



## **STRONG FIRST QUARTER FOR ADAMA WORLDWIDE ALONGSIDE SLOW START TO SEASON IN EUROPE**

- **Sales up 10.9%, adding more than \$100 million and crossing the \$1 billion mark for first time:**
  - Volumes up 6.9%, with strong growth in all regions except Europe, which had a slow start to season due to the prolonged winter
  - Lower than expected sales in Europe not sufficient to offset negative impact of hedge positions on Euro created last year; excluding such impact, sales as well as each profit line would be higher by \$25 million
  - Continued market share gains in all key markets, including Europe
- **Gross profit up 6.8% to \$352 million:**
  - Gross margin of 34.5% vs 35.8% in Q1 last year
  - Excluding the 2017 Euro hedge impact, gross profit would have been \$377 million and gross margin 36.0%
  - Continued positive mix contribution of new and differentiated products
  - Robust demand conditions facilitate increased prices of 2% across the portfolio to offset higher procurement costs
- **EBITDA of \$191 million compared to \$195 million in Q1 last year:**
  - EBITDA margin of 18.7% vs 21.2% in Q1 last year
  - Excluding the 2017 Euro hedge impact, EBITDA would have been \$216 million and EBITDA margin would have been 20.6%
- **Net income of \$85 million compared to \$118 million in Q1 last year:**
  - Net income margin of 8.3% vs 12.8% in Q1 last year
  - Excluding the 2017 hedge impact, net profit would have been \$110 million and net income margin would have been 10.5%; remaining gap due to lower effective tax in Q1 2017
- **Containment of working capital in spite of strong growth momentum**
- **Significantly reduced leverage:**
  - Balance sheet net debt of \$513 million, \$428 million below Q1 last year
  - Net debt / EBITDA ratio of 0.8x vs. 1.6x in Q1 last year
- **Significant progress with China Build-up and Integration**
  - Q1 2018 sales of branded and formulated products more than tripled
  - Continued ramp-up of global distribution of key backward integrated products
- **Successful conclusion of Transfer & Divestment process**

Effective integration of the product portfolio transferred from Syngenta as well as the simultaneous transition of divested products, ensuring continuity of supply, maintenance of quality and minimal disruption to customers

**BEIJING, CHINA and TEL AVIV, ISRAEL, April 26, 2018** – Adama Agricultural Solutions Ltd. (“Solutions”), together with Hubei Sanonda Co., Ltd. (the “Listed Entity”), to be named ADAMA (together, “ADAMA” or “the Combined Company”), today reported their combined consolidated financial results for the first quarter ended March 31, 2018.

<i>Adjusted</i>	<b>Q1 2018</b> <b>\$m</b>	<b>Q1 2017</b> <b>\$m</b>	<b>% Change</b>
<b>Revenues</b>	<b>1,022</b>	<b>922</b>	<b>+10.9%</b>
<b>Gross profit</b>	<b>352</b>	<b>330</b>	<b>+6.8%</b>
<i>Gross margin</i>	34.5%	35.8%	
<b>Operating income (EBIT)</b>	<b>137</b>	<b>143</b>	<b>-4.8%</b>
<i>EBIT margin</i>	13.4%	15.6%	
<b>Net income</b>	<b>85</b>	<b>118</b>	<b>-28.2%</b>
<i>Net income margin</i>	8.3%	12.8%	
<b>EBITDA</b>	<b>191</b>	<b>195</b>	<b>-2.2%</b>
<i>EBITDA margin</i>	18.7%	21.2%	
<b>Earnings per share</b> – USD	0.0347	0.0505	
– RMB	0.2204	0.3475	

*The results of the Combined Company are presented after restatement of prior periods to include the financial position, results of operations and cash flow of Solutions. All income statement items contained in this release are presented on a combined, adjusted basis, reflecting the performance of the Combined Company. For a detailed description and analysis of the differences between the adjusted income statement items and the items as reported in the financial statements, see “Analysis of Gaps between Adjusted Income Statement and Income Statement in Financial Statements” in the appendix to this release.*

*Revenues grew by 7.7% in constant currency terms in the quarter.*

*Earnings per share are the same for basic and diluted. The number of shares used to calculate earnings per share in Q1 2017 is 2,341.9 million shares, reflecting the issuance of shares as part of the combination transaction in 2017. The number of shares used to calculate earnings per share in Q1 2018 is 2,446.6 million shares, including also the issuance of shares in the subsequent private placement equity offering.*

Commenting on the results, **Yang Xingqiang, Chairman of ADAMA**, said, “Our strong growth in the quarter, despite the late start to the season in Europe, demonstrates the robustness of our diversified global footprint as well as the increasing penetration of key markets worldwide. Our build-up in China is proceeding at full pace, with rapid growth in the vast domestic market. In addition, our end-to-end value chain and global distribution of key backward-integrated products is providing us with a significant competitive advantage.”

