

ICL Q2 2015 - Fact Sheet

August 12, 2015

The information in this fact sheet represents a summary of the highlights reported on August 12, 2015 in ICL's Q2 2015 quarterly earnings release and quarterly presentation and does not purport to be a comprehensive overview of the Company's financial or business condition. The information contained herein may include statements of future expectations and other forward-looking statements that are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements. For a discussion of factors that could cause actual results to differ, see "Forward Looking Statements" in our second quarter report. The information contained herein should be read in conjunction with all parts of the Company's quarterly and annual reports and all exhibits and schedules thereto.

ICL Group Q2'2015 Results:

| \$ million | Q2 2014 | Q2 2015 |
|--|---------|---------|
| Total sales | 1535 | 1196 |
| Gross profit | 542 | 336 |
| Operating income | 78 | 107 |
| Operating income - adjusted | 243 | 251 |
| Financial expenses, net | 52 | 14 |
| Share in income (loss) of investees | 9 | 6 |
| Income before taxes | 35 | 99 |
| Taxes on income | -33 | 24 |
| Net income attributed to shareholders | 68 | 75 |
| Net income attributed to shareholders - adjusted | 214 | 177 |
| EPS (fully diluted) - reported | 0.05 | 0.06 |
| EPS (fully diluted) - adjusted | 0.17 | 0.14 |

- ❖ Sales were down primarily due to strike at two plants in Israel
- ❖ Potash production returns to pre-strike levels, ramping up towards 4 million tonnes to compensate for strike losses; improved margins in potash expected in H2
- ❖ Improved efficiency and managerial control
- ❖ Strategic progress marked by advances in the phosphate JV in China and completion of the Allana Potash acquisition

- ❖ Q2'15 revenues decreased by 22% from Q2'14. The strike, non-core divestitures and exchange rates fluctuations (mainly the devaluation of the euro against the dollar) had a negative impact of 16.5%, 6.5% and 8.3%, respectively. This was partially offset by higher sales volumes (mainly of phosphates and in the Performance Products segment, including the consolidation of acquired companies), as well as higher prices which contributed 8% and 1%, respectively.
- ❖ The geographic breakdown of sales reflects increased sales in South America mainly as a result of higher phosphate fertilizers sales and the consolidation of Fosbrasil; lower sales in Asia as a result of lower sales of potash, elemental bromine and bromine compounds; a decline in sales in Europe mainly due to the devaluation of the euro, the strike in Israel and the divestitures of non-core businesses. These were partially offset by the consolidation of companies acquired and a decline in North America which stemmed mainly from lower sales of clear brine fluids.
- ❖ Cost of sales decreased by 13% compared to Q2'14, mainly due to the devaluation of the euro and the shekel against the dollar, the strike at ICL Dead Sea and at ICL Neot Hovav and divestitures of non-core businesses which led to a decrease of 11.3%, 6.5 and 6%, respectively. This was offset by the an increase in volumes sold, including first time consolidation of acquired companies, an increase in raw material prices (mainly sulphur), higher depreciation and higher operating expenses which led to an increase of 10%, 1%, 0.5% and 1.2% respectively.
- ❖ Q2'15 adjusted operating income excludes the impact of the employee strike in the amount of \$149 million, a provision for early retirement in the amount of \$6 million and a provision in the amount of \$10 million related to a fire at one of ICL Rotem's facilities. The adjusted operating profit also excludes a gain of \$14 million from the divestment of non-core businesses (including transaction costs) and income from entry into consolidation of Allana Potash of \$7 million.
- ❖ The decrease in financial expenses stems mainly from non-recurring expenses of \$32M recorded in Q2'14 in connection with the royalties' arbitration decision, in addition to higher income from a change in fair value of financial derivatives and a revaluation of short term financial liabilities, as well as a decline in interest expenses relating to provisions for employee benefits. This was partially offset by exchange rates impact on provisions for employee benefits and an increase in interest expenses.
- ❖ The effective tax rate in Q2'15 amounted to about 25%. The tax income in Q2'14 stems from a tax benefit in respect of investments made by a subsidiary in Europe.

