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Israel Corporation Ltd.

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www.isa.gov.il

To:

The Tel Aviv Stock Exchange

www.tase.co.il

Immediate Report

The Event: ICL – Analyst Presentation Third Quarter 2018

Attached is an immediate report of Israel Chemicals Ltd.

The Company is not a shell company as defined in the Stock Exchange Regulations

The date when the event first became known to the corporation: November 1, 2018

Time: 09:15

Name of report authorized signatory and name of authorized signatory electronic signatory: Maya Alcheh-Kaplan

Position: Vice President, General Counsel and Company's Secretary

Signing Date: November 1, 2018

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AICL



Q3 2018 Results
Raviv Zoller,
President & CEO
November 1, 2018





Important Legal Notes

Disclaimer and Safe Harbor for Forward-Looking Statements

The information contained herein in this presentation or delivered or to be delivered to you during our presentation does not constitute an offer, expressed or implied, or a recommendation to do any transaction in Israel Chemicals Ltd. ("ICL" or "Company") securities or in any securities of its affiliates or subsidiaries.

This presentation and/or other oral or written statements made by ICL during its presentation or from time to time, may contain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and other applicable securities laws. Whenever words such as "believe," "expect," "anticipate," "intend," "plan," "estimate", "predict" or similar expressions are used, the Company is making forward-looking statements. Such forward-looking statements may include, but are not limited to, those that discuss strategies, goals, financial outlooks, corporate initiatives, existing or new products, existing or new markets, operating efficiencies, or other non-historical matters.

Because such statements deal with future events and are based on ICL's current expectations, they could be impacted or be subject to various risks and uncertainties, including those discussed in the "Risk Factors" section and elsewhere in our Annual Report on Form 20-F for the year ended December 31, 2017, and in subsequent filings with the Tel Aviv Securities Exchange (TASE) and/or the U.S. Securities and Exchange Commission (SEC). Therefore actual results, performance or achievements of the Company could differ materially from those described in or implied by such forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can provide no assurance that expectations will be achieved. Except as otherwise required by law, ICL disclaims any intention or obligation to update or revise any forward-looking statements, which speak only as of the date hereof, whether as a result of new information, future events or circumstances or otherwise. Readers, listeners and viewers are cautioned to consider these risks and uncertainties and to not place undue reliance on such information.

Certain market and/or industry data used in this presentation were obtained from internal estimates and studies, where appropriate, as well as from market research and publicly available information. Such information may include data obtained from sources believed to be reliable, however ICL disclaims the accuracy and completeness of such information which is not guaranteed. Internal estimates and studies, which we believe to be reliable, have not been independently verified. We cannot assure that such data is accurate or complete.

Included in this presentation are certain non-GAAP financial measures, such as Adjusted operating income, Adjusted EBITDA and Adjusted net income, designed to complement the financial information presented in accordance with IFRS because management believes such measures are useful to investors. These non-GAAP financial measures should be considered only as supplemental to, and not superior to, financial measures provided in accordance with IFRS. Please refer to our Q3 2018 press release for the quarter ended September 30, 2018 for a reconciliation of the non-GAAP financial measures included in this presentation to the most directly comparable financial measures prepared in accordance with IFRS.



Q3 2018 Highlights

Sequential sales were flat as a result of lower potash sales volumes due to the late signing of supply contracts with customers in India and China

Operating income up by 9%. Net income up by 54%

Operating income excluding divested businesses⁽¹⁾ increased by 43% driven by continuous positive business momentum

EPS was 10 cents compared to 7 cents in Q3 2017 and 8 cents in Q2 2018

Focus on cash flow generation resulted in 11% growth of operating cash flow compared to Q3 2017, despite divestments

Dividend distribution for Q3 increased by 20% to 5.1 cents/share, implying an annualized dividend yield of ~3.5%⁽²⁾



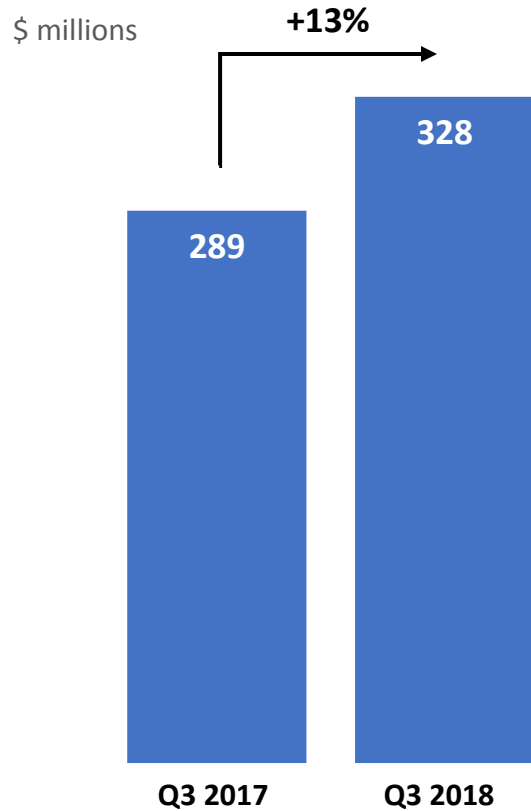
Continued Strong Performance

\$ millions	Q2 18		Q3 18	Q3 17	% change
Sales	1,371	=	1,371	1,440	(5)%
Sales pro-forma ⁽²⁾	1,362	↗	1,371	1,280	7%
Operating income reported	172	↗	196	180	9%
Operating income adjusted ⁽¹⁾	188	↗	200	215	(7)%
Operating income Adj. ⁽¹⁾ Pro-forma ⁽²⁾	190	↗	200	140	43%
Net income reported	101	↗	129	84	54%
Net income adjusted ⁽¹⁾	113	↗	134	115	17%
Net income Adj. ⁽¹⁾ Pro-forma ⁽²⁾	115	↗	134	70	91%
Operating cash flow	164	↗	196	176	11%
Net debt	2,267	↘	2,205	3,264	(32)%

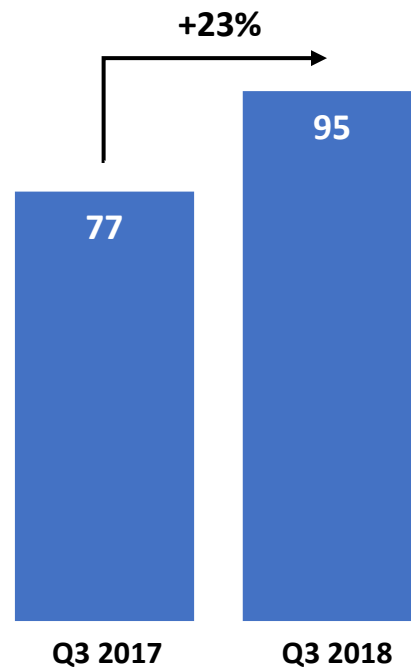
(1) Adjusted operating income and adjusted net income are non-GAAP financial measures. See appendix and Q3 2018 6-k for a reconciliation.

(2) Pro-forma figures are excluding the results of divested businesses of Fire Safety and Oil Additives (divested in Q1 2018) and of Rovita (divested in Q2 2018)

SALES⁽¹⁾

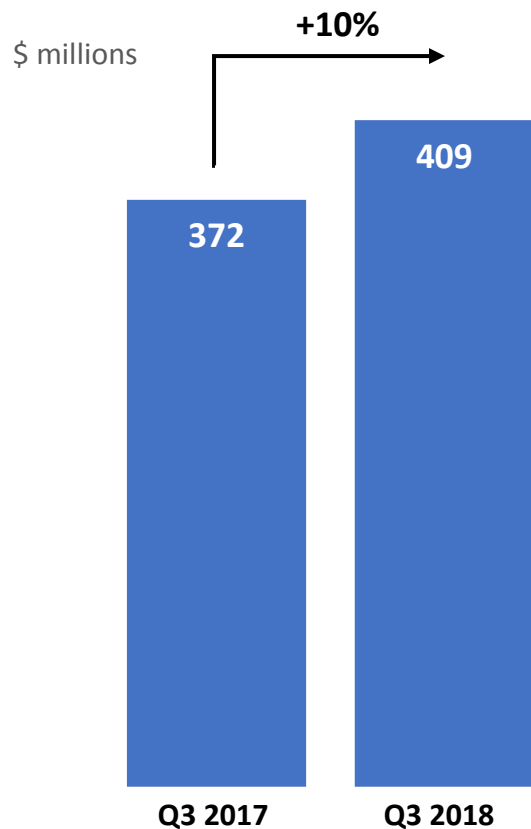


SEGMENT PROFIT⁽²⁾

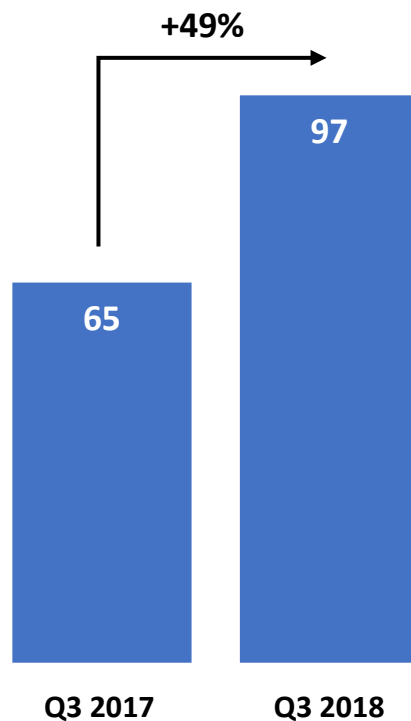


- ✓ **Another strong quarter** driven by higher prices and sales volumes
- ✓ **Strong sales of clear brine fluids carried forward into Q3** driven by demand from the oil and gas industry
- ✓ **Bromine and phosphorus based flame retardants sales benefitted** from environmental-related regulatory pressure in China and raw material shortage among competitors

