and benefit from cost synergies following the realignment of our business divisions.

I'd like to note that this performance was achieved despite headwinds in some of our businesses, especially in our Innovative Ag Solutions division as well as unfavorable conditions in the commodity phosphate market.

Our adjusted earnings per share of \$0.12 is 42% higher than in Q1 2018, excluding contribution from divested businesses, and 21% higher sequentially. Operating cash flow, which was almost five times higher than in the same quarter last year is supporting our Capex requirements this year and allowing us to distribute first quarter dividend of almost \$0.06 per share, representing a solid annualized dividend yield of above 4%.

As you can see in the table presented on slide four, almost all our key financial metrics demonstrated growth over the same quarter last year and sequentially on an adjusted basis when calculated excluding capital gain from the divestments in Q1 2018. Adjusted operating income and EBITDA grew



by 65% and 40% respectively and adjusted net income grew by 43% compared to the same period last year.

Let's move on to the performance of our four divisions, starting with industrial products on slide five. Higher prices and sales volumes for most of our products along with our market leadership position and our continuous value over volume strategy led to yet another strong quarter for the division with all-time record quarterly results.

Some of the volume growth is attributed to a slight shift in demand for flame retardants from Q4 2018 to this quarter due to uncertainties at the end of last year regarding the U.S.-China trade dispute.

Prices across the bromine value chain remained firm throughout the quarter, due to the continuous environmental related regulatory pressures and winter shutdown in China. The tight market creates opportunities for ICL as a reliable supplier to sign long-term contracts with major customers.

In addition, cross-regional strong demand from the oil and gas industry resulted in record quarterly sales of clear brine fluids. Continuing last year's trends, our value over volume strategy supported by continuous regulatory pressure on local producers in China resulted in a price contribution of \$20 million to operating profit in the quarter, while sales volumes contributed another \$14 million, resulting in all-time quarterly record profit of \$97 million, almost 50% higher than Q1 last year.

Our potash division, as shown on slide six, recorded an increase of almost 10% in sales and an impressive growth of 84% in operating income. That was achieved despite lower sales volumes of about 100,000 tonnes due to disruptions in the Israeli railway services which deferred sales of 60,000 tonnes to Q2 and also increased land transportation costs as well as the discontinuation of potash production in the U.K. in mid-2018.



However, an increase of \$33 in average realized potash price per ton, as well as lower energy costs owing to our new Dead Sea power plant more than compensated for the lower volumes. Potash prices prove to be resilient and largely remain stable despite the slow start of the season in the U.S. and Brazil.

Our potash operations in Spain continue to contribute positively to operating profit following the successful implementation of several efficiencies measures. ICL Boulby is ramping Polysulphate production and we are facing healthy demand and higher prices for both granular in Polysulphate and Potashplus.

The Indian market is open for imports of Polysulphate after achieving all necessary regulatory permits. Moving on to slide seven, you can see that despite the challenging conditions in the phosphate commodity market, the segments profit margins actually expanded from about 5% to about 7%, resulting in an increase of 25% in operating profit.

This margin expansion was achieved by a significant improvement in the YPH joint venture performance, with operating profit of \$5.5 million compared to around zero in Q1 2018. Our specialty business benefited from our value initiatives which contributed to higher prices compensating for a short-term decrease in the sales volume in South America as well as lower sales volumes of dairy proteins.

We also benefited from the realization of synergies following the realignment of the business last summer, as well as cost control measures, including the sale of a plant in Mexico. I'm very pleased to say that the sale went smoothly without losing any customers.

Commodity prices are in a downward trend, but compared to Q1 2018 our average prices were still higher. In addition, we were able to continue our value approach with specialties. As a result, higher prices across the value chain more than compensated for increased raw material costs, mainly of



sulphur consumed during the quarter, as well as acid purchased from third parties.

Moving onto slide eight. It was a challenging quarter for our innovative Ag Solutions division, as you can see. The long wet season in North America, and surprisingly also in Israel, negatively impacted sales of soluble and controlled release fertilizers. This segment also suffered from the depreciation of the euro, which reduced sales in dollar terms, not fully offset by lower costs in dollar terms due to the depreciation of the euro and the Israeli shekel.

We're on a long journey to become leaders in specialty fertilizers and there will be some setbacks along the way, but we continue to implement our strategy to pursue leadership by streamlining and growing our business while focusing on (new) M&A.