**Chen Lichtenstein, President and CEO of ADAMA**, added, “Our business grew strongly over the quarter, with continued market share gains in all key regions. We are particularly pleased with our strong growth throughout the Americas, China, India and the rest of APAC, which compensated for the weather-driven delay to the season in Europe. Our increasingly differentiated portfolio, driven forward by continuous product launches in all key markets, including most recently the Brazilian launches of NIMITZ® and CRONNOS®, is bringing tangible value to farmers worldwide, and driving our continued performance.”

## Market Environment

**Continued subdued demand for crop protection products due to ongoing low soft commodity prices and farmer incomes, combined with certain re-opening of distribution channels** – while most agricultural commodities' prices are generally stable, grain inventories continued to remain high, keeping pressure on prices. This environment is continuing to impact farmers' incomes now for the fourth consecutive year. In some regions, inventory levels in the crop protection distribution channels are lower in comparison to a year ago, which allows customary market activity levels to resume in these regions.

The extended winter in Europe has caused a delay to the start of the season, impacting demand in the region. The pace of temperature rise in the coming weeks will determine how much of the delay can still be captured. The negative impact of 2017 Euro hedge position seen in Q1 is expected to conclude in Q2.

Despite these overall uneven market conditions, the Combined Company continues to deliver robust volume growth, driven by the introduction of new and differentiated products, and increased penetration in markets across the globe. In particular, Brazilian launch of Nimitz in Q1, together with the ongoing launch of Cronnos, are expected to make a meaningful contribution to Adama's growth starting in the second half of the year.

**Containment of manufacturing costs, higher procurement costs due to shortages of raw materials and intermediates** – The Combined Company continues to exercise strong control of its manufacturing costs. However, higher procurement costs due to shortages in certain raw materials and intermediates, mostly owing to increased environmental focus in China, have raised product costs compared to the first quarter of last year. Robust demand conditions facilitate increased prices of approximately 2% across the portfolio to offset the higher procurement costs.

## Financial Highlights

**Revenues** grew by 10.9% in the quarter to \$1,022 million, compared to the corresponding period last year. This robust growth was driven by a 6.9% increase in volumes, led by higher volumes of an increasingly differentiated portfolio in North America, Latin America, China and the rest of APAC, and India, Middle East and Africa, but partially offset by lower volumes in Europe as a result of the extended winter and late start to the season. In addition to the robust volume growth, the improved demand conditions ensured a somewhat stronger pricing environment, allowing the Combined Company to pass on some of the impact of the constrained supply. Revenues also benefited from the positive impact of currency movements, with the strengthening of most currencies against the US dollar, which was partially offset by currency hedging, most importantly the negative impact of the 2017 Euro hedge of \$25m. Without the impact of such hedge positions, revenues in the quarter would have been \$1,047 million.

**Gross profit** increased by 6.8% in the quarter to \$352 million, compared to the corresponding period last year. The increase in gross profit resulted from the increased volumes of better product mix as well as higher prices, aided by the net positive impact of currency movements against the US dollar, notwithstanding the 2017 Euro hedge impact, without which gross profit would have increased by \$25 million to \$377 million with a gross margin of 36.0%. These trends were somewhat offset by the increased procurement costs of raw materials and intermediates.

**Operating expenses.** Total operating expenses were \$216 million (21.1% of sales or 20.6% excluding 2017 Euro hedge impact) in the quarter, compared to \$186 million (20.2% of sales) in the corresponding period last year.

Within the total operating expenses, Sales and Marketing expenses in the quarter were \$160 million (15.6% of sales), compared to \$140 million (15.2% of sales) in the corresponding period last year.

The increase in this component resulted primarily from an increase in sales-related personnel in growing geographies and an increase in other variable expenses as a result of the increase in sales volumes.

Within the total operating expenses, R&D, General and Administrative expenses in the quarter were \$51 million (5.1% of sales) compared to \$42 million (4.5% of sales) in the corresponding period last year. The increase in this component resulted primarily from increased spend on strategic research and development projects, and a related increase in research personnel and expenses.