SALES⁽¹⁾



SEGMENT PROFIT⁽²⁾

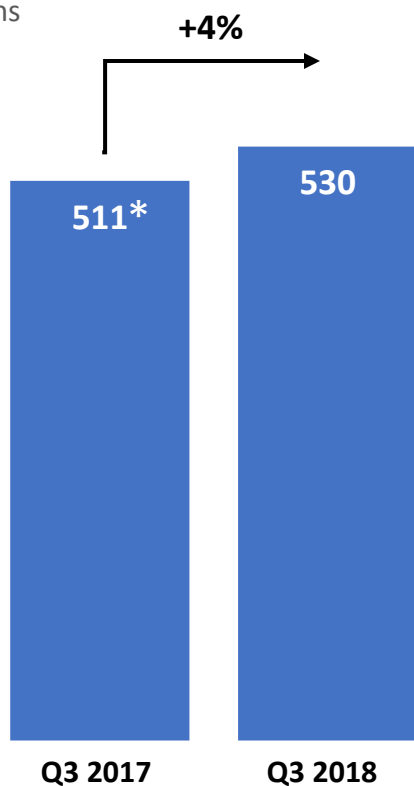


- ✓ **Tight market conditions** reflected in higher than expected increase in contract prices and a continuous upward trend in spot prices
- ✓ **Lower sales volumes** due to the delay in signing of supply contracts with China and India
- ✓ **Average realized price⁽³⁾ up** by 22% to \$287/tonne
- ✓ ICL Boulby (UK) discontinued potash mining and commenced transition into exclusive Polysulphate products

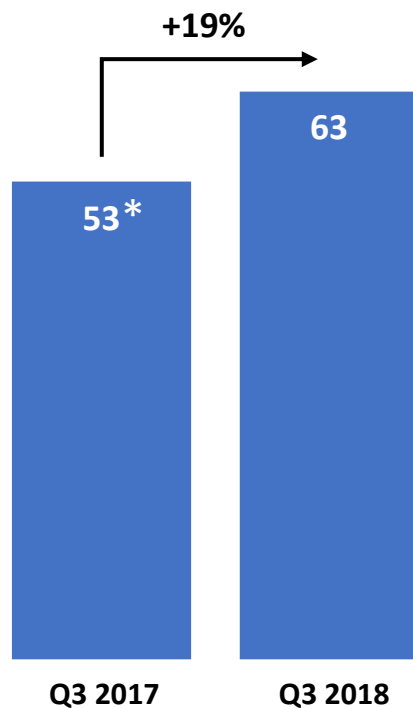
(1) Including inter-segment sales (2) excluding G&A, unallocated expenses
 (3) Average realized price calculated by dividing total potash revenues by total sales quantities. See Q3 2018 6-k for more details

SALES⁽¹⁾

\$ millions



SEGMENT PROFIT⁽²⁾



- ✓ **Consolidation of commodity and specialty business on track.** Focus on value chain optimization and strategy execution continues
- ✓ **Performance improved significantly** with an 11% sequential growth in operating income, as our global organization benefits from favorable market conditions
- ✓ **Sulphur prices** continued to rise

* Excludes businesses divested during 2018

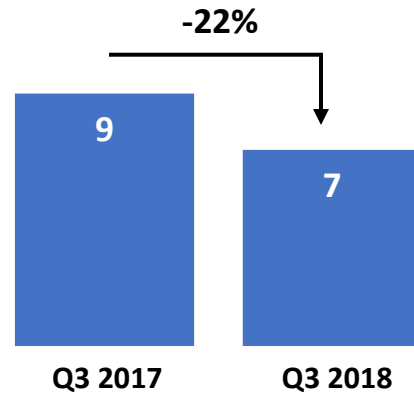
(1) Including inter-segment sales (2) excluding G&A, unallocated expenses

