



SIGNIFICANT IMPROVEMENT IN BOTH PROFIT AND PROFITABILITY IN THE FOURTH QUARTER CAPPING A STRONG YEAR FOR ADAMA

Strong quarter sees Adama deliver market leading performance in a challenging year

- **Sales of \$650 million in the fourth quarter and \$3,064 million in 2015**
 - **Growth of 12.6% in the quarter and 7.4% in the full year at constant exchange rates**
 - **US dollar sales declined by 3.6% in the quarter, 4.9% in the full year due to strength of the dollar**
- **Volumes up 7% in the fourth quarter and 5.3% in the full year, with growth driven by all regions**
- **Marked improvement in all fourth quarter profit and profitability metrics, despite tough market conditions, drives resilient margin performance in the full year**
 - **Gross margin up 2.6 percentage points in the quarter**
 - **Adjusted operating income tripled in the quarter, margin up 3.2 percentage points**
 - **EBITDA in the quarter up 44.5% reaching \$76m, margin up by 3.9 percentage points**
 - **EBITDA in the full year of \$474m, with margin increasing from 14.9% to 15.5%**
- **Continued evolution of the portfolio, with launches of differentiated, higher-margin products across all regions**
- **Launch of direct sales in China, with Adama becoming the sole Chinese commercial platform for formulated products of several CNAC companies**

TEL AVIV, ISRAEL, March 15, 2016 – ADAMA Agricultural Solutions Ltd. today reported its financial results for the fourth quarter and full year ended December 31, 2015.

Adama delivered strong growth in both the fourth quarter and the full year, with revenues in constant currency terms up by 12.6% and 7.4% in the respective periods. This growth was driven by a significant increase in sales in growing markets and from geographical expansion, as well as from sales of new and differentiated products. These factors led to an increase in volumes across all regions, with overall volumes for the Company up by 7.0% in the fourth quarter and by 5.3% in the full year, despite the continued difficult conditions in agricultural markets and challenging weather conditions in many regions. The robust volume growth, as well as an increase in prices in local currencies, were more than offset by the significant depreciation of all currencies against the US dollar, causing US dollar-denominated sales to record modest declines of 3.6% in the quarter and 4.9% in the full year.

The Company presented significant improvement in all profit and profitability metrics in the fourth quarter. Gross profit in the quarter increased 5.8% by \$10 million, reflecting a significant increase of 2.6 percentage points in gross margin to 30.0%, and resulting in a largely stable gross margin of 31.6% for the year. Adjusted operating income tripled in the quarter to reach \$30 million, with a



significant increase of 3.2 percentage points in EBIT margin to 4.7%, and resulting in an improvement in the EBIT margin to reach 9.9% for the year, reflecting the continued and determined reduction of operating expenses.

The strong fourth quarter performance saw EBITDA increase by 44.5% to \$76 million, bringing total EBITDA for the year to \$474 million, only 1% lower than the Company's all-time high, with the full year EBITDA margin increasing from 14.9% to 15.5%.

Net income improved in the quarter by 38%, yet lower for the year, due to increased hedging costs as a result of significant currency volatility during the year.

Reduced levels of both inventory and accounts receivables at the end of 2015 due to tight management, resulted in improved operating and free cash flow in the quarter, with stable cash flow over the full year.

Commenting on the results, **Yang Xingqiang, Chairman of Adama's Board of Directors**, said, "Adama's strong fourth quarter capped a robust year for the Company, a year in which we delivered a sector-leading performance, notwithstanding the challenging currency and agricultural market conditions across the globe. We are extremely pleased with this result, which demonstrates the resilience of the business and the passion of our team. While 2016 looks to be yet another challenging year, we remain confident in our future, and are well positioned to grasp the opportunities in the market."

Chen Lichtenstein, President and CEO of Adama, added, "We are pleased with the way our business performed throughout the year in all key geographies, as reflected in the transformation of our differentiated portfolio and robust high-end volume growth. Even during these challenging times, we remain focused on the execution of our longer term strategy, continually improving the quality of our business, our engagement with farmers and customers, and the strength of our portfolio, alongside progressing towards the achievement of our goals in China."

