



**ICL Q2 2019 Conference Call
31 July 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 this call is being recorded today. If you experience any technical difficulties, please press “star,” “0” on your telephone.

I would now like to hand the call over to your first speaker today, Ms. Limor Gruber, head of investor relations. Please go ahead, ma'am.

Limor Gruber: Thank you. Hello, everyone. Welcome and thank you for joining us today to our second quarter 2019 conference call. The event is being webcast live on our website at www.icl-group.com.

Earlier today, we filed our reports to the 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 with the securities authorities and is available on our website as well. Please don't forget to review the disclaimer on Slide Number 2.

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 guarantees of future performance.



We will begin with a 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. I would like to open with the quarter's highlights on Slide 3. After a strong start to 2019 and despite challenging weather conditions in some key regions, we posted another strong quarter, driven by improved business performance and focus on cash generation.

Top line growth of 4 percent, or 5 percent excluding contribution of Rovita last year, resulted in an increase of 40 percent in operating income and 22 percent in adjusted operating income, translating to an adjusted EPS of 12 cents, which is 33 percent over the same quarter last year. This was a result of solid performance in all three mineral value chains, with higher sales volumes and higher prices in most major product lines. It's important to note that this was achieved despite commodity headwinds, mostly in phosphate markets, due to our diverse business model, our leadership position in key markets and the successful execution of our strategy.

We more than doubled our year-to-date operating cash flow and our quarterly free cash flow to support our CapEx needs as well as a dividend of 5.7 cents per share for Q2, which implies a solid dividend yield of over 4 percent.

Our strict and balanced capital allocation approach, the strategy-driven reduction in debt ratios in recent quarters and consistent margin expansion was not ignored by the rating agencies. Indeed, Fitch Ratings increased our credit rating outlook to 'positive' from 'stable' and reaffirmed our BBB-investment-grade rating.

I'm also very proud that our efforts to promote sustainability, transparency and corporate responsibility were recognized by MAALA, a leading non-profit



organization in Israel that ranks corporate and social responsibility, granting ICL its highest ranking of 'Platinum Plus'.

These recognitions are a testament to our determined efforts to achieve excellence and leadership in our businesses for the benefit of all of our stakeholders.

The table on Slide 4 is a visual demonstration of the strong performance we achieved this quarter and so far this year. Excluding the capital gain from the businesses we divested in Q1 2018, all key financial metrics demonstrated growth, both on a quarter-over-quarter basis and on a semi-annual basis, highlighted by an impressive growth in margins and strong cash flow.

On Slide 5, let's review the performance of our divisions this quarter, starting with Industrial Products. Sales were relatively stable compared to the same quarter last year, as higher sales volumes of bromine-based flame retardants and elemental bromine partially offset lower sales volumes of clear brine fluids and phosphorus-based flame retardants.

Nevertheless, higher prices led to significant margin growth, matching the record 28 percent margin in Q1 2019. I'd like to remind you that the first quarter this year was an exceptional quarter for the division due to record high sales volumes of clear brine fluids. Therefore, matching that quarter's operating margin is an impressive achievement.

Price levels across the bromine value chain remained higher than the same period last year, resulting in a price contribution of \$14 million to operating income in the quarter. Towards the end of the second quarter, we started to see the seasonal price decline attributed to higher production in China post the winter shutdown period.

We are extending our value-based pricing strategy also to phosphorus flame retardants, leading to higher sales prices, which contributed \$2 million, offsetting a negative impact of \$6 million from lower sales volumes.



Recently, the Central Environmental Protection Group in China began an inspection process of P4 manufacturers, which led to reduced production of P4 in China. P4 is used for the production of phosphorus flame retardants but also some purified phosphoric acid. This timing actually supports our value-based approach.

Let's move on to our potash business on Slide 6. A 14 percent increase in sales volumes and a 9 percent increase in average potash realized prices were translated this quarter into an increase of almost 90 percent in operating income compared to the same quarter last year, with segment profit margin impressively growing from 16 percent in Q2 2018 to 24 percent. This was achieved despite the discontinuation of potash production in the U.K. in mid-2018 and the moderate decrease in potash production at our Dead Sea site.

We are making preparations for a planned three-week shutdown for a plant upgrade investment in the Dead Sea site. This is planned towards the end of the year. While taking the plant off-line for more than the usual one week period is expected to have a significant negative impact of 180,000 tons on our overall production and sales in the second half of the year, the upgrade is critical to our future growth as it will enable us to improve production processes and open some bottlenecks, allowing us to increase production at this site up to 4 million tons per year from 3.8 million tons a year. The return on investment is expected next year in 2020.

