ICL
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<<David Katter, Analyst, Robert W. Baird & Co.>>

Good afternoon everyone. My name is David Katter and I work on the Energy Technology & Resource Management here at Baird. And it’s my pleasure to introduce Kobi Altman, who’s the CFO of ICL Israel Chemicals, and he’s going to give a brief presentation, and if we have time left over, we’ll open it up for questions. Please go ahead.

<<Kobi Altman, Chief Financial Officer>>

Thank you David and good afternoon everyone. Great to be here for the first time, after we go over the Safe Harbor important slide, we can start and I thought because its the first time we are presenting here, our industry sector is growing very, very fast and this is why we thought it’s good to be here to give you a very short corporate overview of ICL.

So ICL by the numbers we are selling just over $5 billion, we generated almost $350 million of free cash flow in 2016, we are on target to exceed this level in 2017. We just announced yesterday our third quarter results. Around 13,000 employees, just over $5 billion of market cap, operating income was $580 million and here again we are on target to exceed this level in 2017.

Dividend yield we will talk about capital allocation later on. We try to provide solid shareholder returns through dividend payments we are paying 50% of our adjusted net income to the dividend on a quarterly basis. The yield over the last 12 months was just over 3% and I will talk about the segments and the business units that we have you can see here that our industrial business in 2016 sales were just slightly lower than 50% and our agro division was just about slightly above 50%, it changed in the last quarter Q3 for the first time our industrial division sold 51% of our total sales.

In terms of profit we are already for the last couple of years due to the commodity cycle we are more or less two-third of our specialty businesses generating a profit two-third of the profit coming from those specialty businesses and one-third coming from the commodity. I wanted to show you this slide, because I think that ICL is a unique company in terms of our extensive experience of the company and you have here the ICL extended management team over 300 years of ICL specific experience in our company.

Starting with our CEO over 40percent in the company did all the roles in the company, he managed all the segments and now for over a year now he is our CEO. The two divisions President the Industrial Division, Eli Glazer is the President over 30 years in the Company, and Ofer Lifshitz, the President of our Agro Division is over 20 years in the Company. I think that I’m the exception here with my 2.5 years in the Company. So by April of next year when I will celebrate my third year in the company, I will be able to say that I'm contributing 1% to this overall bracket, where this is really the exception in our Company.

The way we are structured you'll see here the essential mineral division is in-charge of our commodity businesses, the mines, the core sites as well as the agriculture sector, so specialty fertilizer although it is a specialty business it's not a commodity it is part of this division. And we have the specialty solution division this is our industrial division capturing the advance additives, the industrial products and the food specialties and we'll go slightly into those here.

So ICL is based on three legs, those legs are the basic minerals that we mine. Potash, bromine and phosphate we started in Israel where we have around 50 miles from each other, we have the Dead Sea where we mine our potash and bromine and the phosphate mine, open pit mine that is very close by. So this is our region, from those three minerals those three legs of the company we started to develop along many, many years we are more than 70 years as a company, we developed those value chains around the minerals. Actually the smallest value chain in terms of the width of the products that we have is potash. Potash we still do sell mostly as a commodity and only some portion of that is going into our specialty – mainly specialty fertilizer business.

So this is actually as a standalone, this is a big product for us. We are selling around 5 million tons of potash every year. Sixth largest player in this market but from – in terms of the value chain that we are creating this is the smallest one.

The next one is the bromine, we are the largest bromine producer on earth, we have the largest capacity. We do that also from the Dead Sea and we develop around many, many years a full industry of bromine compounds that you can see here right at the bottom in the red. Our phosphate chain is the largest chain in terms of the value of the downstream that we went through to the specialty agriculture sector.

Specialty fertilizer that are phosphate based fertilizers in a combination with potash and combination in many others. Going into industrial applications like fire safety, oil additive, industrial solutions and many, many others as well as food and pharmaceutical ingredients that are also phosphate based ingredients and we expanded this portfolio later on. So you see here the various applications that were developed in the Company from those three minerals and for many, many years we are also playing in those specialty, sector although it was really, really growing only lately in the last two to three years.

So if we divide the Company, you see here the agro versus the industrial in terms of the way we split the Company, and in terms of sales, so far, historically just over 50% of our sales were in the agro sector and just less than 50% in the industrial, last quarter, we saw this change that is coming.

We believe that we are very well positioned with our specialty businesses to capture the mega trends that exist today around the world in terms of the needs for more food, food productions or our commodity businesses and the specialty fertilizer are well targeted on that with our potash and phosphate assets, the consumption of better food, more organic food with our whey protein business around the food and the food ingredients. Our main focus is texture and stability; this is our space in the food ingredients. We are obviously not a food company we are supplying the food company our products mainly again in the texture and stability.