Financial Highlights

<i>Adjusted, US\$m</i>	Q4 2015	Q4 2014	% Change CER	% Change USD	FY 2015	FY 2014	% Change CER	% Change USD
Revenues	650	674	+12.6	-3.6	3,064	3,221	+7.4	-4.9
Gross profit	195	185		+5.8	970	1,025		-5.4
<i>Gross margin</i>	<i>30.0%</i>	<i>27.4%</i>			<i>31.6%</i>	<i>31.8%</i>		
Operating income (EBIT)	30	11		+193	303	313		-3.3
EBIT margin	4.7%	1.5%			9.9%	9.7%		
Net income	-20	-33		+37.7	124	151		-17.9
EBITDA	76	53		+44.5	474	480		-1.2
EBITDA margin	11.7%	7.8%			15.5%	14.9%		

The 2015 financial highlights shown above include adjustments for a revaluation of options on the Company's bonds, a capital gain on the sale of IP, as well as one-time provisions due to a tax-related event from 1985 and due to a 2010 early employee retirement agreement. The 2014 financial highlights shown above include adjustments for certain one-time expenses related to a provision for early retirement of employees, and to the Company's preparation for an IPO.



Business Update

The Company is continuing to realize its strategic objectives, including the enhancement of its go-to-market approach and its commercial network, the improvement and differentiation of its product portfolio, the strengthening of its global brand and its commercial and operational integration and build-up in China.

Offering development: Over the course of the year, Adama continued to further differentiate its portfolio, and is increasingly directing its R&D and registration resources towards increased value-added, unique and differentiated products. Adama launched innovative, proprietary products such as NIMITZ™ and BREVIS™ in several key countries in the Americas, Australia, Europe, and in Israel, and obtained hundreds of new registrations worldwide.

Marketing and Product Strategy: Adama is in the process of rolling out its new go-to-market approach, aiming at reaching increased proximity to the farmers, already implemented in several key markets in 2015 and expected to expand to 20 more countries over the next two years. The Marketing and Product Strategy functions have recently been combined into a single division, to ensure optimal coordination of the Company's demand creation, portfolio and demand fulfilment arms going forward.

Operations: During the fourth quarter of 2015, Adama's two main manufacturing sites in Israel were connected to natural gas power stations, a move that is expected to lead to both an improvement in the Company's environmental footprint as well as a reduction in energy costs. The Company launched key facilities at Neot Hovav, including the NIMITZ™ production facility as well as new production lines for RIMON™, a differentiated insecticide.

Build up and integration in China: Adama is continuing to progress towards the realization of its strategic goals in China, especially the establishment of its commercial and operational activities in the country. During the year, the Company started building its sales network by recruiting dozens of new sales people, and at the beginning of 2016 launched its direct sales activity in the Chinese market. Adama is becoming the sole commercial platform in China for the marketing of formulated products of several CNAC companies. On the operational side, the construction of the Company's new, state-of-the-art formulation and packaging center in the city of Huai'an is progressing, and the plant is expected to come on-stream around the end of 2016.

Adama is continuing to work with its shareholders to progress the transaction with Sanonda, which was announced during the third quarter.

General macro-economic environment

Adama succeeded in achieving these results despite challenging macroeconomic factors that negatively affected both the Company and the sector as a whole.

Strong US dollar: The widespread depreciation of currencies against the US dollar over the course of the year had a significant negative effect on the US dollar-denominated sales of all companies in the sector, including on those of Adama. These significant currency headwinds were mitigated to some extent by currency hedges, as well as by the beneficial effect the currency depreciations had on the Company's costs.



Macroeconomic challenges in Brazil: Due to the traditionally strong seasonal influence of Brazil in the second half of the year, the impact of the political and economic crisis in the country on the Company's results, and on those of the sector, was significant. The crisis was reflected in the sharp depreciation of the Brazilian Real against the US dollar and the lowering of Brazil's credit rating to below Investment Grade, and, as a consequence, by a decrease in the availability of credit to customers. Adama's results in Brazil were therefore also impacted, amongst other things, by slower collections and higher costs of currency hedging. During the second half of the year, the Company took proactive steps to reduce its exposure to currency and customer credit risks in Brazil by avoiding fulfilling certain orders, and thereby reducing its receivables level to below that of 2014.

Low agricultural commodities prices: Over the last two years, low agricultural commodities prices have led to a reduction in farmers' profitability which, together with relatively high levels of inventory in the distribution channels, have resulted in a slowdown in demand for crop-protection products. Notwithstanding these challenging industry conditions, Adama increased its quantities sold, driven by the launch of new products and expansion in both existing and new markets, both the fourth quarter and in the full year 2015.