In accordance with this strategy, the segment realigned during the quarter its global sales and marketing organization aimed at achieving faster growth. As you can see on slide nine, this is the fifth consecutive quarter of profit growth and margin expansion. This is evidence of the successful implementation of our strategy and we will continue to focus on growing our bottom line faster than the growth of our top line.

I'm confident that the strong start of the year places us on track to achieve another year of solid performance, but before I hand it over to Kobi to discuss our financials in more details, I think it's important to also mention the agreement we reached with Israeli authorities, which put an end to a decade long dispute over vast royalties.

The agreement was reached through a direct dialogue with government officials to the benefit of all parties, ending a long dispute that weighted over us, while also simplifying that the royalty calculation going forward. We consider this to be a major milestone as it enables us to continue focusing on our strategic growth plans and sets the ground for a new era of open dialogue,



cooperation and good atmosphere between the Israeli authorities and the company.

As always, I would like to extend my appreciation to ICL's employees all over the world. They are our most valuable resource and I'd like to thank them for their dedication, commitment and hard work leading to these strong Q1 results.

Thank you all, and with that I will hand it over to Kobi.

Kobi Altman: Thank you Raviv and good day everyone. Moving to slide 11 for discussion on the financials of another great quarter for ICL. Excluding the contribution of the divested businesses to Q1 '19, our sales increased by 4%, driven by higher prices across all of our mineral value chains. And despite the negative impact of 3% from exchange rates, mostly from the devaluation of the euro.

The relatively modest contribution of quantities is mainly attributed to a decrease of hundred thousand tonnes in potash sales volume as Raviv mentioned earlier. Slide 12 demonstrates the notable achievement of growing our adjusted operating profit by 65%, mostly driven by higher prices.

About half of the price contribution can be attributed to our value initiatives in the specialty businesses. Our new gas power plant in Sodom contributed to a lower energy cost, though it should be noted that during summer when energy costs are usually lower, we expect the contribution to be more moderate.

The negative impact of exchange rates on sales was reversed in the operating profit with a small contribution mainly due to the decrease in cost in dollar terms due to the weakening of our main production currencies, the Israeli shekel and the euro.

This demonstrates another aspect of our balanced business and global span. I would like to emphasize that despite the increase in sales, we reduced the cost of sales, sales & marketing and G&A expenses resulting in a significant



increase in our profit margins. Contribution of set-offs and eliminations in the amount of \$24 million also includes capital gain from a sale and lease back of office buildings in Israel and from the sale of a plant in Mexico.

As shown on slide 13, in this quarter we did not experience significant fluctuations in our effective tax rate, which should range between 24 percent to 26 percent going forward in the current pricing environment. The \$3 million gap between the adjusted and reported tax expenses is attributed to the tax impact of the provision we made this quarter following the final resolution of the royalty dispute with the Israeli government.

Turning to slide 14. On January 1, 2019, we started to implement a new accounting standard IFRS 16, which deals with asset leases. This new standard presents a unified model for the accounting treatment of all leases according to which the lessee has to recognize a right-of-use fixed-asset and a lease liability in its financial statements. This table you see here summarized the impact of implementing IFRS 16 on the relevant P&L balance sheet and cash flow items.

Let's move now to slide 15, our net debt to EBITDA ratio continues its 2018 trend and was 5% lower than in Q1 2018, mostly owing to the increase in EBITDA. The 5% increase to Q4 '18 is a bit misleading. If we neutralize the impact of IFRS 16 accounting standard, we adopted starting this quarter, our net debt to EBITDA ratio actually decreased by 5% to 1.8.

We feel very comfortable with our current financial position. It provides us with the flexibility to invest in our growth, execute major infrastructure projects and continue to return cash to our shareholders with a dividend yield higher than the industry average.

I would like to summarize this great quarter with the key takeaways on slide 16. Following the strong start of the year, we believe we are on track for another year of solid performance. We could be facing some challenges going forward considering the downward trend in the phosphate commodity market



and considering industrial product performance this quarter was biased upward. But nevertheless, our continuous focus on strategy execution and our balanced business model should help us overcome these headwinds.

As you saw already in this presentation, we are already enjoying the fruits of our focused strategy as the realignment of businesses, our cost synergies and cost control and of course our value oriented approach all led to significant margin expansion. During the quarter we continued to progress with major initiatives that should support long-term value creation.

