**ICL**

**Divestment of the Fire Safety and Oil Additives Businesses**

**December 7, 2017**
**13:30 GMT**

Operator: This is Conference # 5185749.

Good afternoon, ladies and gentlemen. Thank you for standing by and welcome to the ICL Analyst and Investor 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'll 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 the first speaker today, Ms. Limor Gruber, Head of Investor Relations. Please go ahead, ma'am.

Limor Gruber: Thank you. Hello, everyone. Thank you for joining our special conference call today following our announcement on the divestment of the fire safety and oil additives businesses. As this is a significant event for ICL, we wanted to give you the opportunity to understand the deal and its rationale better. The event is being webcast live on our website at www.icl-group.com.

Earlier today, we filed a 6K and published the press release on the deal. You can also find the short presentation that will be presented today on our website. There will be a replay for the webcast available a few hours after the meeting and a transcript will be available within 48 hours.

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 guarantees of future performance.

We will begin the presentation with our acting CEO, Asher Grinbaum followed by Hezi Israel, Executive VP Business Development, M&A and Strategy; and Kobi Altman, our CFO.

After the short presentation, we will open the line for questions. Asher, please.

Asher Grinbaum: Thank you, Limor. Good morning, good afternoon, everyone. Thank you for joining us today. The deal we announced today has significant strategic importance for ICL. We have been working on this deal for many months to make sure the fire safety and oil additives business are sold for the right value to the right buyer.

In order to understand the importance of the deal and how it fits our strategy, let me once again review our unique business model as shown on slide 3. ICL is built around three main minerals – potash, phosphate and bromine – which are the main raw materials for most of our downstream products along the value chains that we have created throughout the years. This allows us to add value and strengthen the balance in our business.

ICL through its vast experience and R&D capabilities has made the fire safety and oil additives successful business. However, these businesses are not directly and entirely linked to mineral chains, as we buy most of their raw materials from third parties and, therefore, we do not benefit from backward integration advantage.

Their low synergetic profile and strong performance made them good candidates for divestment as long as we will get the valuation we believe they deserve.

Earlier this year, we announced that we plan to divest low synergetic assets to generate at least 500 million in cash proceeds. With today's announcement together with the divestment of our 50 percent in IDE, the desalination and water treatment business, we exceeded this target. These divestments will help us to significantly reduce debt, provide a solid base to meet our CapEx requirements and capture opportunities for growth in our specialty businesses.

Before going through the rest of the presentation, I would like to take this opportunity to say that we are confident that these businesses will continue to grow and prosper under their new owners, and we wish their management and our long-time workers much success in the future.

With that, I would like to invite Hezi Israel, Executive Vice President Corporate Development and M&A and Strategy, to discuss the deal and the businesses sold in more details.

Hezi, please.

Hezi Israel: Thank you, Asher. Good morning, good afternoon, everyone. Today, we announced the largest deal ICL has ever done, selling the fire safety and oil additive business for $1 billion. The transaction overview is presented in slide 5.

The buyer, SK Capital, is a leading private investment firm focused on specialty materials, chemicals and pharmaceutical sector and they found our fire safety and oil additive business as a great match to their portfolio.

I believe the sale price came as a surprise to many of you as it clearly demonstrates ICL contribution to the development of these businesses which first became a part of ICL in 2005 when we acquired Astaris. Over the years, we have transformed these businesses into global leaders for organic growth, market development, R&D efforts and bolt-on acquisitions.

We view the divestment as a great opportunity to unlock value for ICL as we believe our specialty businesses are undervalued. This value creation is also demonstrated in an enterprise value to EBITDA ratio of 12 for 2016 numbers. The EBITDA for the last 12 months in 2017 is significantly higher but this is a result of unusual and unfortunate wildfire activity in North America.

Let me walk you through what we did in order to improve these businesses as shown in slide 6. We transformed the business model into service and value orientation as opposed to a chemical producer. We invested in R&D, expanded into new geographies, built logistics superiority that enable us to be the preferred partner for the fire fighters around the world.

The result was a significant increase in value of these businesses along the years. Same concept is applied to what we do in our core specialty businesses and this is how we plan to grow them going forward.

Finally, I would like to remind you again the importance of our internal synergies and backward integration to our mineral chain as demonstrated in slide 7. In the commodity part, we tend to improve our competitiveness. We are focused on driving growth of our specialty operation and improving the competitiveness of our commodity asset.

In the specialty fertilizer, we are well-positioned to benefit from the high market growth as we are a very long-term player in this area. We have a very experienced and professional R&D team. We have agronomists that are working in the field, meeting the customers, providing them with the right product and the right solutions.

In our specialty solution division, we rely on the major competitive advantage of our backward integration and went downstream with a wide range of products and solutions into diversified markets. We continue to grow via organic growth, geographical expansion, R&D development, and bolt-on acquisition in order to strengthen and expand our businesses.

Our strategy is well reflected in the growing contribution of the specialty businesses to our bottom line. And hopefully by now you will realize that into our value.

