



## **ADAMA Provides Net Income Estimate for the First Half of 2020**

### ***Business growth in Q2 closes the sales gap from Covid-19 related challenges seen in Q1; widespread global currency weakness impacting USD sales and margins***

**TEL AVIV, ISRAEL and BEIJING, CHINA, July 14, 2020** – ADAMA Ltd. (the “Company”) (SZSE 000553) today provided an estimate regarding its financial performance for the first half of 2020.

The Company is expecting to deliver record second quarter sales, in both USD and RMB terms, driven by strong business growth, enabling first half sales to finish in line with those of the same period last year, crossing 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 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 USD terms, sales are expected to grow by a more moderate 3%, and by 7% in RMB 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, but is expecting to report sales in USD terms to be in line with those of the same period last year (+4% in RMB terms), overcoming the shortfall from the first quarter to once again exceed \$2 billion in sales. 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 lower gross profit compared to the same period last year, with the material depreciation of global currencies more than offsetting the strong business growth



and moderate price increases. Similarly, over the half year period, the significant currency weakness 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 \$15 million and \$45 million, respectively, of net expenses in respect of certain one-time, mostly non-cash items, including mainly:

- i. Approximately \$9.5 million in the quarter, and \$19 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 \$7.5 million in the quarter, and \$15 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 \$31 million (down from \$35 million in 2019), while in the year 2021 they are expected to further reduce to \$23 million;
- iii. Approximately \$9 million in the first half in respect of a one-time provision, made mainly in the first quarter, for early retirement of certain employees at the Company's manufacturing facilities in Israel.

Reported	Estimated H1 2020	H1 2019
Net income attributable to shareholders (USD millions)	23 – 30	87
Earnings per share (USD)	0.0094 – 0.0123	0.0355
Net income attributable to shareholders (RMB millions)	164 – 214	589
Earnings per share (RMB)	0.0669 – 0.0873	0.2406

Excluding the impact of the abovementioned one-time, mostly non-cash items, the Company is expecting to deliver the following adjusted net income:

Adjusted	Estimated H1 2020	H1 2019
Net income attributable to shareholders (USD millions)	68 – 75	131
Earnings per share (USD)	0.0277 – 0.0306	0.0535



Net income attributable to shareholders (RMB millions)	477 – 527	887
Earnings per share (RMB)	0.1950 – 0.2153	0.3626

These estimations are preliminary and have not been audited or reviewed by the Company's 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 quarterly financial statements, which are expected to be released in the coming weeks.

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.

Investors are reminded to exercise caution when making investment decisions.

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#### **About ADAMA**

ADAMA Ltd. is a global leader in crop protection, providing solutions to farmers across the world to combat weeds, insects and disease. ADAMA has one of the widest and most diverse portfolios of active ingredients in the world, state-of-the art R&D, manufacturing and formulation facilities, together with a culture that empowers our people in markets around the world to listen to farmers and ideate from the field. This uniquely positions ADAMA to offer a vast array of distinctive mixtures, formulations and high-quality differentiated products, delivering solutions that meet local farmer and customer needs in over 100 countries globally. For more information, visit us at [www.ADAMA.com](http://www.ADAMA.com) and follow us on Twitter® at @ADAMAagri.

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