Just last week we announced the resolution of a decade long dispute with the Israeli government regarding prior period royalties. This time we reached an agreement through direct dialogue and this testifies to the significant improvement in our relationship with government officials. We are on track with our major projects. The new pumping station in the Dead Sea, the realignment of our Spanish operations, the salt harvest, and the pure phosphoric acid plant in China.

In addition, we continue to sign long-term contracts with our bromine and bromine derivatives customers in China and in this quarter we also realigned our R&D organization to drive and support innovation across all of ICL businesses.

Thank you, and we will be happy to take your questions now.

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. If you wish to ask a question, please press “star,” “1” on your telephone keypad and wait for your name to be announced. If you wish to cancel your request, please press the “hash” key.

Our first question comes from the line of Vincent Andrews at Morgan Stanley. Please go ahead.



Jeremy Rosenberg: Hi, this is Jeremy Rosenberg for Vincent. Good morning. Thanks for taking my question. I wonder if we can start out just on India and China and just get your thoughts on kind of how you see contract negotiations playing out over the next few quarters?

Raviv Zoller: OK. The contract negotiations we think will effectively start sometime around beginning or mid-June. Inventory levels in China are relatively high still. Inventory levels in India are lower, so we may see a more of what we saw last year that in India they'll want to progress faster. But other than the starting point, which is expected in June, there's no clear timeline at this point.

Jeremy Rosenberg: OK. And then if I could just ask a follow up just on phosphate solutions. It looks like in the press release you're talking about some strong pricing there, which drove operating income higher, and I'm just wondering if you could maybe just frame up the drivers for phosphate and kind of how you see that market trending over the next couple quarters? Thank you.

Raviv Zoller: In terms of specialty phosphates, which is where we're focused, we saw prices going up in Q1. The demand is strong and the businesses are doing very well. In terms of margin expansion on specialties, we weren't able to achieve any significant margin expansion this quarter because we closed relatively long-term contracts for raw materials in the second half of last year, but we're still trending positive.

And due to the higher prices, which more than compensated for a high raw material cost, we'll see some additional margin expansion on the specialties moving forward.

In terms of volume growth, we didn't see volume growth on specialties, but that has to do with two specific parts of our business. One is white acid sales and white phosphoric acid sales in Brazil because of composition coming in from China.



And in our dairy product business, we have a production halt which was partly planned and partly not planned, so we lost some volume there that will come back in the latter part of the year. Other than those two – if those two didn't exist, then we would see – we would also see volume growth on the specialties during the quarter.

On the commodity side, there's pressure in the market. Prices have been spiraling down pretty quickly in the first quarter. It seems like we're getting a little closer to the bottom because recent pricing change has been relatively minimal and we've see production being cut from U.S. producers and Chinese producers, so it seems like the market's going to sometime soon hit a bottom and stabilize.

In terms of the profitability since raw materials, particularly sulfur, has also – prices have declined significantly, then the margin hasn't been affected that much by prices going down.

Operator: Thank you. Our next question comes from Joel Jackson from BMO Capital Markets. Please go ahead.

Bria Murphy: Hi, this is Bria Murphy on for Joel Jackson. Just with industrial products, you saw a large step up in overall earnings that was in margins there in Q1. How sustainable is this I guess going forward into Q2 and the second half? And should we expect I guess similar earnings other than margins?

Raviv Zoller: OK, so look at the last few quarters and you'll see a little step up from quarter-to-quarter, but Q4 we're actually down a bit. So a little bit of the great results from Q1 comes from the end of Q4. There was some less optimism in China I guess on the basis of U.S.-China trade issues, and some flame retardants demand from China got delayed from December to January.

So maybe if that didn't happen, then we would have seen in this quarter a profitability number in the high 80s and not in the high 90s. But other than that, the margins and the growth of the sales are reflective of the trend.



Bria Murphy: OK, thanks. And then just on Polysulphate, does it make sense to continue to invest here given I think Sirius are now looking at increasing their available capacity OF the product?

Raviv Zoller: It's a good question. We've said in the past that our Polysulphate business is dependent on developments there. Sirius Minerals have been very creative in the ways that they keep coming back to the market and trying to raise money.