I will now turn this stage to Kobi Altman, our CFO, to review the financial implication.

Kobi Altman: Thank you, Hezi, and good day, everyone. Before we turn to the Q&A session, I'd like to briefly discuss ICL's structure and capital allocation strategy and how they all connect and fit together.

Starting from slide 8, and as you all know, our industrial division consists of three business lines – industrial products, advanced additives and food specialties. Advanced additives is the second largest business with approximately $800 million in sales in 2016.

The two divested businesses accounted for over 30 percent of sales and over 50 percent of operating income. This is a meaningful and significant contribution and we believe we are well-compensated through the value we generated from the sale.

And that takes me to our disciplined capital allocation which is presented on slide 9, and is designed to support our business strategy. The divestment of these two businesses fits perfectly in our strategy as it allows us to allocate capital to improve our debt ratios, to secure funds for our long-term growth initiatives, and to continue to deliver solid shareholder return.

Following the divestment, we will achieve our target to reduce net debt to EBITDA ratio to below 3. This will provide us an excellent starting point from a financial perspective to invest in focused future growth as well as capture opportunities as they come. Thank you again for joining this call and we will now turn to your questions.

Operator: Thank you. 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. Once again, that's star 1 if you wish to ask a question.

Your first question comes from the line of Joel Jackson. Please ask your question.

Joel Jackson: Hi. Good afternoon. Congratulations on the deal. I have a few questions. Can you give us a little more detail around the divestitures? How will your CapEx go lower, maintenance CapEx? What's the depreciation of the two (asset) businesses you're selling and what's the EBITDA multiple of what you're selling. Thanks.

Limor Gruber: Kobi Altman, our CFO, will take the question. Kobi, please.

Kobi Altman: Hi, Joel. Good morning. Yes. These two businesses required a very low CapEx throughout the years. The depreciation level is around $6 million per year, so if you want to calculate the EBITDA you can just use this number and use the operating profits that we took as Hezi mentioned earlier and we also talked about this in the press release, 2017 was an unusual year and in terms of the performance 2016 is more representative year.

Joel Jackson: OK. So, another question is these businesses are pretty high margin, 30 percent plus operating income margins, much higher than the average for the specialty solutions segment. So, these were non-core but they're high margin. Maybe you can just talk a little bit about that thought process.

Kobi Altman: Yes. This is true. I think that this is a great exit of the business we acquired as mentioned earlier as small part of the Astaris business in 2005. Throughout the years, we invested in building this business, so R&D, introducing new products into the pipeline, some bolt-on small acquisitions, but all in all a great value creation that we believe was not so well-valued when it was part of ICL.

But when we found the right time, the right opportunity to unlock this value, we thought that this is a great time to do that. Definitely, we are very proud of the businesses that we did that performed very, very well throughout the years.

I think that part of -- we have additional businesses like that that are growing very nicely in the specialty and when we take the sum of the parts, this is why we believe that our specialty businesses are undervalued today.

Joel Jackson: OK. And just finally, you had talked about targeting $0.5 billion of asset sales, with the desalination component. I think you're divesting $1.1 billion or $1.2 billion of sales. So, you have $0.5 billion more than you thought you would have.

Will you use that to repay down debt or will you go now go shopping for some specialty acquisitions, maybe some smaller assets in specialty fertilizer or the food additives. What's the goal here?

Limor Gruber: Hezi Israel, our EVP.

Hezi Israel: Hello.

Joel Jackson: Hello.

Hezi Israel: Can you hear me?

Joel Jackson: Yes.

Hezi Israel: Yes, Kobi. Hello. Hi. It's Hezi.

Joel Jackson: We hear you.

Hezi Israel: OK. Very good. Sorry, technical issue. So, we plan to use the proceeds in order to invest in our core businesses, to expand our core businesses. In addition, we plan to reduce the debt and to have bolt-on acquisition around the core business. So, really, the idea is to divest a non-core business although very profitable but to strengthen the core businesses of ICL going forward.

Joel Jackson: OK. That's helpful. Thank you very much.

Operator: The next question comes from the line of Patrick Rafaisz. Please ask your question.

Patrick Rafaisz: Hi. It's Patrick Rafaisz. Can you talk a bit more about the financial impact, firstly, do we have to assume any one-offs related to carving out these businesses, and what would you say was going to be the realized gain on this sale. Thanks.

Kobi Altman: I would take that, Patrick. In terms of the financial, as I said 2017 was an unusual year. I would take something closer to the 2016 figures if you want to look at that going forward. In terms of the one-offs, we are going to book when the deal will be closed, a very, very big capital gain obviously a part of this transaction as I said earlier.

We bought this business as a small part of our Astaris acquisition in 2005. And throughout the years we invested not too much in acquisitions and CapEx so the capital gain that we will book is going to be very, very significant.

Patrick Rafaisz: And are there any charges for carving it out?

Kobi Altman: No, not significant. No. I mean, obviously there would be some taxes here as part of this carve out but not more than that.