In addition to the abovementioned factors, part of the increase in total operating expenses stemmed from the impact of the strengthening of most currencies against the US dollar.

**Operating income** in the quarter was \$137 million, compared to \$143 million in the corresponding period last year. Excluding the 2017 Euro hedge impact, operating income in the quarter would have been \$162 million.

**EBITDA** in the quarter was \$191 million, compared to \$195 million in the corresponding period last year. Excluding the 2017 Euro hedge impact, EBITDA in the quarter would have been \$216 million.

**Financial expenses and investment income.** Total net financial expenses and investment income in the quarter were \$34 million compared to \$20 million in the corresponding period last year. This increase was primarily due to the first time adoption of new accounting standards which classify part of interest income on sales to customers as revenues rather than financial income.

**Tax expenses.** Net tax expenses were \$18 million in the quarter, compared to tax expenses of only \$5 million in the corresponding period last year. The comparatively low tax expenses recorded in the first quarter of last year reflect the benefit from the utilization of tax loss carryforwards in that quarter.

**Net income** in the quarter was \$85 million, compared to \$118 million in the corresponding period last year. Excluding the 2017 Euro hedge impact, net income would have been \$110 million.

**Working capital** was higher by \$56 million compared to the corresponding period last year, accommodating the Company's higher sales growth momentum. Inventories were higher due to higher procurement costs as well as product preparation in advance of the season. Receivables were higher due to the strong sales growth, partially offset by an increase in payables.

**Cash Flow.** Operating cash flow was a negative \$34 million in the quarter, compared to \$5 million generated in the corresponding quarter last year, reflecting the change in operating profit and somewhat higher working capital.

Net cash from investing activities in the quarter amounted to \$7 million, compared to \$41 million used in the corresponding period last year. Additions to assets include the transfer of products in Europe from Syngenta, as well as other investments in product registrations and other intangible and fixed assets. Investments in fixed assets, net of investment grants, amounted to \$27 million in the quarter, compared to \$19 million in the corresponding quarter last year. Proceeds from disposal of assets includes the proceeds from the divestment of certain products in Europe in connection with the obtaining of the approval of the European Commission for ChemChina's acquisition of Syngenta.

Free cash flow was a seasonally negative \$31 million in the quarter, compared to negative \$44 million in the corresponding quarter last year, reflecting improvement notwithstanding the strong growth achieved during the quarter.

**Leverage.** Balance sheet net debt at the end of the quarter was \$513 million, down by \$428 million compared to the \$940 million in net debt as of March 31, 2017. This has resulted in the Net Debt/EBITDA ratio dropping to approximately 0.8x.

**Dividend.** On March 27, 2018, the Combined Company declared a cash dividend of RMB 0.63 per 10 shares to all shareholders, resulting in a total cash dividend of RMB 154.1 million (approximately \$24.5 million). The distribution of the dividend remains subject to shareholder approval.

## Regional Sales Performance

	Q1 2018 USD (m)	Q1 2017 USD (m)	% Change USD	% Change CER
Europe	392	399	-1.7%	-5.4%
Latin America	141	116	+21.1%	+22.4%
North America	201	174	+15.9%	+14.8%
Asia Pacific	177	148	+19.7%	+13.1%
<i>Of which China</i>	72	53	+36.6%	+27.0%
India, Middle East & Africa	111	85	+30.9%	+25.5%
<b>Total</b>	<b>1,022</b>	<b>922</b>	<b>+10.9%</b>	<b>+7.7%</b>

**Europe:** Sales in Europe were lower by 5.4% in the quarter in constant currency terms, compared with the corresponding period last year. This is primarily due to reduced volumes as a result of the delayed start to the agricultural season mainly in northern and southwestern Europe due to the extended winter, and the continuing high levels of inventory in the distribution channels, both of which served to reduce demand.

Several differentiated products were registered in the quarter, including the new generation growth regulator CALMA™ in cereals and the dual action fungicide KARNEOL™ in apples in Ukraine, the two-way mixture herbicide SULCOTREK® in Spain, Portugal, Poland, Czech Republic and Serbia, the broad-spectrum dual-action fungicide CUSTODIA® in France, the differentiated mixture fungicide BANJO FORTE® in Greece and Bulgaria, as well as the systemic and contact seed treatment fungicide SEEDRON® in Germany and Slovakia.