SALES⁽¹⁾

\$ millions



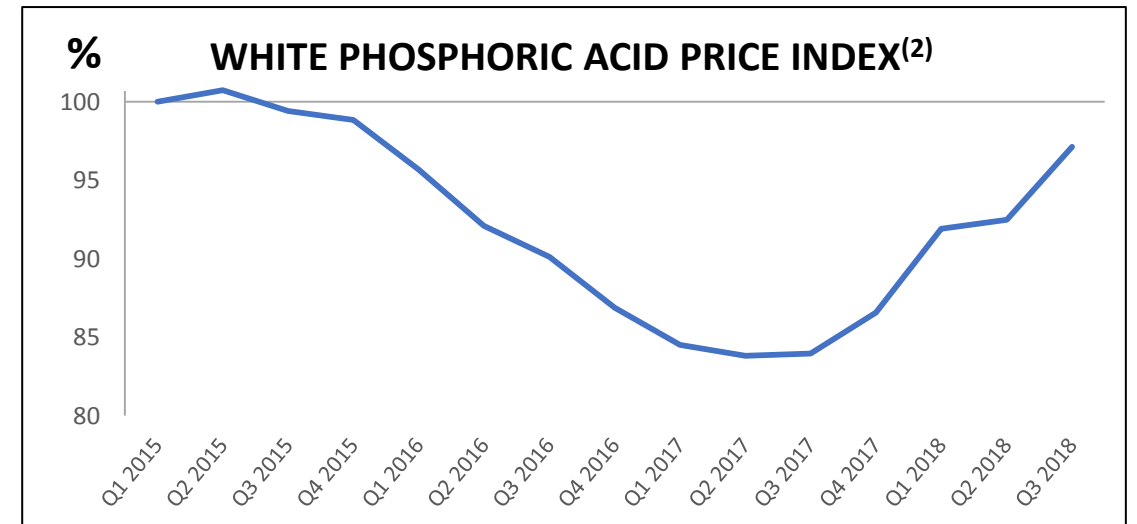
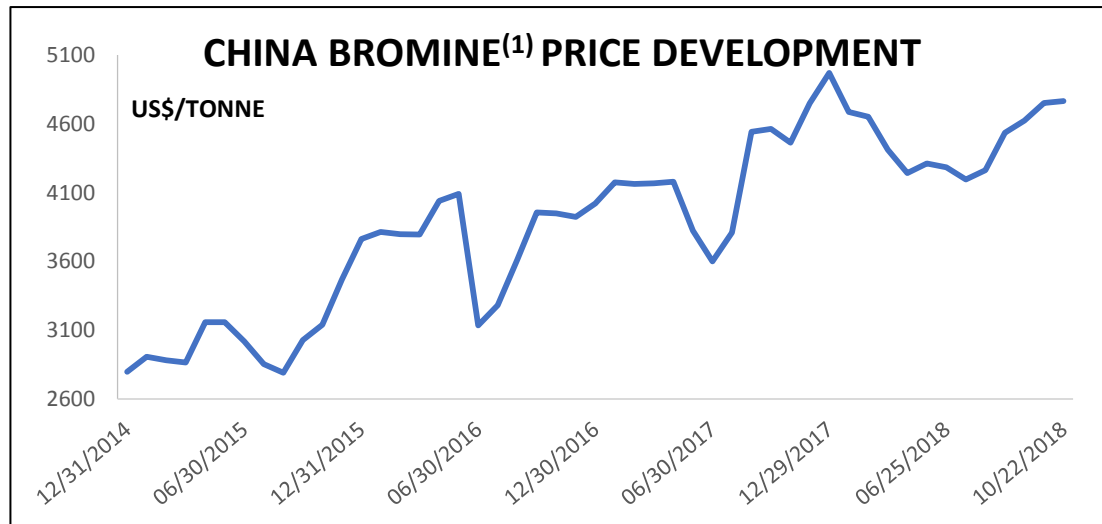
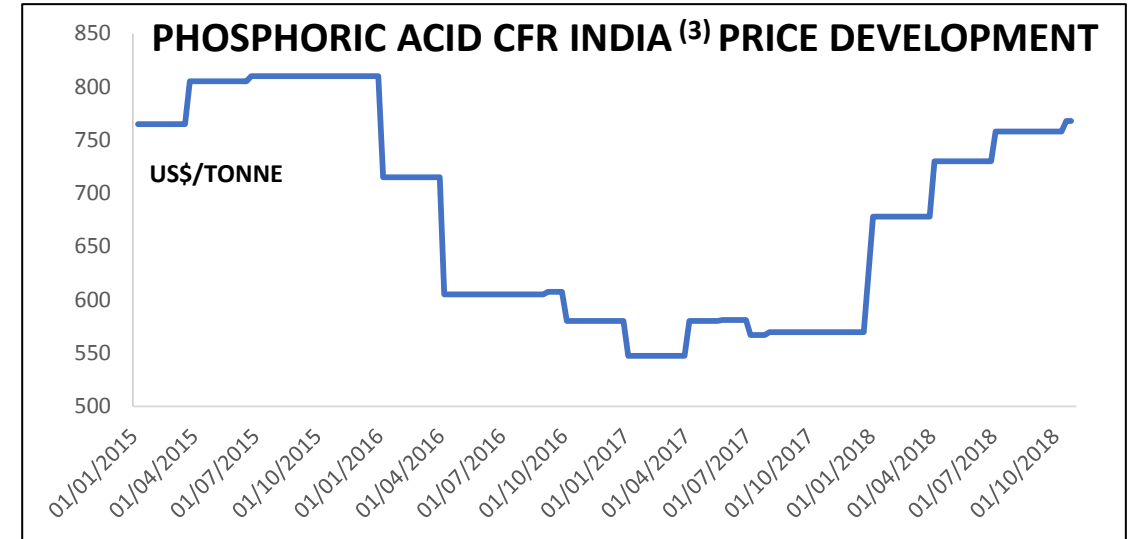
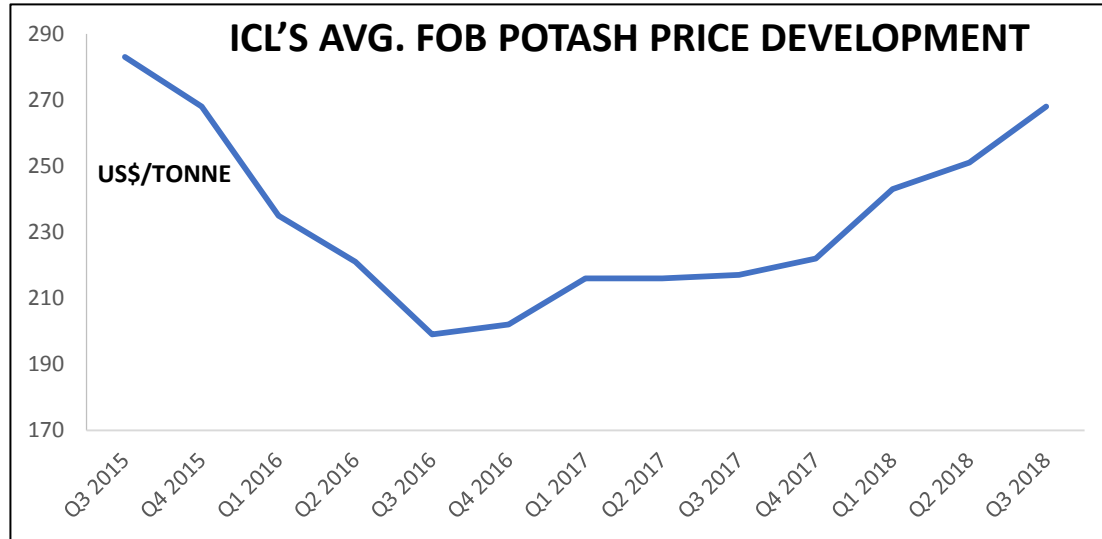
SEGMENT PROFIT⁽²⁾



- ✓ **Realigning the business for future growth** including sales, marketing, logistics and digital infrastructure, and customer base optimization
- ✓ **A clear and defined seasonality** impacts results, with the second half of the year performing weaker than the first half
- ✓ Despite intentional sales reduction in Turkey due to currency crisis, the segment's YTD performance is on track.



Favorable Market Pricing Trends



(1) Source: Bloomberg
(2) Global price index for Food Grade White Phosphoric Acid, from ICL internal sources. Prices are indexed to Q1 2015 average
(3) Source: CRU



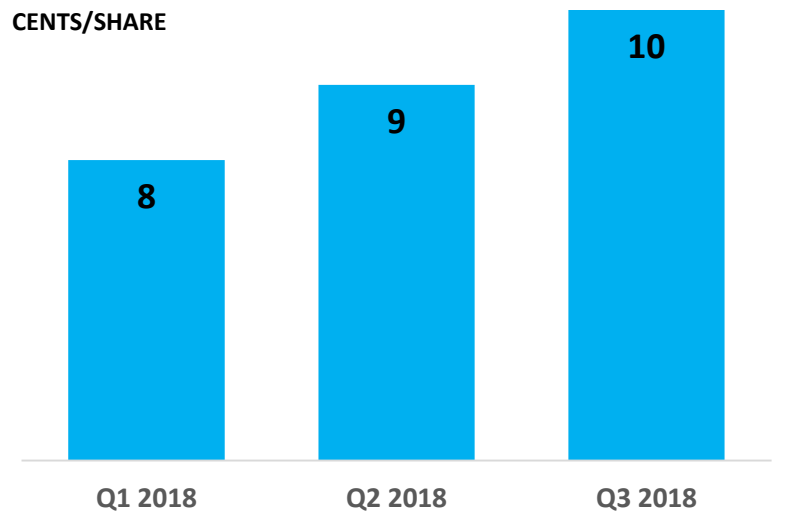
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Kobi Altman, CFO