Potash Sub-segment Results:

| | Q2 2014 | Q2 2015 |
|---|---------|---------|
| Production - thousands of tonnes (KCI) | 1,249 | 583 |
| Closing inventory - thousands of tonnes | 827 | 471 |
| External sales volume - thousands of tonnes | 1,249 | 650 |
| Total sales volume - thousands of tonnes | 1,351 | 719 |
| Revenues (external)- million \$ | 387 | 201 |
| Revenues (internal)- million \$ | 58 | 37 |
| Potash revenues (total)- million \$ | 445 | 238 |
| Operating profit - million \$ | 131 | 11 |
| Adjusted operating profit | 139 | 104 |

Q2'2015 results:

- ❖ Total potash sales volumes decreased by 47% compared to Q2'14, mainly due to the strike at ICL Dead Sea, partly offset by an increase in production at ICL UK.
- ❖ Potash revenues decreased by 47%. The strike at ICL Dead Sea, the change in the currency exchange rates (mainly the devaluation of the euro and the pound against the dollar) and lower sales volumes had a negative impact of 40%, 5.4% and 4.9%, respectively. These were partially offset by an increase in selling prices, which had a positive effect of 4%.
- ❖ Q2'15 adjusted operating income excludes the impact of the strike at ICL Dead Sea in the amount of \$100 million.

Business trends:

- ❖ According to the new collective agreement between ICL, the Histadrut (Israel's General Federation of Labor) and the labor union, 106 employees will take early retirement at ICL Dead Sea and an additional 19 employees will be laid-off.
- ❖ Following the conclusion of the strike in Israel, potash production was ramped up and reached pre-strike levels, and ICL expects to return to normal sales in the third quarter. By utilizing excess raw material accumulated in evaporation ponds and excess capacity in the potash processing plants, production at the Dead Sea is expected to increase by 10% to approximately 4 million tonnes over the next three years, compensating for losses incurred during the strike. Operational excellence measures will enable ICL to maintain the higher production level even beyond this period. ICL anticipates improved potash profit margins in 2H 2015 as a result of the efficiency measures.
- ❖ During the second quarter, new potash supply agreements were signed with customers in China and India in the amount of 1.2 million tonnes and 835 thousand tonnes, respectively (including optional volumes), at price increases of \$10 per tonne compared with prior contracts.
- ❖ During the second quarter, a number of macro-economic events negatively impacted the fertilizers market including the economic crisis in Greece and the corresponding decrease in the euro, falling prices for agricultural commodities, and the recent financial crisis in the Chinese stock market.
- ❖ Based on data of the U.S. Department of Agriculture published on July 10, 2015, the grains stock-to-use ratio is expected to be about 21.4% for the 2015/2016 agricultural year, which is lower than the 21.9% recorded in the 2014/2015 agricultural year.
- ❖ Potash imports into China, India and Brazil in the first half of 2015 reached 3.4 million tonnes, 1.7 million tonnes and 3.7 million tonnes, a decrease of about 2%, 1% and 19.5%, respectively, compared with the corresponding period last year. The decrease in Brazil stems mainly from a decrease in prices of agricultural commodities and from the impact of the devaluation of the Brazilian currency, together with limited availability of credit to farmers.
- ❖ ICL estimates that overall potash demand in 2015 will decline compared with 2014, mainly due to lower demand in North America and Brazil, which will be partly offset by an increase in demand in China and India.