Demand for magnesium products for the aluminum, steel and automotive markets has improved in the U.S., but during May 2019, the U.S. Department of Commerce unexpectedly issued a preliminary determination to impose 7.5 percent duties over magnesium imports from Israel, effective immediately. Also, in July 2019, the DOC issued a preliminary decision applying antidumping duty at a rate of 193 percent, which would result in the U.S. becoming an uncompetitive market for us. Final decision is expected during Q4 2019 and we are vigorously defending our position.



Production of Polysulphate at our Boulby mine in the UK continues to ramp up and has doubled compared to the second quarter of 2018 to 136,000 tons. Production was moderately lower than targeted due to a shutdown for maintenance and upgrade activities. We are developing the business in two fronts, building the market for standard polysulphate through products like PotashpluS and PKPlus and recently we successfully granulated standard Polysulphate in one of our plants in Germany, and we plan to commence commercial sales soon.

Moving on to Slide 7. Despite the continuing commodity downturn in the global phosphate markets, our Phosphate Solutions division was able to increase its profit margins. Exchange rate is responsible for \$17 million, more than 100 percent of the reduction in sales versus Q2 of 2018, offset by higher prices. The challenging conditions in the phosphate commodity markets started to negatively impact White Phosphoric Acid sales as well, reflected in some pressure on prices and sales volumes, mainly in Europe and South America. In light of this, the division's performance this quarter was very encouraging.

The margin expansion was achieved by a significant improvement in the YPH joint venture performance. Higher sales and production, coupled with lower costs, resulted in an operating income of \$6 million compared to a loss of \$2 million in the same quarter last year. Other factors contributing to the division's performance derive from our strategic vertical integration advantages, production flexibility, market position and the resilience of our downstream specialty phosphate business in a volatile commodity market. Our white phosphoric acid production decreased this quarter compared to last year as we optimized synergies between sites. For example, in Q1 this year, we sold a plant in Mexico, and this allowed us to quickly react to increased Chinese imports to South America by adjusting the level of our production. We continue to optimize our resource allocation and sales mix as well as execute our value-based pricing approach. In addition, we experienced a better pricing environment for TSP and SSP compared to DAP and MAP.



We also experienced lower sales volumes to the paints and coatings market compared to exceptionally high Q2 2018 sales, as customers prepared for new regulation in Europe then, accumulating inventories.

Dairy protein sales were lower compared to Q2 of last year as we are shifting from milk commodities to value-added products, focusing on developing organic dairy solutions for the infant food industry and an ongoing customer diversification. Furthermore, required upgrades in production processes, which were completed during the first half of the year, resulted in temporary downtime of some production lines.

Q2 was another challenging quarter for our Innovative Ag Solutions division, as shown on Slide 8. Unfavorable weather conditions that impacted the first quarter of this year continued into the second quarter as well, especially in Israel and in the U.S. The long and rainy winter season in both markets, limited access to the fields, and prevented timely application of fertilizers.

As in the previous quarter, the depreciation of the euro against the U.S. dollar negatively impacted our performance and accounted for 70 percent of the reduction in sales versus Q2 of 2018 and 25 percent of the reduction in operating income over that period.

Lower sales are also attributed to portfolio optimization as we are decreasing sales of lower margin products. Our pricing initiatives could only partially compensate for higher raw material prices, and we also suffered from some setbacks in Israel as a result of ammonia shortage in the market, and in the U.S. due to weather delays, which resulted in a very weak application season.

We continue to execute our plans to achieve long-term market leadership through, among other things, higher value innovative products and solutions, including our new digital platform. We expect this journey to incur development costs and some additional setbacks along the way, but we are determined to go down that path in order to achieve our strategic goals by



streamlining and growing our business organically, while focusing on new M&A also.

As you can see on Slide 9, our strong performance continues to be translated into a strong growth trend in most main operational parameters. Operating profit and EBITDA margins this quarter were slightly lower than the previous quarter, which was an exceptional one due to very high clear brine fluid sales in the Industrial Products division. Nevertheless, the growth trend is evident and was reflected in strong cash generation, the highest in the last six quarters, driven by our focus on cost controls and cash generation.