There was supposed to be a resolution by the end of March, but they were not able to get relevant financing and government backing, so they've created a deal which is quite complex to understand, but they did an immediate raise which probably gets them through a very short-term period, and they have a contingent raise which has three or four different parts to it and is based on future covenants and milestones.

And we will only know sometime around September, which I understand is the plan closing, what they've been successful in doing. So the way we're looking at it is the Sirius situation will be better understood sometime around September.

And in terms of our decision making, we have to take into account it'll be three or four years until any product – any significant product comes in from Sirius, and that has implications on – given the size of the market has implications on pricing and other issues.

So we will definitely have to monitor the situation and make decisions sometime after we see what happens in September. Again, different development didn't happen at the end of March. It happened at the end of April. Clearly not what was planned. They raised money. The equity portion was raised at 30 percent discounts market. So it's a stressful situation there, and we're looking to see how it develops.

Bria Murphy: Thank you.



Operator: Thank you. Our next question comes from the line of Mark Connelly from Stephens. Please go ahead.

Joan Tong: Good morning. This is Joan Tong up for Mark Connelly, and I have a quick question regarding your innovative Ag Solutions segment. Obviously two quarters in a row that we saw revenue decline, and you mentioned a host of like reasons for that, and then you also mentioned some segment realignment initiatives. And can you just give us some details how like you foresee the company's going to achieve faster growth like over the medium-term?

Raviv Zoller: Sure. First of all, there are internal and external issues. So the external issues that affected the past couple quarters have to do with agriculture in various regions and specifically in this quarter the wet season in the U.S., which lasted longer, and fertilizer application which to this point to the season is much lower than the typical season.

Also the same happened in Israel. The fertilization season that usually starts around the end of February started at the end of April. Israel is over 15 percent of our revenue. The U.S. is about 25 percent of our revenues, and the most – most of the rest comes from China. So that's the external part.

The internal part has to do with the fact that the business is based two-thirds on products that we produce and one-third on products that we trade. And it's also based on three or four local businesses. Israel is one of them and Spain in another and the U.S. is another and we also have specific turf in the specialty plants business. And what we're trying to do is internally to streamline those businesses into one global business, which is coordinated and cost efficient and managed by the best people in the organization.

There's an internal process that we're going through, and we're also developing new markets. So we actually did very well this quarter in building our business in Brazil, India, and China, and all those territories were very, very small, but we started to grow.



And based on our initial activities in those regions, we plan to create some production, especially blending and coating capabilities in those geographies and build the business there.

And also, we're working on potential M&A that will give us more coverage in those regions that are exciting in our view, and I just mentioned them. I can add also Australia, maybe also South Africa because we have very little southern hemisphere footprint. And also we want to create critical mass in those regions or countries where we have an existing infrastructure, but we're relatively small, so we make a very nice gross margin, but operating margins are low.

So net-net taking out the noise of the agriculture season, which most of it should come back later in the year, we're going through a lot of internal processes. And while we're very focused on growing the business, it has to do with our own production. We're actually getting rid of some of the trading business because it's not a profitable business, and that's part of our realignment.

And what we achieved during this quarter is we put together the global sales organization in place, and we still have a lot of work to do to get to where we want.

Joan Tong: That's very good. That's very helpful. Thank you. And then just a follow up on the phosphate...

Raviv Zoller: Thank you.

Joan Tong: on the YPH JV, I think you mentioned you did like over \$5 million in profit in Q1, can you just remind us like what's the target over the medium-term, the next couple of years? And would you characterize that like you actually have some acceleration in terms of getting better performance because of the



maybe early success that you have seen in that particular operation after the adjustments that you made recently? Thank you.

Raviv Zoller: OK, just in a nutshell, the improvement that was achieved, was from \$0 to \$6 millions of profit, and this also follows last year. Last year, basically the goal was just to get the company from the red to the black or to the green depending on where you come from.

This year, we're focusing on just finalizing some of the efforts we started last year and just having a healthier business as it is, but at the same time we're investing in the future and that means investing in the specialties business and we're doing that in two ways.

One is we're building a specialty white phosphoric acid plant and that will be put in place by the end of this year, give or take a couple months. And the other thing that we're doing is we've created a process in our existing plant to create MAP specialty fertilizers for our own use.