During the quarter the Combined Company effectively managed the integration of the product portfolio transferred from Syngenta as well as the simultaneous transition of divested products.

In US dollar terms, sales in Europe were lower by 1.7% in the quarter, reflecting the net positive contribution of currency movements, which was partially offset by the Euro currency hedging.

**North America:** Sales increased by 14.8% in the quarter in constant currency terms, compared with the corresponding quarter last year. This was driven by significant volume growth resulting from strong demand for differentiated products in both the United States and Canada.

There was robust demand for cotton solutions, including the insecticide DIAMOND®, the herbicide DIREX® and the insecticide ACEPHATE 97 WDG, in anticipation of a strong cotton season due to the recent growth in cotton planting areas. In addition, launches in Canada of the proprietary nematocide NIMITZ® and the broadleaf and grassy weed herbicide DAVAI® are bringing new solutions to the market.

In the US non-crop market, ADAMA launched a suite of 'Pressurized Solutions' – innovative aerosols to serve professional pest control operators – manufactured at a new facility within the Pasadena, Texas plant.

In US dollar terms, sales increased by 15.9% in the quarter, compared with the corresponding period last year.

**Latin America:** Sales increased by 22.4% in the quarter in constant currency terms, compared with the corresponding quarter last year. This strong growth was driven by significant volume growth, reflecting strong performance, especially in Brazil, Colombia, Peru and Argentina.

Robust sales growth was achieved in Brazil, with a further differentiated portfolio driving volume expansion. Registrations were obtained for the novel non-fumigant nematicides NIMITZ® and LEGADO®, as well as the seed treatment BLINDADO®. The launch of CRONNOS®, a unique three-way mixture fungicide for soybean rust is ongoing, which together with NIMITZ® is expected to bring highly effective and safe solutions to farmers, and to make a meaningful contribution to growth for ADAMA starting in the second half of the year. The quarter also saw the launch of ADAMA SAGRES™, an innovative cloud-based system used by farmers and distributors to manage their fleets.

Strong growth was achieved in Argentina, despite lower demand for insecticides and fungicides due to extended drought in the country. ADAMA BLACK™ – a new program in Argentina focused on increasing farmer engagement – is driving business growth.

In US dollar terms, sales increased by 21.1% in the quarter, compared with the corresponding period last year, reflecting the impact of the slight weakening of local currencies against the US dollar.

**Asia-Pacific:** Sales increased 13.1% in the quarter in constant currency terms, compared with the corresponding quarter last year. This robust growth was driven by a significant increase in differentiated product volumes, with notable performance in China, Australia, Japan and Korea.

During the quarter, registrations were obtained for several differentiated products, including TRIVOR® for insect control in pears and citrus in Korea; the insecticide KOHINOR® for rice and fruits in Thailand; and the plant growth regulator MARVEL ULTRA® for turf in Australia.

In China, ADAMA more than tripled its sales of branded and formulated products, and continues to expand its geographic footprint and product portfolio, with new launches of the insecticides CORMORAN® for apples and RIMON FAST® for cabbage, as well as the herbicides LI FAN® for broadleaf weed control and NARKIS® for grass control in rice paddies.

In US dollar terms, sales increased by 19.7% in the quarter, compared to the corresponding period last year, reflecting the strengthening of local currencies, primarily the Australian dollar, against the US dollar.

**India, Middle East & Africa:** Sales increased 25.5% in the quarter in constant currency terms, compared with the corresponding quarter last year. This noteworthy performance was driven by strong performance of differentiated products launched in recent years, and supported by strong demand conditions leading to increased volumes particularly in India, Turkey and Israel, supported by a markedly stronger pricing environment, and despite continued drought conditions in South Africa.

The quarter also saw strong sales of key backward integrated products, including ACEMAIN® in India, as well as of the systemic pre-emergence herbicide COTTONEX® in Turkey.

In US dollar terms, sales increased by 30.9% in the quarter compared to the corresponding period last year, reflecting the strengthening of the local currencies against the US dollar.

## Revenues by operating segment

### First quarter sales

	Q1 2018	%	Q1 2017	%
	USD(m)		USD(m)	
Crop Protection	948	92.7%	853	92.6%
Intermediates and Ingredients	74	7.3%	69	7.4%
<b>Total</b>	<b>1,022</b>	<b>100.0%</b>	<b>922</b>	<b>100.0%</b>

### Further Information

All filings of the Combined Company, together with a presentation of the key financial highlights of the period, can be accessed through the websites of the Combined Company at [www.adama.com](http://www.adama.com) and [www.sanonda.cn](http://www.sanonda.cn).