Looking forward, I'm confident that by continuing the implementation of our strategy, and with the dedicated efforts of our wonderful 11,000 employees around the world, we will be able to achieve yet another year of strong financial and operational performance.

Thank you all for participating on the call. And with that, I will hand it over to Kobi.

Kobi Altman: Thank you, Raviv, and good day, everyone. As Raviv mentioned, we are proud of the strong financial performance of this quarter, especially in light of the challenging market environment. Let's begin the discussion on our financials with an analysis of the quarter's sales on Slide 11.

Year-over-year sales growth for the quarter amounted to 4 percent, or 5 percent if we exclude the \$9 million contribution of the divested businesses to Q2 2018. This growth was fueled by higher sales prices and volumes and was achieved despite exchange rate headwinds, mostly from the devaluation of the euro. The increase in sales volumes is attributed to a contribution of \$56 million from the Potash division, more than offsetting negative volume impact in the other divisions. We are very encouraged by the fact that the increase in prices was generated from all four divisions and is a result of both higher commodity market prices and our internal value-based pricing initiatives implemented now in all our divisions.



Let's turn to our operating income on Slide 12. Adjusted operating income amounted to \$230 million, excluding a \$10 million reversal of impairment following the divestment of real estate in Germany, more than 20 percent higher than Q2 of last year. The increase is attributed to \$23 per ton increase in the average realized selling price of potash and higher prices throughout most of the Industrial Products segment's business lines, as well as higher selling prices in the phosphate value chain, which benefited from a combination of higher average selling prices of ICL's phosphate fertilizers and our internal pricing initiatives in phosphate specialties. Higher sales volumes and lower energy expenses following the activation of the new power plant in Sodom, also positively contributed to the increase in operating income.

The positive impact of sales volumes and prices was only partially offset by higher operating cost and other expenses, mainly in the Potash division, due to the activation of the new salt plant in Spain, higher royalties, sales commissions and depreciation, as well as higher cost of raw materials, mainly of sulfur; and currency headwinds, mainly the exchange rates of the euro and the Chinese yuan against the dollar.

Aside from Innovative Ag Solutions, all the divisions had a positive contribution to operating income. The \$1 million negative contribution of Phosphate Specialties division you see in the graph is a result of the exclusion of the Rovita business, which was divested in Q3 2018, out of this division.

Adjusted effective tax rate, as shown on Slide 13, amounted to 22 percent compared to 18 percent in the parallel quarter in 2018. The relatively low tax rate in Q2 2018 derived mainly from the devaluation of the Israeli shekel against the dollar, which reduced last year's tax obligations of our Israeli subsidiaries.

Turning to Slide 14. Starting the first quarter this year, we began implementing the new IFRS 16 accounting standard, which deals with asset leases. This quarter, we continue to provide this table to help you analyze the



impact of implementing IFRS 16 on the relevant P&L, balance sheet and cash flow line items.

Moving on to Slide 15. Our net debt-to-EBITDA ratio continues to slightly decrease compared to Q1 2019 and remained at the low level established during 2018. This is mainly attributed to the increase in EBITDA and continues the positive trend of improving financial flexibility.

As Raviv mentioned earlier, the reduction in our debt ratios, our balanced capital allocation approach and our margin expansion, all in line with our renowned strategy, led Fitch rating agency to revise our credit rating outlook from 'stable' to 'positive', reaffirming BBB- rating, noting our current business profile is consistent with BBB rating.

Before we move to your questions, I would like to summarize yet another strong quarter with some key takeaway presented on Slide 16. We continue to focus on executing our strategy, which is demonstrating proven results in the last few quarters through cost synergies and cost control, we continue to execute our value-based pricing initiatives and we believe our balanced business model should help us perform well despite market's cyclicity headwinds, on the way to achieving our strategic goals of growth and market leadership.

Overall, we are more than halfway through 2019, and it looks like it is going to be an excellent year of growth and margin expansion for ICL. This comes despite market headwinds, especially in the commodity phosphate markets.

Yet, I would like to remind you that, as Raviv mentioned, in Q4 we will have three weeks shutdown for upgrade of our potash production facilities at the Dead Sea, and our bromine business had an exceptional first half. We also expect the usual seasonal negative impact on our specialty fertilizer and phosphate businesses as well as on our YPH JV during the second half of the year.

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 the “star” and “1” on your telephone keypad and wait for your name to be announced.