Automotive cars is a huge opportunity for us because we are a very strong player in flame retardants, that are bromine based, and those cars and those technologies, the more electricity, the more electronics that goes into those sectors, the more needs for flame retardant, that our bromine based and phosphorous-based and we're very, very strong player in those spaces. In energy storage and all the regulatory requirements that are now fueling our growth potential.

You can see here the difference between our two divisions, the Essential Mineral division is focused mainly on operational excellence in the commodity sector, the name of the game is cost per tonne. The efficiency of your assets, the cost competitiveness of them, the operational excellence is the main focus. Specialty solution is totally different here is the commercial excellence is to build the brand, to find new markets always fuel the pipeline with new products. So most of our R&D money goes into this division and to build this for the long-term, you all will need to be very competitive in terms of your commercial capabilities.

You can see here the difference between the sales and the profit. So as I said, for the first time, in this quarter, Q3 sales were more than 50% in our specialty businesses and you can see that already for a quite a few quarters around two-third of our profit is coming from those specialty businesses, that are really growing very nice. As well as the commodity cycle, that is hurting our commodity businesses. So the balanced approach of ICL is really helping us to get along with those commodity cycles.

Just a little bit about our assets, the competitiveness of our mineral assets. I will start with the Dead Sea and the potash manufacturing in the Dead Sea. The main reason, why this is such an important and very cost attractive site is coming from two dimensions that we tried to illustrate in this slide. First of all, this is not an underground mine. We are using the sun through an evaporation pond. So the sun is doing the work for us. This is why the energetic factor of this site is very, very competitive. We don't need a lot of energy. The sun is evaporating the liquid and we are extracting the Carnalite into our production site and generating the potash. So this is the first reason.

The second reason is logistics channel. We are only 100 miles more or less from the port in Israel, the port in Eilat that is going into the Far East and the port in Ashdod that goes into the Mediterranean, Europe and the U.S. and South America. So we are able to ship in a very cost competitive prices, our peers in Canada that mines potash in Saskatchewan needs to ship it and to transport it into Vancouver port over 1,800 miles. So we are 100 miles from the port and this is a very important cost competitiveness from our perspective.

Moving to the bromine, you can see here and we try to simulate that with this graph. That the bromine, in the Dead Sea is so concentrated compared to other sources, that this will make the

Dead Sea, the ultimate source on earth for bromine in years to come. We are the largest player of bromine on earth and we have the largest capacity, we are leading the market together with our peers in Albemarle, that are on the other side of the Dead Sea. But we're much larger than them, and more competitive in terms of the way we are processing it.

This is why we decided to adopt this clear strategy of price over volume. We started to increase the prices of bromine in late 2014 and over the last three years. We've increased moderately the prices in China of elemental bromine. So and this is sticking, this is going very, very well. Now the prices of bromine in China are more or less in the same level of the U.S. and Europe. The next wave of price increases will come mainly on the bromine compound there we are checking on a customer-by-customer basis, what is the price sensitiveness of this customer what is the ingredient of our products within the overall products that the customer is doing in what we found that in many, many cases. Our portion is very, very low and the price sensitiveness of our customers is not very high. I will just give you one example, clear brine fluids, which is used to balance pressure in deepwater wells of oil or gas and out of the entire operation of those customers the size of the clear brine fluids this liquid is a fraction of their entire coastal really from their perspective, they're much, much less sensitive to our prices.

Moving to our other side, you'll see here some pictures of our site in Spain, in Catalonia where we have potash mine that we are now working on combining together. You see the UK that we are now transforming this site from potash to Polysulphate, which is a semi-specialty site, semi-specialty fertilizer that we are using and our site in China, in the southern part of China, where we have phosphate rock that we are now transforming into specialty products to fuel our specialty businesses also in China.

Our specialty business line and division again this is the growth driver of the Company you can see here the last three years, and the nine month results of this division you'll see that we are on track to beat also the $2.5 billion of sales that we did last year in this segment. And the profitability that was increasing very nicely over the last three years again we are on track to do even better in 2017.

Few words on the financial overview -the quarter that we announced just yesterday had a lot of green colors, 4% increase in sales, overall sales, this is the highest quarter for the last three years since the last cycle of the commodity potash and phosphate cycle started. So we are getting back to a very nice growth although those commodity prices and the commodity cycle still exist. Over 30% increase in adjusted operating income was very, very significant. And CapEx investment-we significantly reduce our capital expenditure over the last few years in order to shake back the cost structure of the Company.

So how did we do that? How did we reduce significantly our cost structure? First is the CapEx. You saw that – you can see here 2013, we invested almost $900 million of CapEx. We reduced that to around $500 million this year, next year we are going to expand in the CapEx, so it will be higher than the 2017 level. And what we brought here is the depreciation level. The reason why we wanted to put that so you'll get the feeling even in those tough years of commodity cycle and the need to invest and to maintain and to improve our commodity assets.