We started the business in China and specialty fertilizers by basically trading, which means selling others' products mostly, and what we're doing is we've taken some of our know how and created local capabilities to create specialty fertilizers in our existing facilities in China, and I think we updated last time that we went through technical production, innovative process that was not so successful, and we revisited that process and on second trial, we actually achieved our goals.

And now we've moved from selling specialty products traded in China to selling our own products to create additional margin expansion.

So that means for the J.V. that the J.V. is going to be a supplier of our specialty fertilizer business in China and that's one way of growing and the other way of growing is going to be a supplier and the revenue provider for specialty phosphate products once the new plant is put in place.



Joan Tong: Thank you so much.

Raviv Zoller: Thank you.

Operator: Thank you, our next question comes from Laurence Alexander from Jefferies, please go ahead.

Nick Cecero: Hi this is Nick Cecero on for Laurence. So just in regards to bromine prices in China, I was wondering if you could provide a bit of color as to how much capacity you might expect to be affected by the increased environmental regulations.

And then with the stricter regulations, is there a chance that some of the capacity is shut down indefinitely?

Raviv Zoller: Yes, first of all the situation is that we need to remember that the resource is depleting in China. So the question is not what happens but how fast it happens, and as far as we're concerned we're not hoping for very, very fast changes because we're happy with things the way they are.

It's not only that the resources are depleting and that there's pressure on the spot market in China, but also Chinese producers that have resource are actually reaching a point where they need to mix in some cases their bromine with bromine coming from other countries in order to reach the quality they need for the compounds.

So the situation is that there's more potential for long term deals, there's more pressure on the spot market and as time goes by, there's more dependency in China on bromine and bromine compounds coming outside of the country.

So there's resource depletion, there's no additional resource coming online, any meaningful resource that's coming online other than some limited resources coming online in India, which is not enough to substitute.



And that means that the market share for the existing players in the market is growing.

Nick Cecero: Great, thank you very much.

Operator: Thank you, our next question comes from Tom Wrigglesworth from Citi please go ahead.

Tom: Hi thank you very much for your presentation, a couple of questions. Firstly, on the clear brine fluids, there's been – business has been good, but has any visibility increased or improved with regards to how that clear brine fluid demand might continue?

Second question, if I may, on the G&A expenses, just looks like the phosphates business carries more than its share of G&A, relative to the profit it produces. Is that something that is structural to that business or is that something that you will be looking to reduce going forward?

Those are my two questions for now, thanks.

Raviv Zoller: OK, I'll start from the second question because I think it's more of a technical issue. You know the phosphate segment has been realigned and actually took out a lot of cost.

But given that we want to be as clear as possible on the business and given that there's some elements that when you distribute the cost it works on the basis of relative revenue, then it seems like the phosphate division got a few million dollars per quarter more than maybe in the way we looked at the business in the past.

And that's actually a good thing because that's where we have a lot of cost cut potential. So I think that in the future you'll be able to see some of the progress that the division is making in the – in the G&A expenses.



So it's a little technical, I think that from an economic perspective there hasn't been a growth in the G&A cost. They've actually gone down. You can see that the selling costs for the division have definitely gone down.

That's on the phosphate, just can you remind me the first question?

Tom: it was on clear brine fluids.

Raviv Zoller: OK thanks. We need to keep in mind that clear brine fluids, we've talked a lot about them because in the past few quarters, because we've been surprised by the strength, then we keep on getting surprised every quarter.

But to put things in proportion, we're talking about less than 15 percent of sales and the potential fluctuation is not 100 percent of those 15 percent. It's relatively small given that there's a strong basic fundamental, long term demand.

The situation in recent months has been that there's not enough product, there's not a lot – not enough supply in the market. And our competitors have not been able to supply the need, and so a lot of the excess capacity of demand somehow comes to us at the end.

So we've been very fortunate that we can create additional product and as far as we can see, the first quarter was exceptionally good, but then again before that, the fourth quarter was exceptionally good.

I can only tell you that we don't see any indication that there's any significant change in the market I think strategically speaking I don't see any new sources of a new product coming in from the supply side.

So what can change the dynamics in the market could be a very strong drop in oil and gas exploration, which is probably a function of gas prices and oil prices. So if you see a tremendous drop in oil and gas prices, that'll probably affect us.



But we don't see – we don't have clear visibility because these are relatively short term deals.

But from what we see, we don't see the level of activity changing in any significant way, at least since we're now in May, we haven't seen any significant change until today.