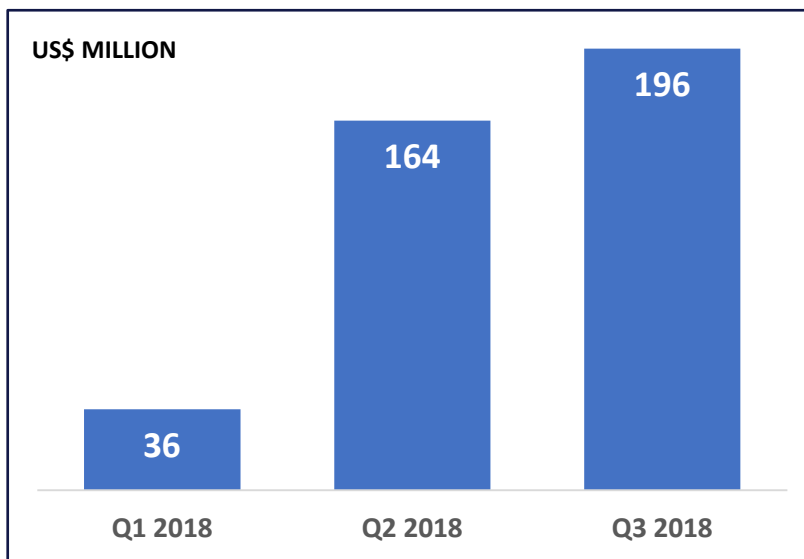
ADJUSTED EPS

CENTS/SHARE



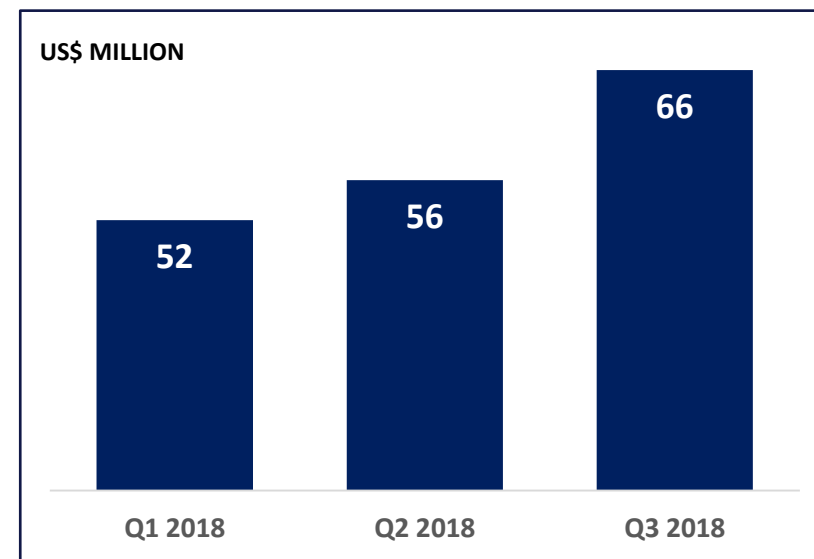
OPERATING CASH FLOW

US\$ MILLION



QUARTERLY DIVIDEND PAYOUT

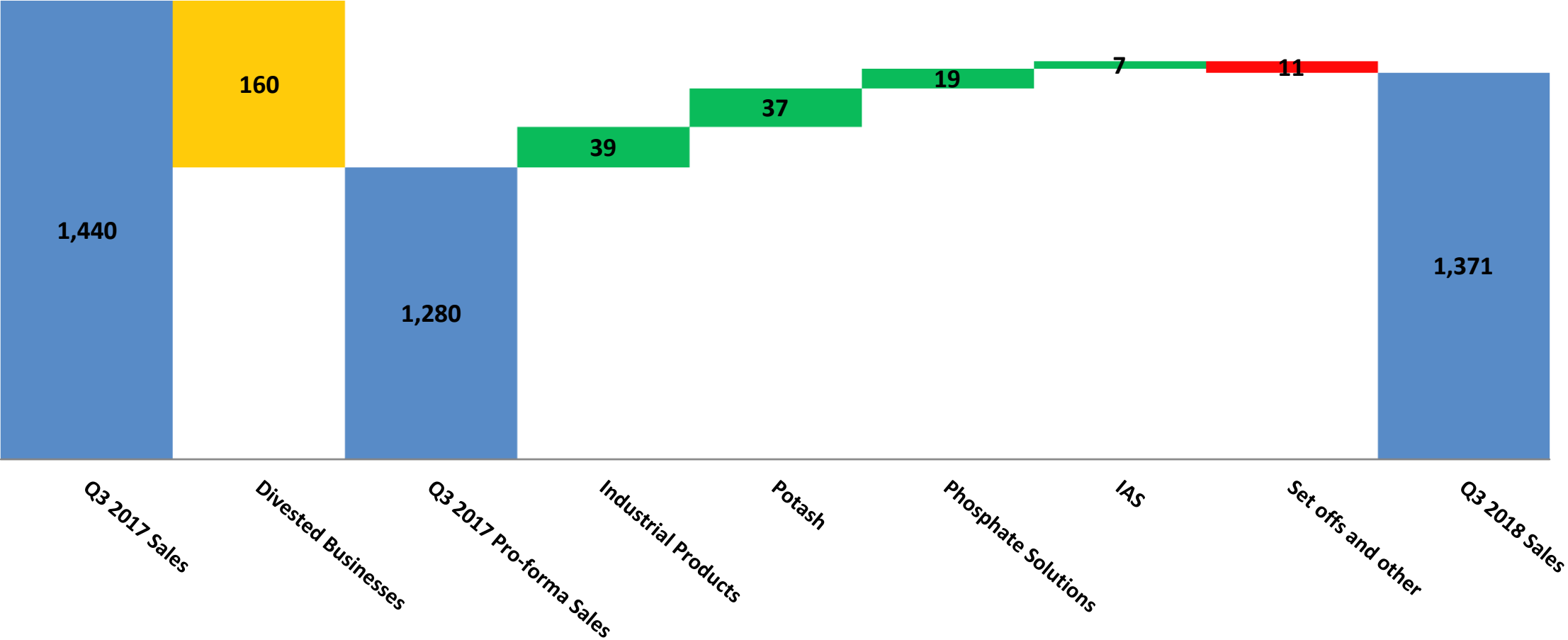
US\$ MILLION





Another Quarter of Positive Contribution to Sales from All Segments

\$ millions

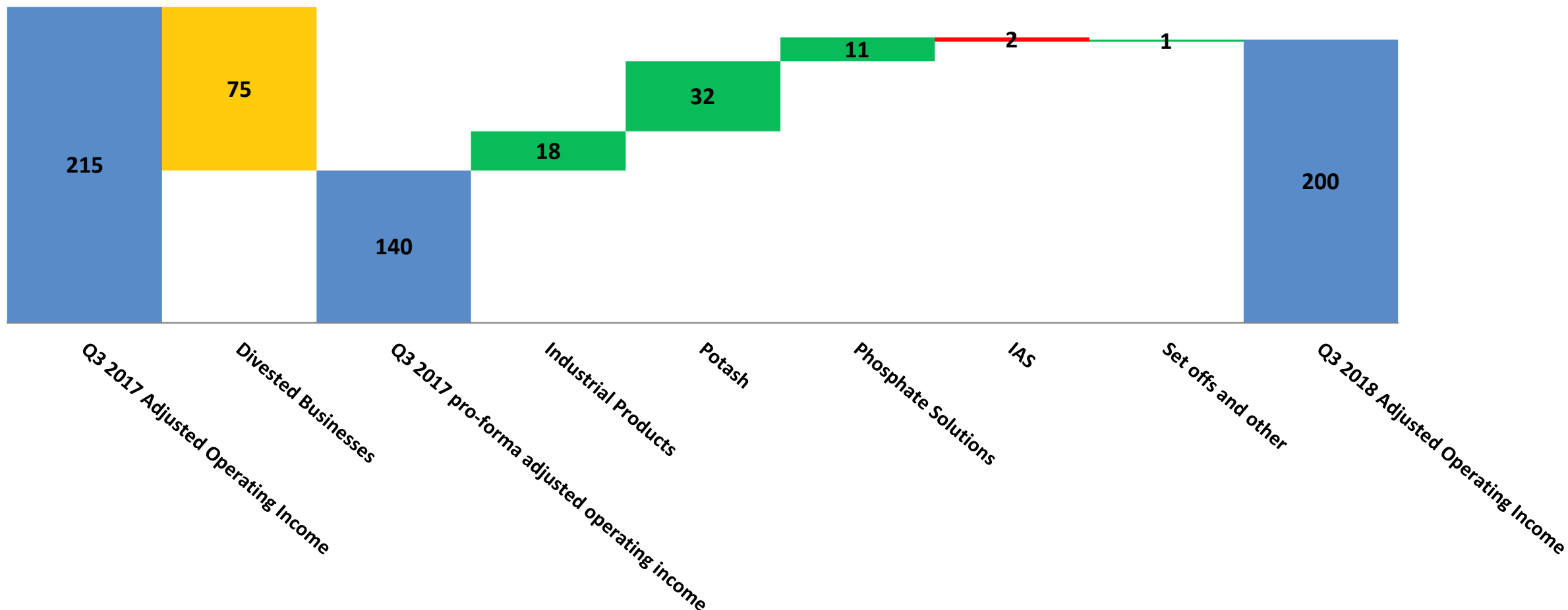


Numbers may not add due to rounding and set offs.



Solid Operating Income Performance Despite Divestments

\$ millions



See Q3 2018 6-K for a reconciliation of adjusted operating income to operating income. Numbers may not add due to rounding and set offs.

* Pro-forma excluding contribution of \$75 million of divested businesses



Cash flow Development

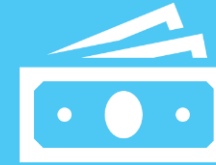
\$ millions	Q3 18	Q2 18	Q3 17
Net income	<u>134</u>	<u>113</u>	<u>115</u>
Depreciation, amortization	94	105	97
Other adjustments to net income	75	9	(18)
Change in Working capital	<u>(107)</u>	<u>(63)</u>	<u>(18)</u>
Net cash provided by operating activities	<u>196</u>	<u>164</u>	<u>176</u>
Capex	(145)	(121)	(98)
Free cash Flow	51	43	78



STRONG PERFORMANCE



***IMPROVING BUSINESS
ENVIRONMENT***



***CONTINUOUS
EXECUTION OF OUR
VALUE-FOCUSED
STRATEGY***



POSITIVE BUSINESS MOMENTUM

Q2 2018 continued strong performance, margin expansion and successful value-oriented initiatives in specialty businesses



IMPROVING MARKET CONDITIONS

Higher commodity prices, demand growth and tight supply



SHARE OVERHANG REMOVED

Nutrien successfully sold its ~14% stake to a group of Israeli and foreign institutional investors

QUESTIONS?