You can cancel that request by pressing the “hash” key. So once again, that is the “star” and “1” if you wish to ask a question. Your first question today comes from the line of Joel Jackson from BMO Capital Markets.

Joel Jackson: Hi. Good morning, Raviv, Kobi, Limor. I had a few questions. So I would start off in the IP segment of bromine. Obviously, bromines are doing quite well, quite resilient earnings, above what we’ve seen before. What should we expect from this business in Q3 and the second half of the year? Are we going to see a step down in earnings? What’s the magnitude? Maybe give us some of the key drivers.

Thanks.

Raviv Zoller: Hi, Joel. The business is relatively stable, which means that the pricing environment is good and the demand is pretty stable. In terms of market share, market share is also not changing in the second half of the year. We do see some potential gain in market share. As time goes by and some of the resources in China continue to deplete, that creates opportunity for us.

Plus, as we mentioned in the past, we’re working towards signing long-term contracts with some of our clients, and that should also secure and maybe allow us to grow market share.

Even though the result has been extremely good and stable, we always want to be careful when we look ahead because we’ve enjoyed exceptional sales in clear brine fluids and we don’t have complete visibility on to what extent we can expect to continue that kind of strength. As of July, it looks good, but we can never see more than two or three months ahead.



Joel Jackson: That was very helpful. Thank you. Switching to potash, you ended the second quarter with some of the lowest potash inventories you've ever had, especially at the end of Q2. Could you give us some of the timing around Chinese, Indian contracts? What are the ramifications of this in the second half? Also looking at your turnaround in the fourth quarter, should we expect maybe some of your lowest volumes in Q3, quite low to kind of rationalize inventories ahead of the turnaround?

Raviv Zoller: No. Q3 continues to be very similar to Q2. Most of our supply is going to China and Brazil and, to a lesser extent, to India. We're not constrained in supplying to China, at least until the end of August. Come September, maybe we'll see the first signs of new contracts in India, but whether it comes in September or not, the placing of product for us is not really an issue.

In the fourth quarter, depending on progress with contracts, we expect to be in the same kind of position as last year. We will have about 180,000 tons less of products because of the upgrade of our facilities, and it's a good opportunity to mention that even though it's costing us \$50 million in sales this year, we're actually going to gain that right back next year, and on top of that, an additional \$50 million, which would be a permanent increase to our sales because we're going through some debottlenecking.

But once it's done, and if there are no issues on the way, and we don't expect any significant issues, then we will have additional capacity on a regular basis. So we'll go up from 3.8 million tons to 4 million tons, it's an additional \$50 million of sales, most of which are streamlined through to the bottom line in the next few years.

Joel Jackson: OK...

Raviv Zoller: So the short answer is that the third quarter will be very similar to the second quarter. Fourth quarter, depending on how things develop with the annual contracts, we expect that most of the movement will be towards the annual contracts, but in our case, there's not that much product so in terms of placing



that product, If it doesn't go to China and India, it will go to Europe and Brazil.

Joel Jackson: That's helpful. My final question is, in the first half of the year, the Phosphate Specialty business has seen pretty strong contraction. In contrast, the phosphate commodity business has seen strong revenue growth. I mean, I guess, ideally, you'd want it the other way around, what does that look like in the second half of the year and what do you think about that?

Raviv Zoller: It's a little misleading because some of the contraction is in white phosphoric acid, which is the lower-value product in what we call specialties, and a lot of the downfall in specialties has been either on our dairy business for specific reasons having to do with production, or white phosphoric acid.

Actually, on the salt and the special products, we didn't lose any ground at all. In fact, our profitability grew. And we also have some breakthrough developments on meatless meat and other special products, which are looking very positive going forward.

So we're making progress with our strategy to be more on the specialty business, and the numbers don't completely reflect that, but that's mainly because of less white phosphoric acid and dairy products. And while white phosphoric acid, we can't predict at this point when that will turn around, everything else is behaving very nicely.

Joel Jackson: Thank you very much.

Operator: Thank you. Your next question comes from the line of Mark Connelly from Stephens. Your line is open, sir.

Joan Tong: I'm sorry, this is actually Joan Tong on for Mark Connelly. And I have a couple of questions here. First off, on potash, it seems like your cost positions has improved quite a bit. Was it just energy? Or is it like more than that? I just want to see that it's sustainable going forward.