Financial Highlights

Regional Sales Performance								
	Q4 2015 \$m	Q4 2014 \$m	% Change CER	% Change USD	FY 2015 \$m	FY 2014 \$m	% Change CER	% Change USD
Europe	132	140	+7.6	-5.8	1,116	1,187	+2.9	-6.0
North America	147	134	+9.7	+9.4	573	545	+6.0	+5.2
Latin America	238	265	+20.2	-9.9	736	822	+16.6	-10.5
India, Middle East & Africa	76	81	+0.2	-5.7	366	373	+5.8	-2.1
Asia Pacific	57	54	+14.3	+3.9	273	294	+4.1	-7.0
Total	650	674	+12.6	-3.6	3,064	3,221	+7.4	-4.9

CER: Change in Constant Exchange Rate terms, estimated

Europe: Sales in Europe increased by 7.6% in the fourth quarter and by 2.9% in the full year, at constant exchange rates, compared to the corresponding periods in 2014. This growth was achieved despite the dry weather conditions in certain countries in the region, and was driven by the significant volume growth stemming from the launch of new products and deepening of commercial activities, which was somewhat offset by a decline in selling prices. In US dollar terms, sales in Europe decreased by 5.8% and 6.0% in the quarter and the year, respectively, compared with the corresponding periods in 2014, reflecting the impact of the depreciation of local currencies.

The results in Europe were negatively impacted by reduced sugarbeet quotas in northern Europe, as well as drought in parts of central Europe. However, Adama delivered a strong performance in



South Eastern Europe and in Italy and Ukraine, due to increasing focus on differentiated products and key customers. The Company continued to improve its portfolio mix in the region and launched BREVIS™, an innovative, proprietary product that promotes growth of bigger and more uniform fruit, in selected key markets.

North America: Sales in North America increased by 9.7% in the fourth quarter and by 6.0% in the full year, at constant exchange rates, despite the challenging market conditions in the region, including the harsh drought in Canada. This increase stemmed from the continued focus on increasing engagement with key customers and from the launch of additional products, which led to significant volume growth in both the quarter and the full year. In US dollar terms, and despite the depreciation of the Canadian dollar by 16.3% in 2015, sales in North America increased by 9.4% in the quarter and by 5.2% in the year, compared to the corresponding periods in 2014.

The Company deepened its commercial activities in the United States to strengthen its engagement with, and demand-creation from, farmers of high value-added crops. Among other new products introduced into the US market, the Company launched NIMITZ™ a novel, proprietary product that significantly simplifies the control of nematodes. Also, the Company achieved continued positive momentum in its Consumer and Professional Solutions business in the US, driven by strengthening its direct access to the market, as well as the launch of differentiated products such as ENCLAVE®, an innovative and unique broad-spectrum fungicide.

Latin America: Sales in Latin America increased by 20.2% in the fourth quarter and by 16.6% in the full year, at constant exchange rates, compared to the corresponding periods in 2014, despite the challenging conditions in the region, including harsh weather conditions due to El Niño, and the macroeconomic crisis in Brazil, which deteriorated in the second half of 2015. The increase in sales stemmed both from growth in quality volumes as well as price increases. In US dollar terms, sales in Latin America decreased by 9.9% in the quarter and by 10.5% in the year, reflecting the impact of the significant depreciation of currencies in the region.

Adama saw particularly good performances in Colombia and the other countries of the Andean region, as well as in Mexico, despite the depreciation of the local currencies and difficult weather conditions.

The political and economic crisis in Brazil, which worsened in the second half of the year, resulted in a shortage of credit alongside the volatile depreciation of the Brazilian Real, an increase in the country's credit risk and in the costs of balance sheet hedges. These conditions led the Company to take proactive steps to reduce its exposure to the crisis, including the decision not to fulfill certain orders, and in so doing, to limit its sales in the country. By taking these steps, the Company succeeded in preserving and even slightly increasing its market share, while significantly reducing its exposure to currency and credit risks, ending the season with a lower level of receivables than in 2014. Alongside these steps, Adama continued to invest in strengthening its marketing activities in Brazil and in the further differentiation of its portfolio, and launched four unique products during the year.

India, Middle East & Africa: Sales in the region were stable in the fourth quarter, while sales for the full year increased by 5.8%, at constant exchange rates, compared with the corresponding periods in 2014. This increase stemmed from a significant growth in volumes, driven by the launch of differentiated products, as well as an increase in sales of products launched during the previous year, combined with expansion in main focus markets, and was achieved despite the drought in several key countries in the region, among them India and South Africa. This growth was partially offset by a decline in selling prices, especially of less differentiated products. In US dollar terms,



sales in the region decreased by 5.7% in the quarter and by 2.1% in the year compared to the corresponding periods in 2014, reflecting the impact of the depreciation of the local currencies, such as the South African Rand which declined by almost 35%.

