



ADAMA CONTINUES ITS STRONG MOMENTUM WITH VOLUME-DRIVEN GROWTH, INCREASES IN PROFIT, PROFITABILITY AND CASH FLOW

- **Sales growth in the half-year of 3.5% at constant exchange rates**
 - Second quarter sales stable in constant currencies
 - Reported USD sales of \$1,661 million in the half-year, lower by 3.3%, and \$808 million in the quarter, lower by 5.1%, due to dollar strength and lower contribution from currency hedging
- **Robust volume growth of 4.5% in the half-year and 2.2% in the quarter driven by continuing portfolio differentiation and increased market penetration**
- **Strong growth in profit and profitability**
 - Q2 gross margin up by 1.4 percentage points to 33.5%; H1 gross margin up by a full percentage point to 34.1%
 - Q2 EBITDA up 2.4% to \$143 million, an increase of 1.2 percentage points in margin; H1 EBITDA up 2.8% to \$315 million, an increase of 1.1 percentage points in margin
 - Q2 net income up 5.6% to \$57 million, an increase of 0.8 percentage points in margin; H1 net income up 6.2% to \$158 million, an increase of 0.9 percentage points in margin
- **Markedly reduced manufacturing, procurement and other operating costs**
- **Significant reduction in inventory levels and continued collections focus drive strong cash flow generation**
 - Inventory levels down \$127m year-on-year
 - H1 free cash flow of \$114m, improvement of \$123m over H1 2015
- **Results continue to demonstrate Adama's sector-leading performance, in face of tough market conditions**

TEL AVIV, ISRAEL, August 16, 2016 – ADAMA Agricultural Solutions Ltd. today reported its financial results for the second quarter and the first half of the year ended June 30, 2016.

<i>Adjusted, US\$m</i>	H1 2016	H1 2015	% Change CER	% Change USD	Q2 2016	Q2 2015	% Change CER	% Change USD
Revenues	1,661	1,718	+3.5%	-3.3%	808	851	+0.1%	-5.1%
Gross profit	567	568		-0.2%	271	273		-0.9%
<i>Gross margin</i>	34.1%	33.1%			33.5%	32.1%		
Operating income (EBIT)	228	223		+2.3%	99	97		+1.9%
<i>EBIT margin</i>	13.7%	13.0%			12.2%	11.4%		
Net income	158	149		+6.2%	57	54		+5.6%
<i>Net income margin</i>	9.5%	8.6%			7.1%	6.3%		
EBITDA	315	306		+2.8%	143	139		+2.4%
<i>EBITDA margin</i>	18.9%	17.8%			17.6%	16.4%		

The Income Statement for Q2 2016 does not include adjustments. The Income Statement items for the half-year include an adjustment in the first quarter of 2016 for the redeployment of options granted to employees in 2014. The Income Statement items for the corresponding periods last year include adjustments for revaluation of options on debentures issued by the Company in Q1 2015, a capital gain from the sale of intellectual property, a provision due to a tax-related event from 1985, and expenses due to the early retirement of employees under an agreement from 2010.



Commenting on the results, **Yang Xingqiang, Chairman of Adama's Board of Directors**, said, "We are gratified to see Adama continue its strong momentum, as it weathers the market challenges, grows its business and increases its profitability and cash generation. The Company's proven ability to navigate confidently through the market storm is a reflection of the resilience of Adama's strategy and business model, as it intensifies its build-up and integration in China, becoming the first China-global crop protection player."

Chen Lichtenstein, President and CEO of Adama, added, "The Company's focus on execution of the key elements of its strategy continues to bear fruit despite the challenges in the agricultural markets and currency headwinds, as we are able to markedly improve our business and access to farmers and customers. Our continued investment in the enhancement of our product offering is driving the launch of many new and differentiated products in markets around the world, which positions the Company well to capture significant growth opportunities going forward."

Financial Highlights

Sales: Sales increased by 3.5% in the half-year and remained stable in the quarter, at constant exchange rates, compared with the corresponding periods last year. This was driven by volume growth in most geographies, with overall volume growth of 4.5% in the half-year and 2.2% in the quarter, despite the continuing challenging market conditions. Volume growth in the quarter was partly offset by the passing on of part of the significant reduction in products' cost of sales into lower selling prices in some markets.

The depreciation of local currencies in most key geographies, together with the lower contribution of currency hedging transactions as compared with the corresponding periods last year, resulted in sales as reported in US dollar terms being lower by 3.3% and 5.1% in the half-year and in the quarter, respectively, compared to the corresponding periods last year.

Gross profit: Despite the tough market conditions and the small decline in reported sales, the Company significantly increased its gross margin, which was up by 1.4 percentage points at 33.5% in the quarter and by a full percentage point at 34.1% in the half-year, compared with the corresponding periods last year. This increase in profitability stemmed from volume growth, improved product mix achieved through the continued differentiation and focus of the Company's product portfolio, and from a significant reduction of production and procurement costs. These were somewhat offset by the passing on of part of the reduction in costs into lower selling prices in some markets, as well as significant negative currency headwinds and the lower contribution of currency hedging.