Raviv Zoller: It's more an issue of sales quantities, energy also fits in. It wasn't a dramatic change. Actually, in Spain, we even have a higher cost this year, which we hope that by the end of the year will balance out. All-in-all, we are according to plans on production costs, energy results according to the plan. And yes, it does improve our cost position relative to others.

By the way, the update that I mentioned earlier will further increase our cost competitiveness, because basically, it gets us 5 percent more production with our main site without adding any fixed cost.

Joan Tong: OK. And then for the phosphate business, we have heard the Chinese producers are looking to cut production in the near term, and – but we haven't seen any major cuts in response to environmental regulations. Do you think the producers have found a way around those regulations? Or do you think that the cuts are still coming?

Raviv Zoller: No, I think that when a decision is made in China, they usually mean business, and we do see the producers of – the phosphate producer cutting down on production, naturally from the time it's announced until it actually happens, takes time.

Also, there's a sort of a crackdown on P4 producers, which will also affect production in China. And typically, what happens is some smaller producers tend to shut down, while the larger producers usually find a way to deal with the situation and resume their normal business pretty soon.

So yes, there is movement in China. We don't see all of the impact yet, but we expect that we will see, because usually, when these things are announced in China, they actually happen.

Joan Tong: OK. And then, finally, just wondering, how should we think about Ag Solution – Innovative Ag Solution in the second half of this year? You mentioned about – you mentioned the digital platform that you're developing. I'm just wondering, like, how should we think about sales in the second half?



And also, like any potential of margin expansion, given like the potentially elevated cost that you mentioned.

Raviv Zoller: OK. I'll start by saying that the total contribution of that business to the results is relatively low, and typically, the seasonality is actually better in the first half because we sell into the Northern Hemisphere, and the season is in the first half of the year, so the profitability actually is expected to be less than the first half of the year.

At the same time, if the first half of the year, because of weather and other reasons, the results were less than the first half, last year, we don't necessarily expect that to happen in the second half of the year.

There is some additional cost here because of development, including the digital platform but that's relatively negligible. It's about – it's going to come up to about \$1 million a quarter by Q4, and that's not going to add any revenue in the short run.

So that's not really going to affect the short-term business, it is going to have a long-term effect with strategic effect and we are making the investments we think are relatively small to the relatively ambitious plans that we have.

So again, second half is going to be less than the first half. It's going to compare better to the second half of last year than the first half compared to the first half of last year. There is some additional cost, but at the end of the day, it's relatively marginal when you look at the results as a whole.

Joan Tong: OK. All right. Fair enough. Thank you so much.

Raviv Zoller: Thank you.

Operator: Thank you. Your next question comes from the line of Vincent Andrews from Morgan Stanley.

Jeremy Rosenberg: Hi, this is Jeremy Rosenberg on for Vincent. Thanks for taking my questions. I just wanted to start out on phosphate. I see on the slide, you



mentioned something about synergies, I just wanted to know if you could just clarify what – which synergies you’re referring to?

Raviv Zoller: OK. A year ago, we merged three separate P&L businesses and the whole phosphate mineral chain has been channeled towards phosphate specialties. In the process, we’ve closed the plant.

We’ve tightened some of our cost structure, including a significant reduction in labor costs. And we also have the ability to manage some of the the residual materials that we create in production in a more effective manner.

So those are the types of synergies, including working capital synergies that were also created. And as time goes by, and some of our new developments turned into specialty products sold in the market, such as meatless meat products that we sold for the first time just a few weeks back, with some insignificant deal that will become significant in the future. As that kicks in, then we’ll get more efficiency out of our phosphate chain.

So it’s less labor costs, less infrastructure and depreciation costs, which means less fixed cost. Product development being focused and channeled into new customers and new sales and focusing all the production towards the specialty. So, anything that doesn’t go to specialty becomes residual products that can be sold in commodity markets, including residual materials that came out of the production process.

And in the past, not all were turned into cash. And like I said, we also get some working capital benefits, which are streamlining to our cash flow, and part of the sort of dramatic change in our cash flow comes from efficiencies in the phosphate chain.

Jeremy Rosenberg: Got it. OK. That’s helpful. And just one more on – also on phosphate. In terms of the YPH joint venture, it seems like the past few quarters, I’ve seen in the slide this has been called out, narrow operating profit, good trends there. To what degree of control do you have in terms of that joint venture? I mean what are your expectations for growth in the back half there? Thanks.