We find a way even when we are reducing the CapEx to still invest more than our CapEx, more than our depreciation level. We want to take care of the competitiveness of our sites as well as to invest that in the future growth abilities of our specialty businesses. So most of our growth CapEx that is beyond the depreciation level is going into our specialty businesses and improving the competitiveness of our site. So one thing was the strict CapEx management.

The second one was the reduction of the cost per tonne and the last one is working capital where we did a lot of work over the last two to three years. And this helped us in the middle of commodity cycle especially in the potash and the phosphate to turn around the Company from two years 2014 and 2015 where we hardly generated any free cash flow. 2015 we finished the entire year with minus 27. Last year 2016 was already a year where we went back on target after we took a significant amount of cost out of the Company $350 million of free cash flow and we are on track to do more than that in this year. S&P just last week reaffirmed our investment grade rating BBB- in a very positive report with a stable outlook.

Capital allocation approach just few words around that. We are trying to optimize all the time even when the commodity cycle is putting a lot of pressure on the Company, we are trying to optimize between three angles of a triangle. Firstly to make sure, we still take care of the growth engine that will take the Company forward in the years to come. So we are investing, we are doing some small bolt-on acquisitions and we are investing in assets and in projects that are important to take our Company forward.

The second angle is to manage our debt level. And we announce that we are going to divest assets with more or less the size of $500 million or maybe more in order to reduce our leverage and in order we are now more or less at 3.6 debt-to-EBITDA we want to take it down. So this is why we decided to divest again the size of $500 million in our businesses.

And the third one is the dividend yield and shareholders return through dividend and other measures and we're paying dividend more or less on a quarterly basis 50% of our net income. So I think that this balanced approach is really an optimal from our Company it keeps the Company very well managed the focus is on cash generation and shareholders value return and obviously taking care of the good health of the financial stability of the Company.

So our focus in the near-term- Still the near-term main challenge is the commodity fertilizer prices. They went up a little bit in the potash, still phosphate is very, very low, but this is still – we're still within the cycle. Restructuring activities in our European sites, moving our UK facility from a potash facility – potash mine into a semi-specialty, semi-specialty fertilizer mine this requires a restructuring and currently this mine is not profitable. So the great results we have in the last quarter were although those two mines in the UK as well as in Spain are not profitable, but we were doing great on the other front. This is very encouraging for us, because we know that once we will finish those restructuring we will move the UK to the new fertilizer and we will consolidate Spain into one mine that is much more competitive. We will be able to grow even further our net result.

So we will continue the growth momentum in our specialty businesses. We will optimize our mineral assets. We are not looking to expand on our commodity businesses. We are happy with what we have, but we don't plan to expand it further, and we will divest those businesses in order to continue and strengthen our balance sheet.

So this is more or less the key takeaways and we can take some questions.

Q&A

<Q – David Katter>: Excellent. So if anyone is interested in asking a question feel free to either raise your hand or send an email to session5@rwbaird.com. I can kick off the questions quickly on the last point you made on the specialty solutions and how you expect that to develop as a percentage of both sales and operating income over the next five years.

<A – Kobi Altman>: Yes. So these businesses does not require significant amount of capital. We are looking at return on invested capital of around 15% in those assets, in those business units. The business units that are generating most of the growth right now is the bromine based industrial product business unit as well as the advanced additive where we have all the specialty industrial solution, fire safety as well as oil additives and others.

The food business unit, we believe that there is a very nice growth potential there was struggling in the last year, but we now see in the third quarter they starts to recover. And the combination of our phosphate based ingredient as well as the whey protein, the organic baby products that we are producing the ingredients for this selling mainly into China, and we believe that this is a very interesting growth engine for us.

<Q – David Katter>: Thank you. And we have one question from the audience here? How does the current political unrest in Catalonia impact your potash operations in the region?

<A – Kobi Altman>: So currently it does not. Yes, we are located in Catalonia. We believe that this is a very important economic source for this government as well whether it's Spain or Catalonia. We employ there around 1,000 people. So far they kept us out of all this instability there and we believe that because it's so important for the economy there that we will not see any issues there.

<<David Katter, Analyst, Robert W. Baird & Co.>>

Excellent. Thank you. And with that, we are running out of time here. So if anyone has any follow-up questions, we will be outside for a breakout session. Up next in this room is Materion Corporation; in LaSalle, Mobile Mini, State room MTU Aero Engines, upstairs and north far room there will be Allegheny Technologies. Thank you, guys.

<<Kobi Altman, Chief Financial Officer>>

Thank you, David.