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### About the Combined Company

The Combined Company, which will be named ADAMA subject to required approvals, is comprised of Adama Agricultural Solutions Ltd. and Hubei Sanonda Ltd., and 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, our 6,600 strong team reaches farmers in over 100 countries, providing them with solutions to control weeds, insects and disease, and improve their yields. For more information, visit us at [www.adama.com](http://www.adama.com) and follow us on Twitter® at [@AdamaAgri](https://twitter.com/AdamaAgri).

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## Abridged Consolidated Financial Statements

The following abridged consolidated financial statements and notes have been prepared as described in Note 1. While prepared based on the principles of PRC GAAP, they do not contain all of the information which either PRC GAAP or IFRS would require for a complete set of financial statements and should be read in conjunction with the consolidated financial statements of both Hubei Sanonda Co., Ltd and Adama Agricultural Solutions Ltd. as filed with the Shenzhen and Tel Aviv Stock Exchanges, respectively.

### Abridged Consolidated Income Statement for the Quarter

<i>Adjusted<sup>1</sup></i>	Q1 2018 USD(m)	Q1 2017 USD(m)	Q1 2018 RMB(m)	Q1 2017 RMB(m)
<b>Revenues</b>	<b>1,022</b>	<b>922</b>	<b>6,500</b>	<b>6,344</b>
Cost of Sales	667	589	4,241	4,057
Business taxes and surcharges	3	2	19	17
<b>Gross profit</b>	<b>352</b>	<b>330</b>	<b>2,239</b>	<b>2,270</b>
<i>% of revenue</i>	<i>34.5%</i>	<i>35.8%</i>	<i>34.5%</i>	<i>35.8%</i>
Operating expenses	216	186	1,370	1,283
<b>Operating income (EBIT)</b>	<b>137</b>	<b>143</b>	<b>869</b>	<b>987</b>
<i>% of revenue</i>	<i>13.4%</i>	<i>15.6%</i>	<i>13.4%</i>	<i>15.6%</i>
Financial expenses and investment income	34	21	216	141
<b>Income before taxes</b>	<b>103</b>	<b>123</b>	<b>653</b>	<b>847</b>
Taxes on Income	18	5	113	33
<b>Net income</b>	<b>85</b>	<b>118</b>	<b>539</b>	<b>814</b>
<i>% of revenue</i>	<i>8.3%</i>	<i>12.8%</i>	<i>8.3%</i>	<i>12.8%</i>
Attributable to:				
Owners of the Company	85	118	539	814
Non-controlling Interests	-	-	-	-
<b>EBITDA</b>	<b>191</b>	<b>195</b>	<b>1,215</b>	<b>1,345</b>
<i>% of revenue</i>	<i>18.7%</i>	<i>21.2%</i>	<i>18.7%</i>	<i>21.2%</i>
<b>Earnings per Share</b> – Basic	<i>0.0347</i>	<i>0.0505</i>	<i>0.2204</i>	<i>0.3475</i>
– Diluted	<i>0.0347</i>	<i>0.0505</i>	<i>0.2204</i>	<i>0.3475</i>

The number of shares used to calculate earnings per share in Q1 2017 is 2,341.9 million shares, reflecting the issuance of shares as part of the combination transaction in 2017. The number of shares used to calculate earnings per share in Q1 2018 is 2,446.6 million shares, including also the issuance of shares in the subsequent private placement equity offering.

<sup>1</sup> For an analysis of the differences between the adjusted income statement items and the income statement items as reported in the financial statements, see below “Analysis of Gaps between Adjusted Income Statement and Income Statement in Financial Statements”.