GROWTH STRATEGY

Enhance market leadership and capture growth throughout our businesses



DEBT OPTIMIZATION

Providing financial flexibility to execute strategy



ALIGNED ORGANIZATION

New long-term labor contracts, streamlining organization, smooth transition of new CEO



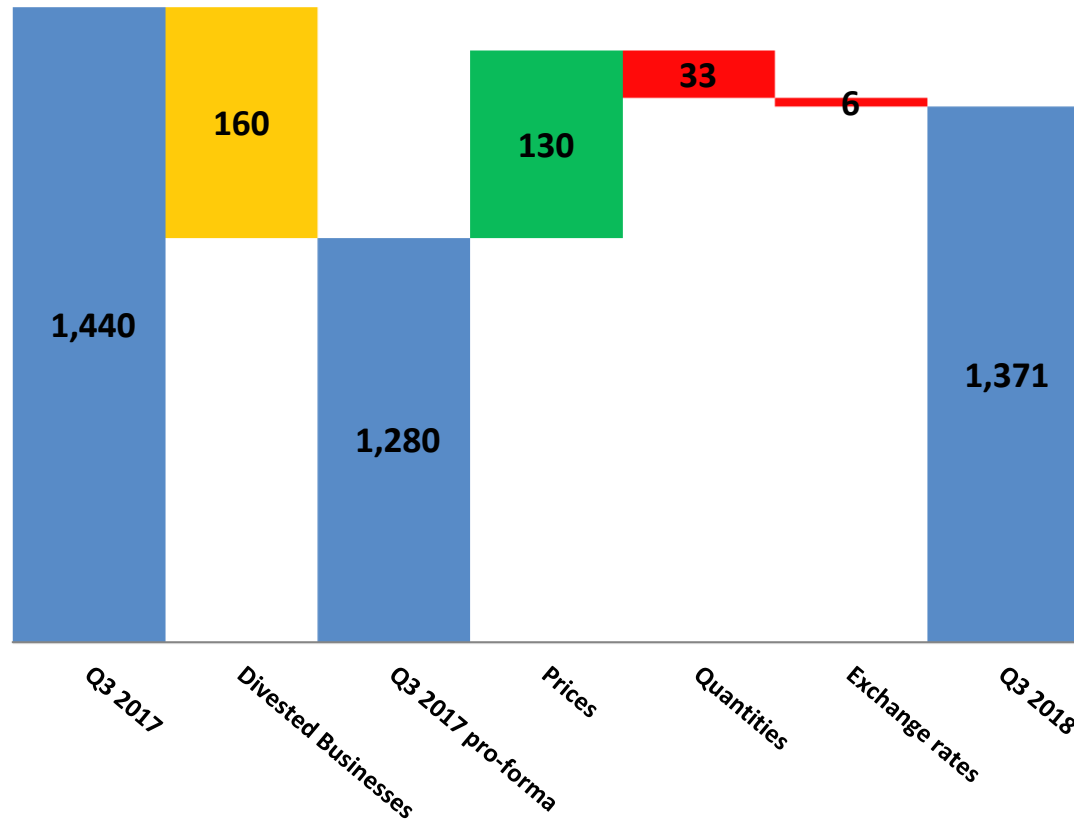
APPENDIX



Sales and Operating Income Analysis

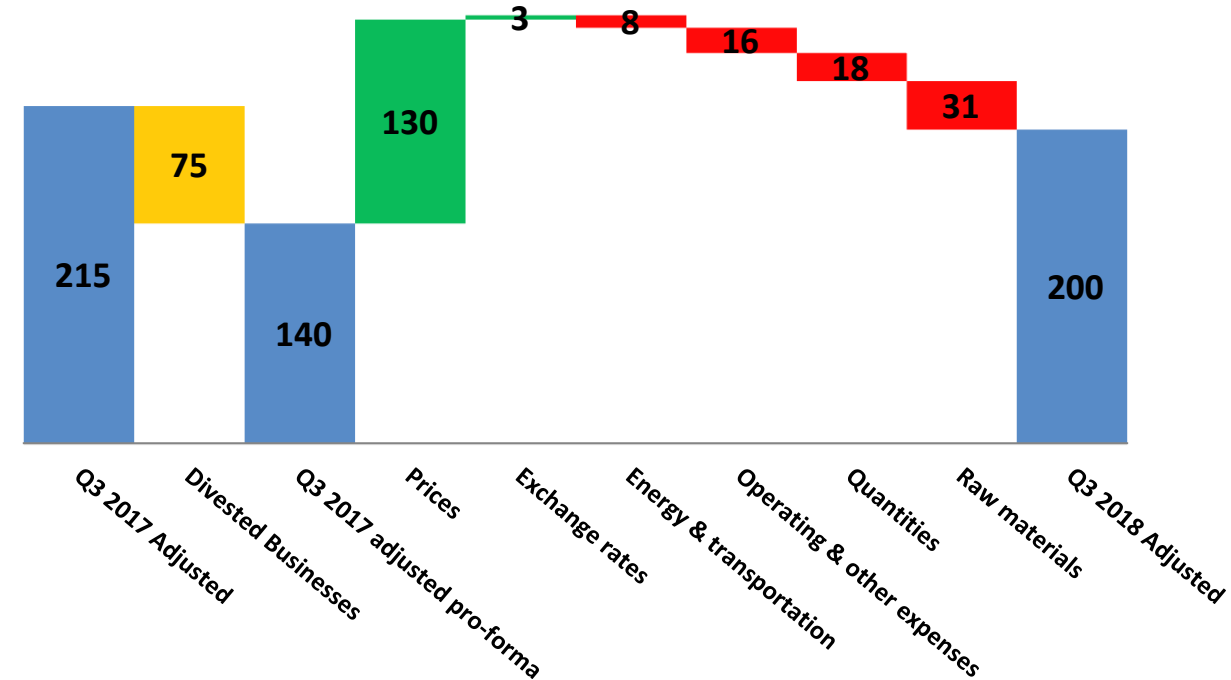
Q3 2018 SALES

\$ millions

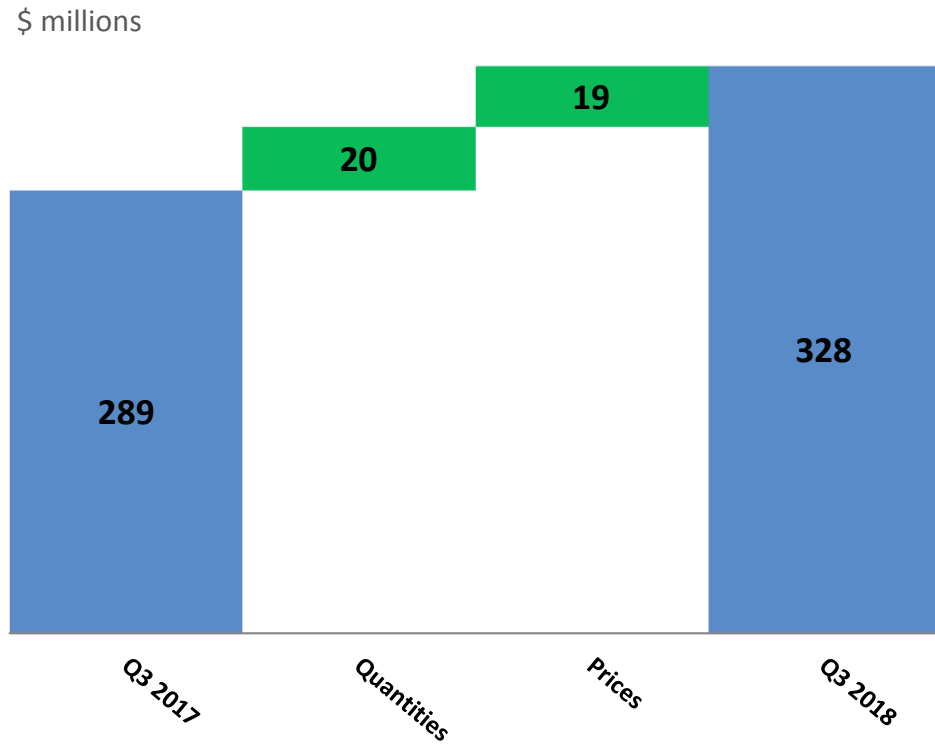


Q3 2018 ADJUSTED OPERATING INCOME

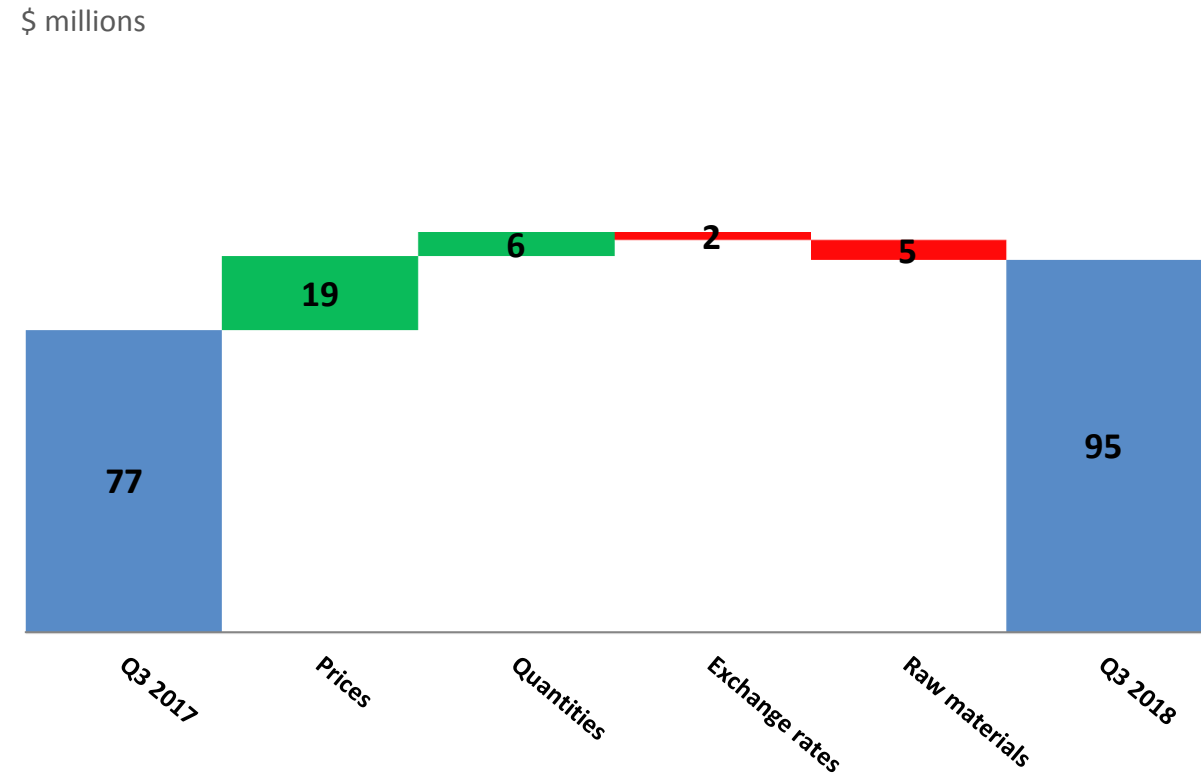
\$ millions



SEGMENT SALES



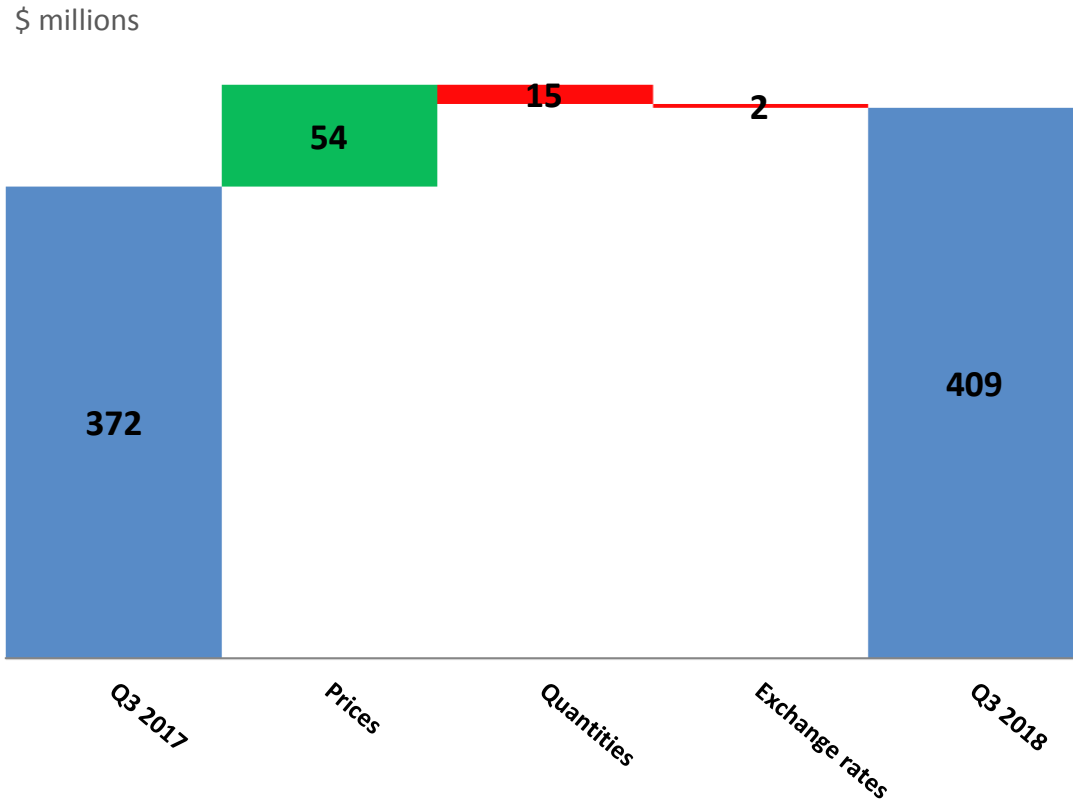
SEGMENT PROFIT



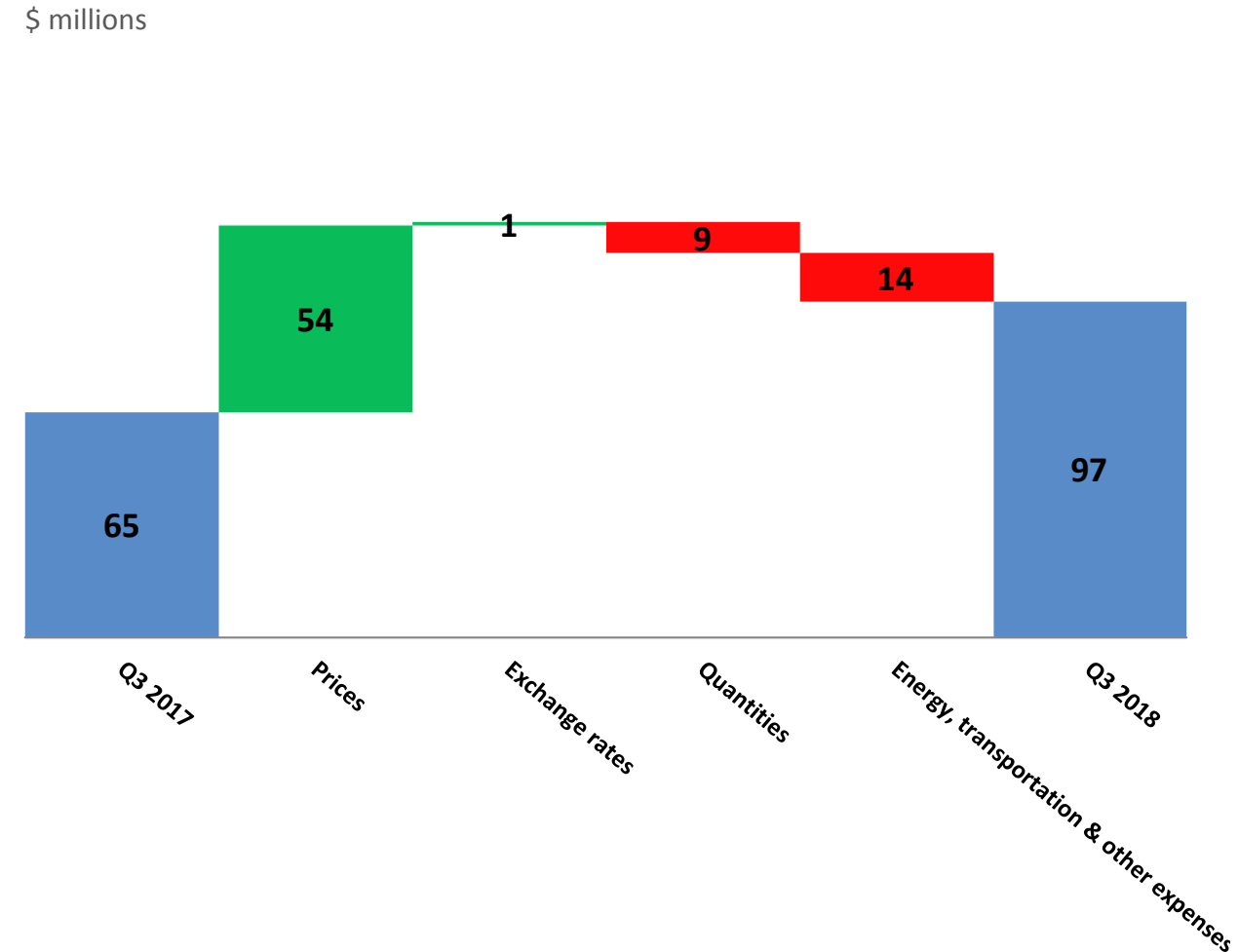


Potash Sales and Segment Profit Analysis

SEGMENT SALES



SEGMENT PROFIT

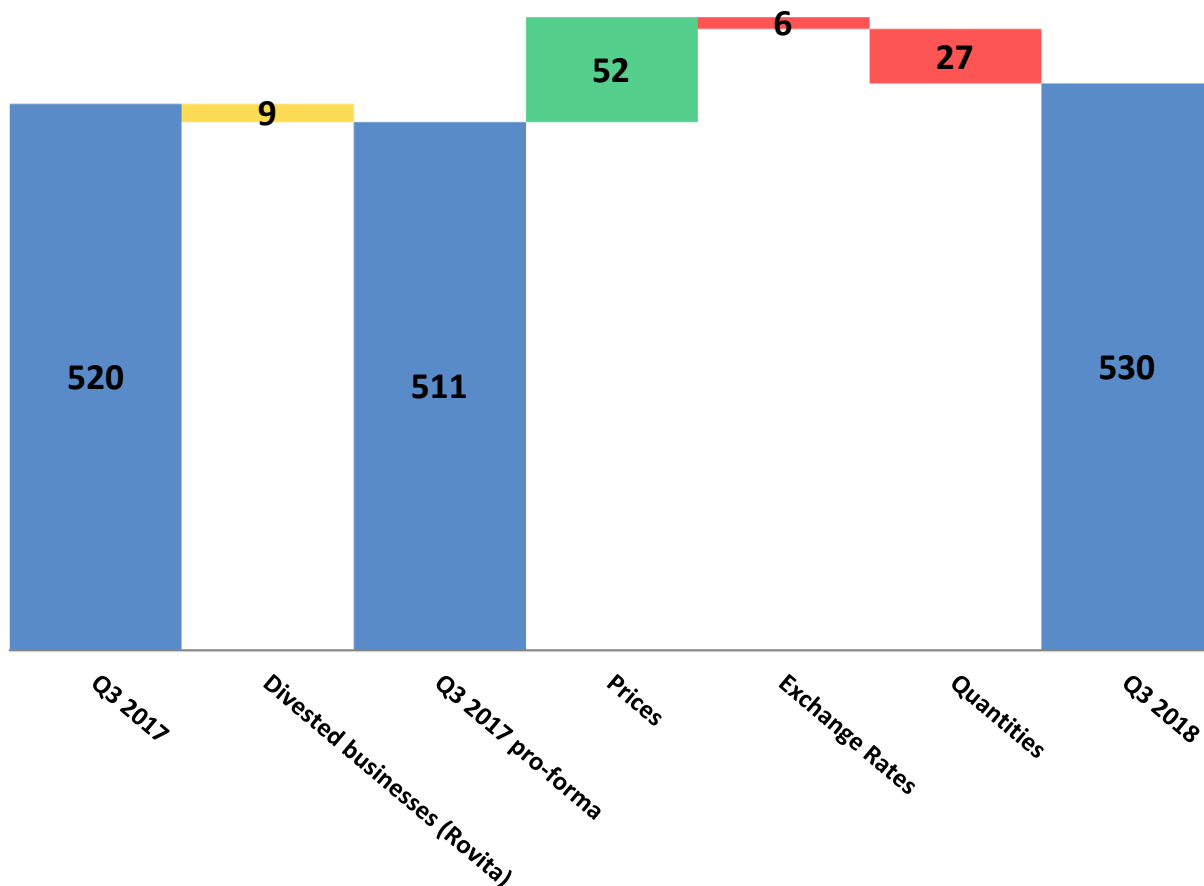




Phosphate Solutions Sales and Segment Profit Analysis

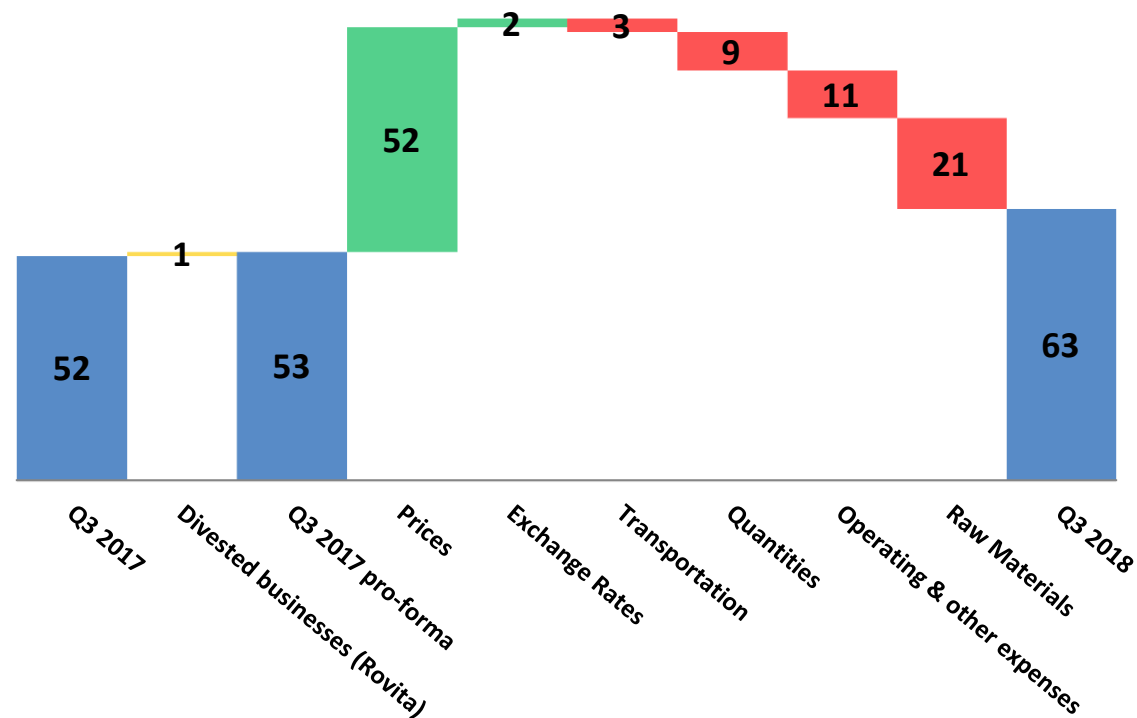
SEGMENT SALES

\$ millions



SEGMENT PROFIT

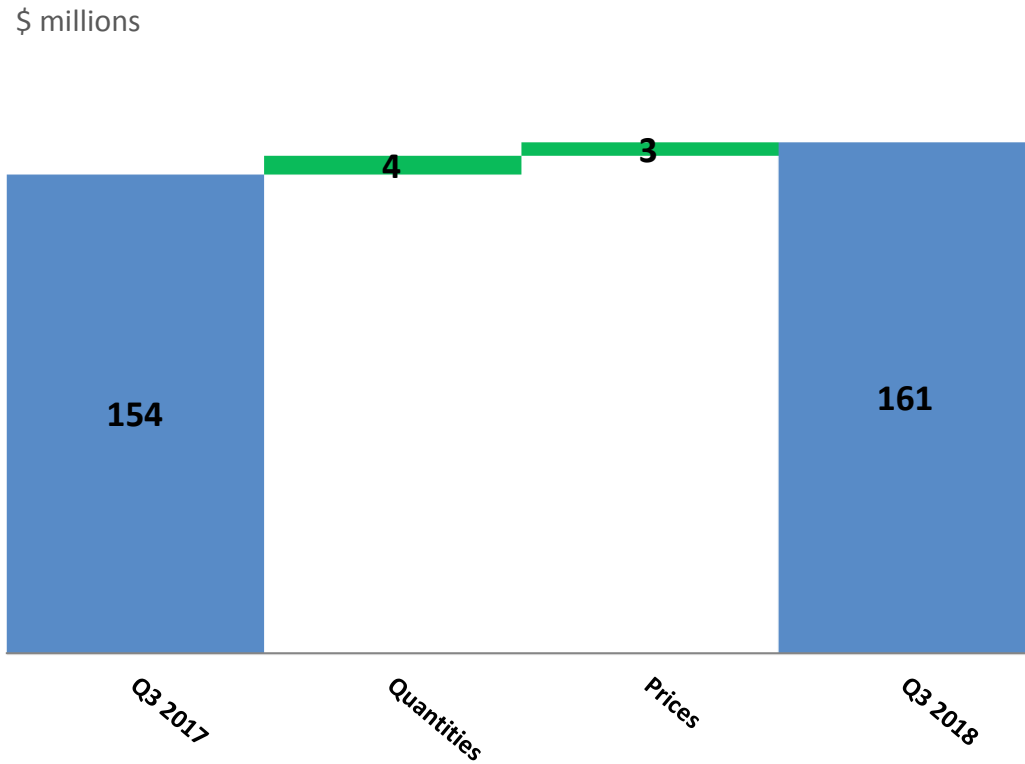
\$ millions



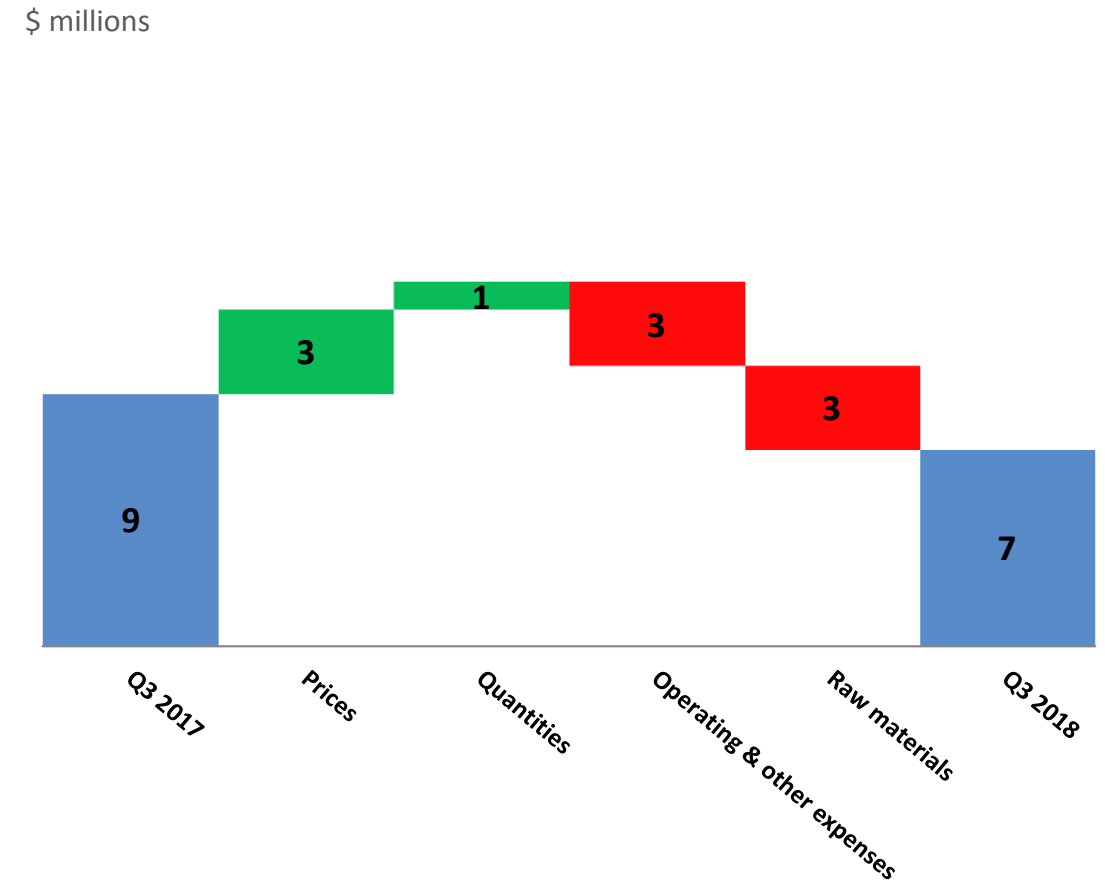


Innovative Ag Solutions Sales and Segment Profit Analysis

SEGMENT SALES



SEGMENT PROFIT



\$ millions	Q3 18	FY2017
Adjusted income before tax ⁽¹⁾	<u>179</u>	<u>528</u>
Normalized tax rate (including resource tax)	23%	25%
Normalized tax expenses	<u>42</u>	<u>136</u>
Carryforward losses not recorded for tax purposes	4	19
Sub-Total	<u>46</u>	<u>155</u>
Sub-Total - %	26%	29%
Other items (mainly exchange rate impact)	1	1
Adjusted income tax	<u>47</u>	<u>156</u>
<i>Actual Effective tax rate</i>	<u>26%</u>	<u>30%</u>

(1) See calculation in the appendix of this presentation



Reconciliation Tables

Calculation of Adjusted income before tax (\$ millions)	Q3 18	FY2017
Adjusted operating income	200	652