Hezi Israel: Maybe I can mention, Kobi, that these two businesses were standalone businesses in ICL. So, they use to run on a standalone basis and it actually reflect the low synergy profile of the business in ICL so the carve out should not be complicated.

Patrick Rafaisz: OK understood. And can I ask one more question unrelated to the deal but to the other announcements you made this morning around the signing of the gas contract. Can you give us some details like the ones you provided in today's press release on the financial matrix? So, the new contract is 15 years for $1.9 billion. Can you remind us of the old contract, what the terms were? Thanks.

Kobi Altman: Yes. I will take it. The gas deal that's obviously a great deal came this week today in parallel, also very, very important deal for over 15 years and that will reduce our energy spending that is quite significant, by dozens of millions of dollars compared to the current price that we pay so, very, very important deal for us.

They are now just starting to develop the field. It would take them a few years. They will be ready at around 2021, starting production if all will go on plan. But together with the contract that we signed, they now have enough capacity of signed billed that they can start their financing and start to develop the field, so, again, very important deal from our perspective that will contribute to significant cost savings.

You mentioned the other events this week. This week was also an important week for us from another parameter, which is we got the approval of the national committee in Israel for the Barir Field on the phosphate to start planning this field and this is, again, something that is very important for our phosphate value chain.

Patrick Rafaisz: OK. Thank you very much.

Operator: Your next question comes from the line of Vincent Andrews. Please ask your question.

Vincent Andrews: Sorry. Thank you. Good morning, everyone, and congratulations. Maybe you could just give us a sense of where you see your leverage going after this. I guess, it's another way of asking what the after tax proceeds are going to be.

And then it sounds like you sold more financially than you were targeting, so does that mean you're looking potentially to buy assets or is there still other stuff that you'll be willing to sell, et cetera, just sort of where are we with the portfolio as well.

Limor Gruber: Kobi will take the first question and Hezi will take the second question.

Kobi Altman: Hi, Vincent. Yes. The leverage will go significantly down, by close to $1 billion once closing, so we will be below 3. Our target, long-term target, is to be below 3 but we don't want to be too much or we don't need to be too much below 3. Although it is nice, but we also as Asher and as Hezi mentioned earlier, we want to use part of these funds for growth initiative whether it's internal or in business development move.

And, Hezi, you can go ahead with the second part.

Hezi Israel: Thank you, Kobi. So, the way we look at that, we want to grow further, we would like to grow in the specialty area. So, we would like to use the proceeds in order to invest in more specialty area of ICL. Basically, these divestments reflect the strength of ICL over the years.

We have a huge R&D, very high R&D capability. We know how to invest in businesses and to grow the businesses and we would like to do the same and strengthen the specialty arm of ICL. In addition to that, we'll invest in capex of ICL and as I mentioned before also reduction in debt as Kobi mentioned.

Vincent Andrews: OK. So, presumably when you say you want to invest in specialty assets you mean things that are complementary to what you already have versus new lines of business, is that correct?

Hezi Israel: This is correct. We look at the specialty fertilizer as an example of the growth engine for ICL. We have a leading position in the global market in specialty fertilizer. We look at the precision agriculture as an additional opportunity for us and other solutions that we can provide to the farmers, so the agro space for us is very interesting in the specialty part and not only specialty fertilizer but also in the rest of the specialty cluster.

Vincent Andrews: OK. Thank you very much. I appreciate it.

Operator: Your next question comes from the line of Jeffrey Shnell. Please ask your question.

Jeffrey Shnell: Hi. Good afternoon. On the raw material side, you mentioned that you purchased a significant amount of the raw materials for these two businesses that you sold, does this leave any raw material overhangs in the new portfolio, will you be long anything and about the raw material profile in general of the two businesses.

Hezi Israel: Basically, yes, the P2S5 business is actually purchasing yellow phosphorus and is being purchased externally not belong to ICL. And going forward, this will be a standalone basis; they will purchase from a third party.

On the fire safety business, there are small quantities of MAP, a phosphate product that ICL will be one of the suppliers continuing to support the business. But there are other materials that are being purchased outside of ICL.

Jeffrey Shnell: Great. Thank you.

Operator: Once again, if you wish to ask a question, please press star one on our telephone keypad and wait for your name to be announced. If you wish to cancel your request, please press the hash key. Once again, that's star 1 if you wish to ask a question.
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We have no further questions at this time. Please continue.

Hezi Israel: Since there are no other questions, I would just summarize that from our perspective, we look at the two non-core assets that we decided to divest in order to unlock the value and to demonstrate the hidden value of our specialty chemicals. This is something that is very important for us to communicate to the market and hopefully going forward the market will view ICL and the strength that we know how to develop business and to grow them further.

Limor Gruber: Thank you, Hezi. Thank you, everyone, for being with us today and as usual, when you need us, we are here. Have a good day.

Operator: That concludes the conference for today. Thank you for participating. You may all disconnect.

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