Kobi Altman: Maybe just to add to what Raviv just mentioned, it's less than 15% of the segment sales, that's what we meant.

Tom: Sure, sure. And just as a follow, with regards to Polysulphate, your ability to sell into India now. Is that an important step, is that going to be a meaningful market for Polysulphate going forward?

Could you help us understand the dynamic there?

Raviv Zoller: Yes, absolutely, we're developing our market that basically doesn't exist and I think in October we got – we got through the licensing to sell into China and so we're selling very nicely into China.

And just a little more than a month ago, we got – we finished going through the licensing process in India and definitely one of the top four or five target markets for us.

Tom: OK and what's – in the medium term, what's could be the long term potential of markets like India and China are for this product, millions of tonnes or hundreds of thousands of tonnes?

Raviv Zoller: It's closer to hundreds of thousands of tons for each of them than to millions of tons.

(Tom): OK, very good, thanks very much Raviv.

Raviv Zoller: Thank you.



Operator: Thank you, our next question comes from Patrick Rafaisz from UBS, please go ahead.

Patrick Rafaisz: Yes, thanks and hello everyone, thanks for taking my questions. First two follow ups on an industrial product. From the comments you've made so far I gather the benefit from the volume shift of some flame retardants from Q4 into Q1, must have been around \$10 million.

Can you also quantify the delta from clear brine fluids and from the higher prices of elemental bromine, if that's possible?

Raviv Zoller: Most of the shift from Q4 actually wasn't clear brine fluids, most of the shift was a flame retardant business, and I think it has to do with the planning of electronics component plants on production going forward given potential trade issues between U.S. and China.

So we don't think there is any significant shift in clear brine fluids from fourth quarter.

Patrick Rafaisz: I think – I'm sorry, I wasn't clear with my question, I'm sorry for that. What I meant was the benefit on your operating profit for the division from that shift I think was around \$10 million, right, because you said high 90s versus high 80s.

Raviv Zoller: Yes, I said it would have been high 80s and not high 90s probably.

Patrick Rafaisz: Exactly, and I'm just wondering comparing to prior year Q1, what's the delta in clear brine fluids EBIT and what will be the delta if that's possible to quantify for higher elemental bromine prices on EBIT?

Raviv Zoller: We are not selling a lot of elementary bromine, so less than 20% of our sales is elementary bromine, and so the focus on prices has to do with the effect on the whole value chain and not on elementary bromine.



In terms of the profitability levels, the various compounds including clear brine fluids have relatively similar levels of profitability, so you don't need to worry too much about internal mix.

I should point out that we highlighted the price and quantity effect on Q1, you can see that the price effect on profitability was about \$20 million. But actually about \$17 million from that comes from bromine products in general because about \$3 million comes from higher prices in our phosphorous based flame retardant solutions.

Patrick Rafaisz: OK, thanks, that's helpful. Thank you.

Raviv Zoller: So basically you can also see I think \$14 million or \$15 million increase in quantities and that would actually be about \$3 million more, about \$17 million or \$18 millions of higher quantities as we lost some volume on phosphorous when we raised prices.

So the quantity growth in bromine is a little more than you can get from – that you can get from the financials.

Patrick Rafaisz: OK. Thanks, very helpful. Then you already talking a bit about this during the presentation, but can you explain in some detail the breakdown of the set-offs and the eliminations in the EBIT bridge?

What are the main components and how should we think about that for the rest of the year?

Kobi Altman: Yes, what we had there this time was mainly the royalty settlement, the final arbitration decisions, you have it there. And the second one is the sale and leasback of building that we have done in Israel and we recorded some capital gain as a result of that, that was the main components.

Going forward, if you'll take out those two components that are more annual, we don't expect significant figures in this set-offs and elimination bank.



Patrick Rafaisz: OK the royalty settlement you mentioned, that's the \$11 million or so that you announced in the press release or...

Kobi Altman: Eleven million, yes.

Patrick Rafaisz: OK, OK thanks. Yes, thanks.

Operator: Thank you and we have no further questions at this time. Please continue.

Limor Gruber: Thank you very much everyone for joining us today. We are looking forward to be in touch soon. Have a good day and good afternoon.

Operator: Thank you very much. Ladies and gentlemen, that does conclude our conference for today, thank you for participating, you may all disconnect.

END