## Abridged Consolidated Balance Sheet

	March 31 2018 USD (m)	March 31 2017 USD (m)	March 31 2018 RMB (m)	March 31 2017 RMB (m)
<b>Assets</b>				
<b>Current assets:</b>				
Cash at bank and on hand	891	458	5,605	3,163
Bills and accounts receivable	1,018	953	6,398	6,579
Inventories	1,247	1,101	7,844	7,599
Assets held for sale	-	-	-	-
Other current assets, receivables and prepaid expenses	394	436	2,475	3,009
<b>Total current assets</b>	<b>3,550</b>	<b>2,950</b>	<b>22,323</b>	<b>20,350</b>
<b>Non-current assets:</b>				
Fixed assets, net	1,076	1,040	6,763	7,173
Intangible assets, net	1,518	1,296	9,547	8,944
Deferred tax assets	116	108	731	745
Other non-current assets	80	76	503	526
<b>Total non-current assets</b>	<b>2,790</b>	<b>2,520</b>	<b>17,544</b>	<b>17,387</b>
<b>Total assets</b>	<b>6,340</b>	<b>5,470</b>	<b>39,866</b>	<b>37,737</b>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Loans and credit from banks and other lenders	134	174	845	1,201
Bills and accounts payable	739	587	4,646	4,053
Other current liabilities	752	715	4,726	4,931
<b>Total current liabilities</b>	<b>1,625</b>	<b>1,476</b>	<b>10,217</b>	<b>10,184</b>
<b>Long-term liabilities:</b>				
Long-term loans from banks and other lenders	75	139	472	956
Debentures	1,171	1,130	7,363	7,796
Deferred tax liabilities	69	40	435	274
Employee benefits	95	76	595	525
Other long-term liabilities	74	64	466	442
<b>Total long-term liabilities</b>	<b>1,484</b>	<b>1,448</b>	<b>9,330</b>	<b>9,993</b>
<b>Total liabilities</b>	<b>3,109</b>	<b>2,925</b>	<b>19,547</b>	<b>20,177</b>
<b>Equity</b>				
Total equity	3,231	2,545	20,319	17,560
<b>Total equity</b>	<b>3,231</b>	<b>2,545</b>	<b>20,319</b>	<b>17,560</b>
<b>Total liabilities and equity</b>	<b>6,340</b>	<b>5,470</b>	<b>39,866</b>	<b>37,737</b>

## Abridged Consolidated Cash Flow Statement

	Q1 2018 USD (m)	Q1 2017 USD (m)	Q1 2018 RMB (m)	Q1 2017 RMB (m)
<b>Cash flow from operating activities:</b>				
Cash flow from operating activities	-34	5	-216	37
<b>Cash flow from operating activities</b>	<b>-34</b>	<b>5</b>	<b>-216</b>	<b>37</b>
<b>Investing activities:</b>				
Additions to fixed and intangible assets	-373	-47	-2,374	-324
Proceeds from disposal of fixed and intangible assets	379	0	2,412	2
Other investing activities	1	5	7	37
<b>Cash flow used for investing activities</b>	<b>7</b>	<b>-41</b>	<b>46</b>	<b>-285</b>
<b>Financing activities:</b>				
Receipt of loans from banks and other lenders	0	15	0	100
Repayment of loans from banks and other lenders	-289	-47	-1,836	-325
Other financing activities	-8	-26	-50	-178
<b>Cash flow from (used for) financing activities</b>	<b>-297</b>	<b>-58</b>	<b>-1,886</b>	<b>-403</b>
<b>Effects of exchange rate movement on cash and cash equivalents</b>	<b>10</b>	<b>0</b>	<b>-211</b>	<b>-20</b>
<b>Net change in cash and cash equivalents</b>	<b>-313</b>	<b>-94</b>	<b>-2,267</b>	<b>-671</b>
Cash and cash equivalents at the beginning of the period	1,204	553	7,864	3,834
<b>Cash and cash equivalents at the end of the period</b>	<b>890</b>	<b>458</b>	<b>5,597</b>	<b>3,163</b>
<b>Free Cash Flow</b>	<b>-31</b>	<b>-44</b>	<b>-196</b>	<b>-303</b>

## Notes to Abridged Consolidated Financial Statements

### Note 1: Basis of preparation

**Basis of presentation and accounting policies:** The abridged consolidated financial statements for the quarters ended March 31, 2018 and 2017 incorporate the financial statements of Hubei Sanonda Ltd. (so called prior to its expected name change) and of all of its subsidiaries ("The Combined Company"), including Adama Agricultural Solutions Ltd. ("Solutions") and its subsidiaries.

The Combined Company has adopted the Accounting Standards for Business Enterprises issued by the Ministry of Finance (the "MoF") and the implementation guidance, interpretations and other relevant provisions issued or revised subsequently by the MoF (collectively referred to as "CASBE").