Finance expenses	(23)	(124)
Share in earnings (losses) of equity-accounted investees and adjustments to financial expenses	2	-
Adjusted income before tax	<u>179</u>	<u>528</u>
Calculation of Pro-forma Adjusted operating income (\$ millions)	Q3 18	Q3 17
Operating income	196	180
Adjustments ⁽¹⁾	4	35
Adjusted operating income	200	215
Divested businesses' profit	-	(75)
Pro-forma Adjusted operating income	<u>200</u>	<u>140</u>
Calculation of Pro-forma Adjusted net income (\$ millions)	Q3 18	Q3 17
Net income	129	84
Adjustments ⁽¹⁾	5	31
Divested businesses' operating income	-	(75)
Allocated tax and finance expenses for divested businesses	-	30
Pro-forma Adjusted net income	<u>134</u>	<u>70</u>

See Q3 2018 6-K for a reconciliation of adjusted operating income to operating income and adjusted net income to net income.

(1) See detailed reconciliation table in the Q3 2018 6-K



Non-GAAP Financial Measures

We disclose in this Quarterly Report non-IFRS financial measures titled adjusted operating income, adjusted net income attributable to the Company's shareholders, adjusted EBITDA and free cash flow. Our management uses adjusted operating income, adjusted net income attributable to the Company's shareholders and adjusted EBITDA to facilitate operating performance comparisons from period to period and present free cash flow to facilitate a review of our cash flows in periods. We calculate our adjusted operating income by adjusting our operating income to add certain items, as set forth in the reconciliation table "Adjustments to reported operating and net income" above. Certain of these items may recur. We calculate our adjusted net income attributable to the Company's shareholders by adjusting our net income attributable to the