



## **Adama Establishes Major Foothold in China, Acquires \$850m ChemChina Businesses**

*Unique China-Global \$4bn Agchem Provider Created*

*Adama to Enter into Comprehensive Commercial Agreement with Sanonda*

*Breaks Ground on Global Formulation Center in Jiangsu*

**Tel Aviv, Israel and Beijing, China, October 1, 2014** – ADAMA Agricultural Solutions Ltd. (formerly Makhteshim Agan Industries) and China National Agrochemical Corporation (CNAC), a strategic business unit of China National Chemical Corporation (ChemChina) and Adama's parent company, today announced the signing of a definitive agreement for Adama to acquire control of businesses in China (the Chinese businesses) with 2013 total sales of approximately \$850m. Once finalized, the acquisition is expected to raise the company's revenues close to \$4bn and give the company a major foothold in the Chinese market, which is expected, over time, to become one of the Company's key growth engines. Adama expects to close the transaction during the first half of 2015.

“This transaction marks the realization of the vision set forth in our acquisition of a majority stake in Adama in 2011. We believe there is remarkable potential emanating from the combination between Adama and the Chinese businesses it is acquiring,” said Yang Xingqiang, Chairman of Adama. “These businesses are key players in the Chinese agrochemical industry, and we believe they will provide Adama with a significant foundation for a leading commercial and operational platform in China. When combined with Adama's industry leading capabilities across the entire value chain, from its global commercial footprint, to R&D and manufacturing, this combination holds great promise, over time, to improve and simplify the lives of farmers in China and worldwide.”

“This is the most significant milestone in the evolution of Adama's six-decade history, and in our partnership with ChemChina,” said Chen Lichtenstein, President and CEO of Adama. “The signing of the agreement with CNAC is a first step towards the creation of the only truly integrated China-Global player in the crop protection industry. Due to China's unique role in our industry, as both one of the largest and fastest growing global markets, and its substantial

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world-wide leadership in off-patent product development, launch and manufacturing, we view our strategic combination as facilitating our transformation into the most competitive, differentiated, and largest off-patent crop protection provider. Furthermore, we believe that we will be uniquely positioned to become a leading player in the still fragmented domestic Chinese crop protection market.”

Through the acquisition, Adama will acquire 100% of each of Jiangsu Anpon, Jiangsu Madao, Jiangsu Huaihe (collectively called the Huai'an Hub) and Jingzhou Sanonda Holdings (Sanonda Holdings), for a cash consideration of approximately \$323m, together with assumed net debt of approximately \$300m. The Huai'an Hub is based in the vicinity of Huai'an City in Jiangsu Province, the heart of the agrochemical industry in China. Sanonda Holdings owns a 20% stake in Hubei Sanonda Ltd. (Sanonda) a company publicly traded on the Shenzhen Stock Exchange, and its acquisition by Adama will increase Adama's existing stake in Sanonda from 11% to 31%, with Adama thereby becoming the single largest shareholder in the company.

The transaction is expected to close during the first half of 2015, following Adama's intended US IPO, and is subject to certain customary closing conditions, including receipt of all required regulatory approvals.

### **Expected Benefits of the Acquisition**

Adama anticipates that it will be uniquely positioned to take advantage of the following opportunities:

- *China Market Access – Establishing a Robust Foundation for a Leading Commercial Platform in the Chinese Market:* Adama intends to use its global registration, marketing and distribution know-how and expertise to gradually build-up the development, registration and distribution capabilities of the Chinese businesses it is acquiring into a leading Chinese domestic commercial platform.
- *Enhance Global Product Offering*
  - As a result of the acquisition, Adama's ability to develop and launch advanced off-patent products will be enhanced via a new global R&D hub currently being established, with

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nearby modern synthesis facilities and a global formulation center, all of which will operate under Adama's strict quality assurance.

- The acquisition is expected to provide Adama with unique access to, and a competitive, backward-integrated cost position in, certain key agrochemical molecules that the company currently purchases from third parties. This will assist Adama, after obtaining the required registrations over the next few years, to increase both the sales and profitability of those products on a global basis. Adama also intends to use its global distribution channels to expand sales of various products that the Chinese businesses currently export through third parties.
- *Operational Optimization:* Given the industry and Adama's growing proportion of products that are either produced or procured in China, creating a global production, formulation, packaging and logistics center in China is expected to provide the most appropriate location for optimizing operations and shortening supply lines, thereby increasing flexibility and reducing inventory and working capital, shipping, and other logistics costs.

## **Sanonda Framework Agreement**

Within the context of the transaction, Adama and Sanonda will enter into a framework agreement to commence a comprehensive, strategic collaboration. This will include the two companies viewing each other as leading partners for Adama distributing Sanonda products worldwide, and working together to enhance their offering in the China domestic market. The agreement also establishes the foundation for the two companies sharing know-how and promoting product innovation.

## **Adama Breaks Ground on Global Formulation Center in Jiangsu**

Adama has broken ground on a new formulation center in Huai'an City, Jiangsu Province to support the build-up of its commercial and operating infrastructure in China, as well as globally. The new center will serve as a manufacturing facility for advanced and unique formulations and mixtures. The center will increase the company's global formulation capacity and is planned to commence operations as early as 2016, benefitting from the company's adjacent Huai'an Hub that will be providing central services and skilled employees.

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## **China Crop Protection Market Fragmented, Vital to Food Security**

China has 20% of the world's population, but only 7% of the world's arable land and 6.6% of global freshwater resources, placing a tremendous strain on its agricultural resources, and increasing demand for the yield-enhancing benefits that crop protection products provide to farmers. The Chinese government has made food security to feed its growing population a major focus of its 12<sup>th</sup> and most recent five-year plan, and crop protection is considered to be a vital part of achieving its goals.

The crop protection market in China is highly fragmented with relatively limited penetration by the leading global providers, resulting in even the market leaders having relatively low market share compared to other markets worldwide.

## **China Critical Provider of Crop Protection Products, Yet to Be Integrated with Global Market**

Over recent decades, China has become the leading product launch and manufacturing location for the global crop protection industry, from sourcing of raw materials and chemical intermediates to synthesizing active ingredients and formulation of finished products. According to CCM Ltd., China is now the world's largest agrochemical producer, manufacturing more than 350 different active ingredients.

According to the National Bureau of Statistics of China, China produced a total of 3.2 million tons of pesticides in 2013. Of this, approximately 50% is exported, making China the world's largest exporter of crop protection products. Jiangsu in particular – the province in which the Huai'an Hub is located – has emerged as the leading manufacturing area in China for the global agrochemical industry, and is home to 31 of the top 100 Chinese agrochemical manufacturers.

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### **About ADAMA Agricultural Solutions**

ADAMA Agricultural Solutions Ltd., is the leading off-patent crop protection solutions company in the world. The Company's comprehensive range of high-quality, differentiated and effective herbicides, insecticides and fungicides, help farmers worldwide to increase yields by preventing or controlling weeds, insects and disease that harm their crops. With one of the world's most extensive and diversified off-patent product portfolios, ADAMA sells its products in more than 120 countries, with revenues of over \$3 billion in 2013. ADAMA's purpose is "Creating Simplicity in Agriculture" – striving to provide farmers accessible, easy-to-use solutions that simplify their lives and improve their crop yields. For more information, visit us at [www.adama.com](http://www.adama.com).

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