Raviv Zoller: OK. We have a local partner. The partnership has been very, very good. We're not on our own, so we don't have complete control like any other business, we do have the managing control of the business, which means we do manage the business.

The potential in the China phosphate business comes from the fact that we built a strong commodity infrastructure, and we're building now specialty capabilities with the new white phosphoric plant that will be inaugurated sometime in September, October. And we'll start sales in the first quarter of next year. At the same time, we've developed capabilities to produce and sell specialty fertilizers in China, so that's also going to be a new source of – new significant source of income for next year.

So we finished the first phase, we had some bumps, turned the business to become profitable towards the end of last year, and now it looks like it's very much in the right direction, invested in specialty capabilities, and as of next year, we will go to the next level, which means that we'll start increasing the percentage of specialty products that we sell in China, which is currently relatively negligible.

Operator: Thank you. Your next question comes from the line of Laurence Alexander from Jefferies.

Nicholas Cecero: Yes. Hi, this is Nicholas Cecero on for Laurence. Just in terms of some of the exports coming out of China for DAP, MAP and TSP, they've been running year-to-date pretty high relative to the past few years. I guess, do you see the pace of exports slowing down in the back half of the year?

Raviv Zoller: We don't know. But as I answered before, there's an understanding in China of a cut down of productions. So, if that happens, and it's expected to happen, it also makes a lot of sense because some of the exports are actually being sold at a loss, so I'm not sure if it makes long-term sense anyway.



So, we do expect some kind of slowdown in exports. But again, that's just based on our expectation. We have no factual evidence to state that we know that exports are going to slow down. But that is our expectation.

Nicholas Cecero: On Slide 12, it looks like there was a \$9 million headwind on the quarter. I guess do you expect that to reverse itself as we move through the back half of the year?

Raviv Zoller: Yes. Because that's sulfur that was taken out of inventory, which is – comes from the beginning of the year. So sulphur was at higher cost. Looking forward, sulphur prices continue to go down, decline. So yes, the answer is yes. Will it be a full turnaround? Probably not. But it will go in the other direction.

Nicholas Cecero: OK. Thank you very much.

Raviv Zoller: Thank you.

Operator: Thank you. Next question comes from the line of Patrick Rafaisz from UBS.

Patrick Rafaisz: It's Pat and good afternoon, everyone. Two questions, please. The first would be on Industrial Products and flame retardants in particular. You mentioned solid volume gains for brominated products but volume declines for phosphorus-based flame retardants.

Can you add some color here? What is driving the different dynamics in demand here?

Raviv Zoller: Sure, it's – on the phosphorus side, it's simply a strategic decision for a value over volume strategy, like we implemented in other specialty products. And that actually had worked in two directions. On the one hand, we did get price increases. On the other hand, we did lose volume.

So, we expect that it will take quite a few months until we get back to the same quantities. But it looks now that the prospects are a little better than we



expected because of the new change towards P4 production in China. So, the headwinds on P4 production in China could work in our favor and make this process a lot faster than we expected.

Patrick Rafaisz: OK, understood. And the second question would be on Polysulphate. You said, I think that was with Q3 last year that investments here were around \$50 million last year and you expected them to half in 2019? Is this – that still valid? And can you update us with volumes ramping up on the margins here? Also here, I think Q4 was still negative. And when would you expect that margin to turn positive?

Raviv Zoller: Yes. I guess you're referring to the loss on the Polysulphate business, which part of the loss, of course, is investment, but it all reflects in the bottom line. Yes, first of all, we're very close to our \$30 million forecast in the year. We were a little behind on production in the second quarter, we produced about 10 percent less than we planned, we had some issues with dust in production. We're pretty much through those issues. It looks like we'll be very close to the annual target. And if we're close to the annual target, that means we'll be very close to the financial target.

We also had some good news on the marketing and sales side. We found some solutions – some unique solutions to our R&D processes for contraction and granulation of the product, which is being received very, very well in the market.

So, we're also much more confident in our ability to sell everything we produce, which is, again, good news.

Patrick Rafaisz: Thanks a lot. Very helpful.

Raviv Zoller: Thank you.

Operator: Thank you. We have no further questions. If you wish to continue.



Limor Gruber: OK. Thank you everyone for joining us today in this hectic earning days, and we really hope to touch base soon. Have a great day. Bye.

Operator: Thank you. Ladies and gentlemen, that does conclude your conference for today. Thank you all for participating, and you may now disconnect.

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