Fertilizers & Phosphate Sub-segment Results:

| | Q2 2014 | Q2 2015 |
|---|---------|---------|
| Phosphate rock production - thousands of tonnes | 768 | 1,003 |
| Fertilizers production - thousands of tonnes | 412 | 432 |
| Rock sales volume (external) - thousands of tonnes | 244 | 232 |
| Rock internal use - thousands of tonnes | 413 | 634 |
| Fertilizers sales volume (external) - thousands of tonnes | 376 | 466 |
| Revenues (external) - million \$ | 375 | 387 |
| Revenues (internal) - million \$ | 29 | 43 |
| Phosphate & Fertilizers revenues (total) - million \$ | 404 | 430 |
| Operating profit - million \$ | 21 | 41 |
| Adjusted operating profit | 30 | 51 |

Q2'2015 results and business trends:

- ❖ Higher sales volumes stems mainly from higher sales to Brazil. Higher rock and fertilizer production stems mainly from the impact of the strike at Rotem in the corresponding period last year.
- ❖ Quarterly revenues increased by 6.4% due to higher sales volumes and higher prices which contributed 16% and 1%, respectively. This was partially offset by exchange rates fluctuation (mainly the devaluation of the euro against the dollar) which had a negative impact of 10.6%.
- ❖ Adjusted operating income in Q2'14 excludes the impact of the strike at Rotem. Adjusted operating income in Q2'15 excludes a provision of \$10M in connection with self-participation expenses relating to insurance due to a fire in a fertilizers production facility at an ICL Rotem site (see below).
- ❖ In June 2015, a fire occurred in a SSP granulation facility at ICL Rotem that resulted in the closure of the facility. The Company estimates that renewed operations at the facility will require several months. The affected production volume is estimated at 200-300 thousand tonnes during the down-time period. The impact on income due to lost sales and restructuring costs in upcoming quarters will be almost fully covered by compensation from insurance.
- ❖ Adjusted operating profit increased by 70% in Q2'14. Increased sales volumes (net of the increase in cost of goods sold) higher prices, exchange rates fluctuation and lower energy and shipping costs contributed 40%, 30%, 13% and 17%, respectively. This increase was partly offset by an increase in raw material prices and an increase in depreciation which had a negative impact of 17% and 13%, respectively.
- ❖ Demand for phosphate fertilizers decreased during the second quarter of 2015, as a result of lower demand from Brazil and the US. Prices, which dropped due to low demand and an increase in exports from China, have recently stabilized. ICL estimates that during the third quarter of 2015 seasonal improvement in demand for phosphate fertilizers will increase, which will lead to an increase in prices.
- ❖ In Specialty Fertilizers, competition in the MAP and MKP markets in China and Russia led to a decline in prices and volumes. In addition, the economic and political situation in Russia and Ukraine impacted demand in these areas.

ICL Industrial Products Segment Results:

| \$ million | Q2 2014 | Q2 2015 |
|--------------------------------------|---------|---------|
| Revenues (external) | 355 | 244 |
| Revenues (internal) | 4 | 3 |
| Industrial Products revenues (total) | 359 | 247 |
| Operating profit | -113 | -15 |
| Adjusted operating profit | 31 | 31 |

Q2'2015 results and business trends:

- ❖ Revenues decreased by 31%. The impact of the strike at ICL Neot Hovav (the bromine compounds plant) and ICL Dead Sea, a decrease in volumes, mainly of flame retardants and elemental bromine, as well as the impact of currency exchange rates, had a negative impact of 18%, 9% and 4%, respectively.

