

## ADAMA Ltd. H1 2020 Performance Estimation

*The Company and all the directors confirm that the information disclosed herein is true, accurate, complete and contains no false recording, misleading statement or material omission.*

### I. Performance Estimation

1. Estimation period: January 1, 2020 – June 30, 2020
2. Estimated performance: lower compared with the corresponding period last year

Item	Current reporting period January to June 2020	Same period last year January to June 2019
Net income attributable to the shareholders of the listed company (RMB in millions)	164 – 214	589
	Percentage decrease YoY 63.7% – 72.2%	
Basic earnings per share (RMB)	0.0669 – 0.0873	0.2406

### II. Pre-audit of the estimated performance

The estimated results of this period are the preliminary estimation of the Company and have not been audited nor reviewed by certified accountants.

### III. Explanations for Performance Variation

The Company is expecting to deliver record second quarter sales, in both RMB and USD terms, driven by strong business growth, enabling first half sales to finish in line with those of the same period last year, crossing the RMB 14 billion mark for the first time and the \$2 billion mark for the third consecutive year.

The solid sales performance in the quarter was achieved in the midst of the ongoing COVID-19 pandemic, which continues to disrupt the global crop protection market, amongst many others. The pandemic has contributed to the significant weakening of many global currencies against the US dollar in recent months, most notably the Brazilian Real, Indian Rupee and Turkish Lira, as well as increased volatility in the Euro and Australian dollar. These currency movements have negatively impacted the Company's performance in the first half of the year, as reflected in a lower sales growth in both USD and RMB terms when compared to the growth in constant exchange rate (CER) terms, as well as reduced profitability.

## **Sales**

Sales in the second quarter are expected to increase by more than 12% in CER terms, driven by a strong, double-digit increase in volumes alongside higher prices. In RMB terms, sales are expected to grow by around 7%, and by a more moderate 3% in USD terms, reflecting the significant impact of the weaker currencies.

Growth in the second quarter was led by a strong performance in Latin America, driven by Brazil and Argentina, overcoming the material depreciation of regional currencies as well as robust growth in the India, Middle East & Africa region, which benefited from favorable weather. ADAMA continues to grow strongly in China, driven by sales of the Company's branded, formulated products, and supporting an almost complete recovery from the first quarter COVID-19 impact. ADAMA is expecting to deliver robust second-quarter growth also in Asia-Pacific, led by a strong performance in Australia, benefiting from favorable rainfall in the country.

Sales in Europe in the second quarter are expected to be in line with those of last year, with growth in North Europe being offset by a challenging season in South Europe, where a severe drought over much of the quarter caused a reduction in planted areas in some key crops. Sales in North America in the second quarter are expected to be lower than those in the same quarter last year, with challenging weather reducing purchasing from customers in key crops.

Over the first half of 2020, ADAMA generated sales growth of almost 7% in CER terms and is expecting to report growth of 4% in RMB terms, improving on the sales of the first quarter that were in line with those of the same period last year, to now exceed RMB 14 billion in sales for the half year period. This was achieved despite the various impacts of COVID-19, which continues to pose both numerous challenges to the way the Company is able to do its business, as well as materially impacting global currencies. In the half year, growth was led by Latin America, mainly driven by Argentina alongside a pleasing contribution from Peru following an acquisition there in 2019. The Company grew strongly over the half year also in the India, Africa and Middle East region, driven by continued robust growth in India and a return to supportive weather conditions in South Africa, and also saw significant growth in Australia, benefiting from favorable weather conditions.

## **Gross Profit**

In the second quarter, the Company is expecting to report somewhat lower gross profit compared to the same period last year, with the material depreciation of global currencies against the US dollar more than offsetting the strong business growth and moderate price increases. Similarly, over the half year period, the significant currency weakness against the US dollar in recent months is expected to outweigh the Company's resilient business growth, resulting in reduced gross profit compared to the same period last year.