In India, Adama successfully launched CUSTODIA™, a dual-action fungicide effective against a wide range of diseases. The Company refocused its activities in all markets in the region, with an emphasis on more profitable sales and a reduction in the sale of less differentiated products, especially in the markets of West Africa. Also during the year, the Company successfully launched its activities in Turkey.

Asia Pacific: Sales in Asia-Pacific increased by 14.3% in the fourth quarter and by 4.1% in the full year, at constant exchange rates, despite the harsh El Niño-related drought in several countries of Southeast Asia, such as Thailand. The increase in sales was driven by increased marketing activity and the launch of new products which resulted in significant volume growth. In US dollar terms, sales in Asia-Pacific increased by 3.9% in the quarter and decreased by 7.0% in the year compared to the corresponding periods in 2014, reflecting the impact of the depreciation of the local currencies, most notably of the Australian dollar by 11% over the course of the year.

Adama has continued to further differentiate its portfolio across the region, and launched 10 unique products during the year, including the proprietary nematicide NIMITZ™, which was successfully launched in Australia. The Company refocused its businesses in several markets in the region, including Thailand, Vietnam and Korea, with an emphasis on building up marketing and distribution networks that improve access to end customers, as well as promoting higher value-added products. In Australia and New Zealand, the Company continued with its positive momentum, supported by its new brand, a range of differentiated products and increasing proximity to the farmers.

Gross profit: In the fourth quarter, the Company increased its gross profit in all key regions, resulting in an increase of 2.6 percentage points in the Company's gross margin compared to the corresponding period in 2014. This increase stemmed from improving the differentiation and focus of its product portfolio, price increases in local currency terms, and significant volume growth, as well as from a marked reduction in production and procurement costs, all against the backdrop of negative currency headwinds.

In the full year, despite an improvement in gross margin in most of its main regions, the Company's overall gross margin was largely stable in comparison with 2014, while the gross profit declined somewhat in absolute terms. This decline reflects the major impact of the depreciation of local currencies, net of hedging, which was largely, though not fully, mitigated by the increase in volumes across all regions, increases in prices in local currency terms, improvement of the product portfolio, as well as by a significant decrease in manufacturing and procurement costs.

Operating income: Operating income (EBIT) tripled in the quarter to reach \$30 million, with a significant increase of 3.2 percentage points in EBIT margin to 4.7%, and resulting in a slight improvement in the full year EBIT margin to 9.9%. Tight expense management and the positive effect of the depreciation of the currencies, as well as a decrease in variable expenses, contributed to a marked decrease in operating expenses, both in absolute terms as well as in percentage of sales terms, both in the fourth quarter as well as in the full year.

Net income: Net income in the fourth quarter, which often tends to be negative due to seasonality, showed a significant 38% improvement over the fourth quarter of 2014. Net income for the full year was \$124m, reflecting a net income margin of 4.1%, only slightly down from the margin recorded in



2014. Net income during the year was negatively impacted by an increase in financing expenses as a result of higher costs of financial hedging.

EBITDA (Earnings before interest, taxes, depreciation and amortization): The fourth quarter saw strong growth in EBITDA, which increased by \$23 million, or 44.5%, from \$53 million in the fourth quarter of 2014 to \$76 million this year. The EBITDA margin in the quarter rose by 3.9 percentage points, to reach 11.7%. The strong fourth quarter performance brought total EBITDA for the year to \$474 million, only slightly lower than the all-time high achieved in 2014, with the full year EBITDA margin increasing from 14.9% to 15.5%.

Cash Flow: The Company's cash flow improved significantly in the fourth quarter, with adjusted operating cash flow of \$97m in the quarter compared to \$44 million in the corresponding period last year, and adjusted free cash flow of \$43 million in the quarter compared to \$5 million last year. Continued improvements in supply chain and collections management, with an emphasis on tight control of credit risk, resulted in reduced levels of both inventory and accounts receivables at the end of 2015. In the full year, the Company delivered adjusted operating cash flow of \$168m compared to \$179 million in 2014, and adjusted free cash flow of -\$25 million compared to -\$20 million last year.

Further Information

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

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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 and efficient products and services that simplify their lives and help them grow. With one of the most comprehensive and diversified portfolios of differentiated, high-quality products, Adama's approximately 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).

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