Company's shareholders to add certain items, as set forth in the reconciliation table "Adjustments to reported operating and net income" above, excluding the total tax impact of such adjustments and adjustments attributable to the non-controlling interests. We calculate our adjusted EBITDA by adding back to the net income attributable to the Company's shareholders the depreciation and amortization, financing expenses, net, taxes on income and the items presented in the reconciliation table "Adjusted EBITDA for the periods of activity" below which were adjusted for in calculating the adjusted operating income and adjusted net income attributable to the Company's shareholders. We calculate our free cash flow as our cash flows from operating activities net of our purchase of property, plant, equipment and intangible assets, and adding Proceeds from sale of property, plant and equipment and Dividends from equity-accounted investees during such period as presented in the reconciliation table under "Calculation of free cash flow".

You should not view adjusted operating income, adjusted net income attributable to the Company's shareholders or adjusted EBITDA as a substitute for operating income or net income attributable to the Company's shareholders determined in accordance with IFRS, or free cash flow as a substitute for cash flows from operating activities and cash flows used in investing activities, and you should note that our definitions of adjusted operating income, adjusted net income attributable to the Company's shareholders, adjusted EBITDA and free cash flow may differ from those used by other companies. However, we believe adjusted operating income, adjusted net income attributable to the Company's shareholders, adjusted EBITDA and free cash flow provide useful information to both management and investors by excluding certain expenses that management believes are not indicative of our ongoing operations. In particular for free cash flow, we adjust our Capex to include any Proceeds from sale of property, plant and equipment because we believe such amounts offset the impact of our purchase of property, plant, equipment and intangible assets. We further adjust free cash flow to add Dividends from equity-accounted investees because receipt of such dividends affects our residual cash flow. Free cash flow does not reflect adjustment for additional items that may impact our residual cash flow for discretionary expenditures, such as adjustments for charges relating to acquisitions, servicing debt obligations, changes in our deposit account balances that relate to our investing activities and other non-discretionary expenditures. Our management uses these non-IFRS measures to evaluate the Company's business strategies and management's performance. We believe that these non-IFRS measures provide useful information to investors because they improve the comparability of the financial results between periods and provide for greater transparency of key measures used to evaluate our performance.

We present a discussion in the period-to-period comparisons of the primary drivers of changes in the company's results of operations. This discussion is based in part on management's best estimates of the impact of the main trends in its businesses. We have based the following discussion on our financial statements. You should read the following discussion together with our financial statements.



THANK YOU

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