## **Operating Profit and EBITDA**

In the second quarter, the Company is expecting to report a relatively moderate decline in Operating Profit and EBITDA, driven by the lower gross profit. The Company continues to

exercise tight control of its operating expenses, which also benefited to some extent from the weaker currencies. Similarly, in the first half of the year, the lower gross profit is expected to be only partially offset by a reduction in operating expenses, reflecting the impact of COVID-19 constraints as well as the related weakening of currencies, resulting in lower Operating Profit and EBITDA than those reported in the same period last year.

### **Net Income**

Net income in the second quarter is expected to be somewhat below that reported in the same quarter last year, driven by the lower operating income, partially offset by reduced financial expenses.

Similarly, over the first half of the year, Net Income is expected to be below that reported in the same period last year, again driven by the reduced operating income. While the Company is expecting to record lower financial expenses in the first half, this is expected to be outweighed by markedly higher tax expenses, largely due to the first-quarter impact of the weakening of the Brazilian Real against the US dollar, which resulted in non-cash tax expenses due to differences between the functional (US dollar) and tax (local) currencies regarding the value of non-monetary assets.

The Company's reported net income in the second quarter and first half will reflect around RMB 109 million and RMB 313 million, respectively, of net expenses in respect of certain one-time, mostly non-cash items, including mainly:

- i. Approximately RMB 67 million in the quarter, and RMB 133 million in the first half, in non-cash legacy amortization charges in respect of the 2011 PPA for the acquisition of Adama Agricultural Solutions Ltd. by ChemChina, which charges will conclude by the end of 2020;
- ii. Approximately RMB 53 million in the quarter and RMB 107 million in the first half in non-cash amortization charges in respect of Transfer assets received from Syngenta related to the 2017 ChemChina-Syngenta acquisition, which charges in 2020 are expected to be approximately RMB 215 million (down from RMB 242 million in 2019), while in the year 2021 they are expected to further reduce to RMB 164 million;
- iii. Approximately RMB 66 million in the first half in respect of a one-time provision, mostly made in the first quarter, for early retirement of certain employees at the Company's manufacturing facilities in Israel.

Excluding the impact of the abovementioned one-time, mostly non-cash items, results in the following:

- Adjusted net income in the first half is expected to be between RMB 477 – 527 million, compared to RMB 887 million in the same period last year;
- Adjusted basic earnings per share in the first half is expected to be between RMB 0.1950 – 0.2153, compared to RMB 0.3626 in the same period last year.

### **IV. Other Remarks**

The estimated results above are only preliminary calculations performed by the finance team of

the Company based on initial financial data available to the Company, and have not been audited or reviewed by the Company's independent auditors. These estimations may change, inter alia, as a result of the further processing and analysis of the financial data that the Company will perform for the preparation of its H1 2020 financial statements. Please refer to the H1 2020 Report to be duly disclosed by the Company on August 21, 2020 for specific and accurate financial information.

The ongoing spread of the COVID-19 pandemic is expected to continue to negatively impact the performance of the Company in the third quarter, and potentially beyond. The Company continues to actively manage its response to the outbreak in order to ensure the safety of its employees and limit the impact on the Company's performance. Actions being taken include extending and strengthening distribution channels, use of expedited transport options where possible, working collaboratively with supply chain partners, and raising prices wherever possible to accommodate the increased logistics costs.

The assessment regarding the second half of the year, and the assessment regarding the 2021 non-cash amortization charges in respect of Transfer assets received from Syngenta related to the 2017 ChemChina-Syngenta acquisition, both described above, are forward-looking statements that may not be realized, or may be realized in a different manner than the Company estimates, inter alia, due to factors that are not in the Company's control, amongst which are developments in the crop protection market, changes in demand for the Company's products, in currencies and other macroeconomic trends as well as decisions of regulatory authorities.

The forward-looking assessment does not constitute in any manner whatsoever a substantial commitment of the Company to investors. Investors are reminded to exercise caution when making investment decisions.

Media for Information Disclosure of the Company: China Securities Journal, Securities Times, Ta Kung Pao, and Cninfo ([www.cninfo.com.cn](http://www.cninfo.com.cn)).

By order of the Board  
**ADAMA Ltd.**  
July 15th, 2020