Operating income: Operating income in the quarter increased by 1.9% to reach \$99 million, an increase of 0.8 percentage points in margin to 12.2%, while operating income in the half-year increased by 2.3% to reach \$228 million, with an increase of 0.7 percentage points in margin to 13.7%, reflecting continuous reduction of operating expenses as well as a positive effect of currencies.

EBITDA: EBITDA in the quarter rose by 2.4% to \$143 million, with an increase of 1.2 percentage points in margin to 17.6%. EBITDA in the half-year rose by 2.8% to \$315 million, with an increase of 1.1 percentage points in margin to 18.9%.

Net income: Net income in the quarter grew by 5.6% to \$57 million, with an increase of 0.8 percentage points in margin to 7.1%. Net income in the half-year grew by 6.2% to reach \$158 million, with an increase of 0.9 percentage points in margin to 9.5%.

Cash Flow: Adama delivered significant increases in operating and free cash flow, both in the quarter and in the first half of the year.



Operating cash flow improved significantly to \$184 million in the quarter and \$192 million in the half-year, compared with \$93 million and \$88 million, as adjusted, in the parallel periods last year. This stemmed from a reduction in inventories of \$46 million in the quarter and of \$85 million in the half-year, as well as improved collections, partially offset by a decrease in payables.

Free cash flow also improved significantly to \$138 million in the quarter and to \$114 million in the half-year, compared to \$56 million and -\$10 million, as adjusted, in the parallel periods last year.

Build-up and integration in China

Adama continues to progress towards the realization of its strategic goals in China, with the rollout of its commercial network and the establishment of its operational activities in the country well underway. In addition, the contemplated combination of Adama with Sanonda is progressing, with the publication recently by the Chinese Securities Regulatory Commission of a new draft regulatory framework that facilitates combinations of global entities with domestic publicly traded companies. The combination with Sanonda is expected to be completed in the first half of 2017.

Regional Highlights

Regional Sales Performance								
	H1 2016 \$m	H1 2015 \$m	% Change CER	% Change USD	Q2 2016 \$m	Q2 2015 \$m	% Change CER	% Change USD
Europe	704	779	-2.2%	-9.6%	279	322	-7.0%	-13.4%
North America	340	317	+8.0%	+7.2%	186	178	+5.0%	+4.3%
Latin America	272	289	+7.3%	-5.7%	159	165	+4.7%	-3.7%
India, Middle East & Africa	176	175	+6.5%	+0.4%	99	106	-1.8%	-6.2%
Asia Pacific	169	158	+12.6%	+6.6%	85	80	+10.8%	+5.8%
Total	1,661	1,718	+3.5%	-3.3%	808	851	+0.1%	-5.1%

Europe: Sales in Europe in constant currencies declined by 2.2% over the half-year and by 7.0% in the quarter, compared to the corresponding periods last year. This decrease stemmed primarily from reduced sales volumes, mainly in the quarter, as a result of the extended cold and rainy weather, as well as from a certain decrease in selling prices in several countries in the region, partly passing on to customers some of the benefit of the products' significantly reduced cost.

In US dollar terms, as a result of the lower contribution of currency hedging and the weaker exchange rates, sales in Europe decreased by 13.4% and 9.6% in the quarter and in the half-year respectively, compared to the corresponding periods last year.

Adama nevertheless continued to drive the evolution of its portfolio through the introduction of new, differentiated products, such as GOLTIX TITAN®, a sugar beet herbicide launched in Poland; BREVIS™, an innovative, proprietary product that promotes growth of bigger and more uniform fruit, now launched in Spain; and ORDAGO®, a selective pre-emergent herbicide for multiple crops, also launched in Spain.

North America: Sales in North America increased by 5.0% in the quarter and by 8.0% in the half-year, at constant exchange rates, compared to the corresponding periods last year. This significant increase stemmed from strong volume growth, both in crop protection products as well as in the Consumer and Professional Solutions (non-crop) segment, largely due to the Company's demand-



creation activities, and despite the challenging market conditions and the general slowdown in demand for crop protection products.

In US dollar terms, sales in North America increased by 4.3% in the quarter and by 7.2% in the half-year, compared to the corresponding periods last year.

The Company's focus on marketing and increased customer proximity have led to good performances in a number of crops, most notably in its cotton-related offering. However, although the long drought in California broke during the quarter, lower insect pressure in the region led to a drop in demand for insecticides.

Adama continues to advance its collaboration with its affiliates in the ChemChina group, and significantly increased its sales of products sourced from them, with a strong performance in the US particularly of PARAZONE® and ETHEPHON.