- ❖ Adjusted operating profit excludes the impact of the strike at ICL Neot Hovav and ICL Dead Sea in the amount of \$40 million and a provision for the early retirement plan in the amount of \$6 million.
- ❖ Adjusted operating profit was stable compared to Q2'14 as lower costs and exchange rates fluctuations contributed 13% & 3%, respectively, offset by lower sales volumes.
- ❖ According to the new collective agreement between ICL, the Histadrut and the labor union, 104 employees will take early retirement and an additional 19 employees will be laid-off. Benefits from higher efficiency will be achieved beginning in 2016.
- ❖ At ICL Neot Hovav, the Company anticipates that it will achieve pre-strike production capability by the end of Q3. Production of Elemental Bromine is currently lower than pre-strike levels and the Company anticipates reaching its target level, which depends on market conditions, at the end of Q3.
- ❖ Elemental bromine prices in Asia increased in the first half of 2015 compared to 2014, with relative stability in the US and Europe.
- ❖ During the second quarter, there was a decline in the price of bromine in the Chinese market as a result of low consumption of bromine on the part of bromine-based flame retardants manufacturers. Nonetheless, the Company is selling elemental bromine and hydrobromic acid at the higher prices it announced in November 2014. Furthermore, as a result of the decline in the manufacture of bromine compounds in China, there has been an increase in the prices of these products in Asia.
- ❖ During the second quarter of 2015, demand for bromine-based flame retardants declined compared with the second quarter of 2014. Lower demand resulted from lower volume of printed circuits, as a result of the continued trend of lower computer demand which is expected to continue as a result of the economic situation in China and Europe. In addition, there was a decrease in demand for other bromine-based products as a result of the weakening of demand in the agro and PTA markets.
- ❖ In the period of the report there was a decline in demand for bromine based biocides used for oil and gas drillings as lower oil prices decreased drilling activities in North America. However, new regulations in Europe requiring manufacturers to register and confirm biocide products removes competitors that did not take action to execute the registration from the market, thus improving ICL's market position.

ICL Performance Products Segment Results:

| \$ million | Q2 2014 | Q2 2015 |
|---------------------------------------|---------|---------|
| Revenues (external) | 389 | 341 |
| Revenues (internal) | 20 | 23 |
| Performance Products revenues (total) | 409 | 364 |
| Operating profit | 50 | 52 |
| Adjusted operating profit | 56 | 38 |

Q2'2015 Results & Business Trends:

- ❖ Revenues were 11% lower than Q2'14 as non-core divestitures, exchange rates fluctuations (mainly the devaluation of the euro against the dollar), and lower prices had a negative impact of 24%, 12% and 1.2%, respectively. These were partially offset by higher sales volumes and consolidation of acquired companies which contributed a total of 26%.
- ❖ Adjusted operating profit excludes the capital gain from divestitures in the amount of \$14M. The operating income in Q2'14 was impacted by the 2014 strike at ICL Rotem, in the amount of approximately \$6 million.
- ❖ Core operating income (excluding divested businesses) decreased from \$40M in Q2'14 to \$38M in Q2'15. The 80% contribution from higher sales volumes and consolidation of acquired companies was offset by higher operating & raw material costs, exchange rates & other adjustments as well as lower prices which had a negative impact of 53%, 23% and 10%, respectively.

- ❖ ICL Food Specialties' successful integration of protein producer, Prolactal, more than offset weak sales in Eastern Europe, the impact of the financial crisis in Russia and weaker sales in North America.
- ❖ Demand for ICL's Advanced Additives remained relatively stable in the second quarter. Lower sales due to competitive pressure in the US were partially offset by strong fire safety sales and strong acid sales in Europe. Competition in the US phosphoric acid market is continuing to strengthen due to an increase in imports from China and increased competition on the part of competitors that are employing a sales strategy which prefers market share over price.
- ❖ Sales of phosphoric acid were favorably impacted by the contribution of Fosbrasil which was acquired at the end of 2014. The P2S5 businesses continued to be impacted by a temporary decline in orders of a North American customer that was forced to deal with operational problems. Global demand for P2S5 was weaker than expected in the second quarter.
- ❖ Demand for fire safety products increased due to fires in Canada and the Northwestern United States in the month of June.
- ❖ The weakening euro against the dollar had a negative impact on sales which was mostly offset by a decline in costs in dollar terms of companies in Europe.
- ❖ ICL Performance Products completed its divestment of non-core businesses with net proceeds of about \$380M and a capital gain of \$169M, net of taxes.