Adama continued its positive momentum in Canada, with strong demand for fungicides and insecticides in Western Canada. The Company significantly increased its investment in field research and development, supporting the evolution of its portfolio in the country towards differentiated products that provide increased value to farmers.

Latin America: Sales in Latin America increased by 4.7% in the quarter and by 7.3% in the half-year, at constant exchange rates, compared to the corresponding periods last year. This growth stemmed from both increased prices as well as volume growth in the quarter, and was achieved despite extreme weather conditions in Brazil, high inventory levels in the distribution channels remaining from 2015, and the continuing challenging economic conditions in the main countries in the region, including a shortage of credit available to farmers and customers.

In US dollar terms, sales in Latin America were lower by 3.7% in the quarter and by 5.7% in the half-year, respectively, compared to the corresponding periods last year, reflecting the impact of the significant depreciation of local currencies.

Adama's Brazilian business delivered strong results, driven by a more differentiated product offering, as well as a consistent focus on increasing customer proximity, and supported by positive movements of the exchange rate during the quarter. Credit conditions in Brazil and in additional countries in the region have slowed the pace of collections, and the Company is continuing with its policy of aligning sales with customers' demonstrated ability to meet their credit terms on an ongoing basis.

In particular, the Andean operations delivered a strong performance in the quarter, with the Company advancing a unique go-to-market approach and various digital initiatives aimed at increasing customer proximity.

The Company's proprietary nematicide, NIMITZ®, is performing well in Mexico, where it was launched last year.

India, Middle East & Africa: Sales in the region increased by 6.5% in the half-year, at constant exchange rates, despite a slight decrease of 1.8% in the quarter, compared to the corresponding periods last year. This growth stemmed from volume growth and was achieved despite the continuing drought and the late start of the Monsoon season in India.

In US dollar terms, reflecting the impact of the depreciation of certain currencies such as the South African Rand and the Indian Rupee, sales in the region increased by 0.4% in the half-year, despite being lower by 6.2% in the quarter, compared to the corresponding periods last year.

In India, Adama continued to focus on improving its offering, and launched three new differentiated herbicides: SHAKED®, a broad-spectrum herbicide for soybean and pulses, DEKEL™, a broad-spectrum herbicide for onion and garlic, and TAMAR®, a selective herbicide for sugarcane. In addition, the Company obtained new registrations for ACEPHATE, to be sourced from a CNAC



affiliate, with the product expected to be introduced to the Indian market in the second half of the year.

Adama's business in Turkey, launched last year, continues to perform well and exceed expectations, driven by a strong focus on increasing proximity to the farmers, as well as the entry into the sugar beet market, with the launch of two differentiated products: GOLTIX® PLUS and BELVEDERE FORTE®, broad-spectrum herbicides for post-emergent broadleaf weed control.

Asia-Pacific: Sales in Asia-Pacific increased by 10.8% in the quarter and by 12.6% in the half-year, at constant exchange rates, compared to the corresponding periods last year, driven by significant volume growth, especially in the countries of the Pacific and in North East Asia. This volume growth was achieved through a continued focus on deepening access and connection to customers, supported by improved product portfolio and focus on key customers and crops. This increase was somewhat offset by a decrease in sales in other countries in Asia, which stemmed from the continued severe drought in Thailand, Vietnam and other countries, as well as high inventories in the distribution channels.

In US dollar terms, despite the depreciation of local currencies, especially the Australian dollar, sales in the region increased by 5.8% in the quarter and by 6.6% in the half-year, respectively, especially in countries of the Pacific and in North East Asia, compared to the corresponding periods last year.

During the quarter, Adama obtained registrations for three new differentiated products in the region: in Australia - VERITAS™, a unique, broad-spectrum cereal fungicide, and VORTEX®, a unique mixture for broadleaf weed control in cereals, and in New Zealand - ARROW® 360EC, a selective post-emergent herbicide for grass weed control in broadleaf crops and forestry.

Adama continues to drive the rollout of its commercial platform in China and to recruit experienced sales teams in selected key provinces, while achieving significantly improved results compared to last year.

Further Information

All financial and legal filings, together with a presentation of the key financial highlights of the period, can be accessed through the Company's website at www.adama.com.

##

About Adama:

ADAMA Agricultural Solutions Ltd. is one of the world's leading crop protection companies. We strive to Create Simplicity in Agriculture – offering farmers effective products and services that simplify their lives and help them grow. With one of the most comprehensive and diversified portfolios of differentiated, quality products, Adama's 4,900 people reach farmers in over 100 countries across the globe, providing them with solutions to control weeds, insects and disease, and improve their yields. For more information, visit us at www.adama.com and follow us on Twitter® at [@AdamaAgri](https://twitter.com/AdamaAgri).

Contact

Nina Zoukelman
Corporate PR Manager
Email: pr@adama.com