Other & Setoffs:

| \$ million | Q2 2014 | Q2 2015 |
|---------------------------------------|---------|---------|
| Revenues (external) | 29 | 23 |
| Revenues (internal) | 9 | 4 |
| Other revenues (total) | 38 | 27 |
| Operating profit | -2 | -10 |
| Unallocated expenses and eliminations | -9 | 28 |

Financial position, Cash Flow & Investments:

- ❖ Q2'15 operating cash flow amounted to \$325M compared to \$121M in Q2'14. The increase stemmed mainly from lower working capital due to the strike at ICL Dead Sea and ICL Neot Hovav, combined with a refund of advance tax deposits. Cash flows used for investment in fixed and intangible assets totaled \$155 million or approximately \$50 million lower than the prior year, mainly as a result of the strike.
- ❖ Net financial liabilities amounted to \$2.59B, a decrease of \$69M compared to the balance at the end of 2014.
- ❖ The total amount of the securitization framework is \$350 million. As at June 30, 2015, ICL had used \$253 million of the securitization facility.
- ❖ ICL also has long-term credit facilities of \$1.74B and €127M, of which approximately \$1.02B remain unused as of June 30, 2015.
- ❖ ICL's Board of Directors has decided to distribute a dividend in the amount of US\$ 52.5 million, or \$0.04/share. The record date is August 27, 2015 and the payment day is September 10, 2015.

Additional key events during the quarter:

- ❖ Following a strike of nearly four months, ICL concluded an agreement with Histadrut and unions representing employees at ICL Dead Sea and ICL Neot Hovav (the bromine compounds plant) to execute a restructuring plan. Employment will be reduced by approximately 250 persons, and the parties agreed to implement efficiency plans at the two plants. In addition, the agreement allows ICL to establish a regional Shared Service Center in Israel and provides managerial flexibility regarding structural and organizational changes. The agreement will enable the Company to increase the stability and competitiveness of its Israeli operations.
- ❖ During the quarter, ICL completed its purchase of Allana Potash (83.78% of Allana's equity that it did not previously hold) for approximately US\$112 million in cash and shares of ICL's common stock. Following the acquisition, and in the coming 2-3 quarters, ICL will conduct a detailed engineering examination and design following which it will present its plans and estimates for the quarter. The acquisition is a key step in ICL's pursuit of its strategic goal to develop Ethiopia into a major producer of potash fertilizers to serve Ethiopia's and Africa's growing agricultural needs, and to establish another source of potash in addition to ICL's mines in Israel, Spain and the UK.
- ❖ As part of its strategic alliance with China's largest producer of phosphate rock and fertilizers, during the quarter the parties signed an R&D agreement to conduct 11 projects in the areas of food, agriculture, engineered materials and process improvement, with additional projects to be added by the end of the year. In addition, the JV management team is fully in place. Parts of the approvals have been already granted, including Chinese and Brazilian anti-trust clearance, and the approval process continues to be very constructive. The alliance with Yunnan will enable ICL to build an integrated phosphate business in Asia that ICL anticipates will generate significant value by transforming it from being commodity-focused to specialty-focused.
- ❖ Following the conclusion of the quarter, the Government of Israel decided to include the conclusions of the Sheshinski Committee with respect to taxation of natural resources as part of the Economic Plan Law for 2015-2016, and to authorize a Committee of Ministers to make changes in the conclusions before the memorandum of the proposed law is placed before the Israeli Knesset. Over the past several months, ICL has maintained a continuous dialogue with parties in the Israeli government regarding the conditions it requires for future investment in Israel, including a business environment that will enable its Israeli operations to be competitive with those in other countries and that will provide the certainty and regulatory stability required to enable the Company's long-term investment planning. ICL hopes that its dialogue with the government will enable ICL to return to investing in Israel after having halted investment in the country in the amount of \$750 million and while it is reconsidering additional investments in the amount of \$1 billion, following decisions by ICL's Board of Directors in March and August 2014 after the Sheshinski II Committee submitted its interim and final recommendations.