Solutions' consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The abridged consolidated financial statements contained in this release are presented in both Chinese Renminbi (RMB) as the Combined Company's shares are traded on the Shenzhen Stock Exchange as well as in United States dollars (\$) as this is the major currency in which the Combined Company's business is conducted. For the purposes of this release, a customary convenience translation has been used for the translation from RMB to US dollars, with Income Statement and Cash Flow items being translated using the quarterly average exchange rate, and Balance Sheet items being translated using the exchange rate at the end of the period.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

### Note 2: Abridged Financial Statements

For ease of use, the Financial Statements shown in this release have been abridged as follows:

Abridged Consolidated Income Statement:

- "Operating expenses" includes selling and distribution expenses; general and administrative (including research and development); impairment losses; gain (loss) from disposal of assets and non-operating income and expenses
- "Financial expenses and investment income" includes net financing expenses; gains from changes in fair value; and investment income (including share of income of equity accounted investees)

Abridged Consolidated Balance Sheet:

- "Other current assets, receivables and prepaid expenses" includes financial assets at fair value through profit or loss; financial assets in respect of derivatives; prepayments; other receivables; and other current assets
- "Fixed assets, net" includes fixed assets and construction in progress
- "Intangible assets, net" includes intangible assets and goodwill
- "Other non-current assets" includes assets available for sale; long-term equity investments; long-term receivables; investment property; and other non-current assets
- "Loans and credit from banks and other lenders" includes short-term loans and non-current liabilities due within one year
- "Other current liabilities" includes financial liabilities in respect of derivatives; payables for employee benefits, taxes, interest, dividends and others; advances from customers and other current liabilities
- "Other long-term liabilities" includes long-term payables, provisions, deferred income and other non-current liabilities

## Analysis of Gaps between Adjusted Income Statement and Reported Income Statement in Financial Statements

Q1 USD(m)	Adjusted		Adjustments		Reported	
	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017
Revenues	1,022	922	-	-	1,022	922
Gross profit	352	330	1	-0	351	330
Operating expenses	216	186	304	-10	-88	196
Operating income (EBIT)	137	143	-302	9	439	134
Income before taxes	103	123	-302	9	405	114
Net income	85	118	-235	7	320	111
EBITDA	191	195	-311	-2	502	197
Earnings per share	0.0347	0.0505	-0.0960	0.0032	0.1307	0.0473

Q1 RMB(m)	Adjusted		Adjustments		Reported	
	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017
Revenues	6,500	6,344	-	-	6,500	6,344
Gross profit	2,239	2,270	9	-1	2,230	2,271
Operating expenses	1,370	1,283	1,932	-65	-561	1,348
Operating income (EBIT)	869	987	-1,922	64	2,791	923
Income before taxes	653	846	-1,922	64	2,575	782
Net income	539	814	-1,493	51	2,032	763
EBITDA	1,215	1,345	-1,978	-14	3,193	1,359
Earnings per share	0.2204	0.3475	-0.6101	0.0218	0.8306	0.3257

## Income Statement Adjustments

	Q1 2018 USD (m)	Q1 2017 USD (m)	Q1 2018 RMB (m)	Q1 2017 RMB (m)
<b>Net Income (as Reported)</b>	<b>319.6</b>	<b>110.8</b>	<b>2,032.0</b>	<b>762.7</b>
Non-cash legacy amortization of 2011 PPA for acquisition of Solutions, net of tax	9.5	9.5	60.5	65.4
Combination Transaction – one-time taxes	1.5	-	9.4	-
Adjustment of 2017 LTI provision made in Q4 to accrual over the full year	-	-2.1	-	-14.4
Royalty payments allocation to applicable prior year periods	1.7	-	10.6	-
One-time capital gain from sale of EU registrations, related to ChemChina acquisition of Syngenta, net of taxes	-244.8	-	-1,556.6	-
Reinstatement of depreciation expenses due to classification of to-be-divested European registrations as “Held-for-Sale”, related to ChemChina acquisition of Syngenta	-2.6	-	-16.5	-
Total adjustments	-234.7	+7.4	-1,492.6	+51.0
<b>Net Income (as Adjusted)</b>	<b>84.9</b>	<b>118.2</b>	<b>539.3</b>	<b>813.7</b>

## Exchange Rate Data for the Combined Company's Principal Functional Currencies

vs. USD	March 31			Q1 Average		
	2018	2017	Change	2018	2017	Change
EUR/USD	1.232	1.069	15.2%	1.229	1.065	15.3%
USD/BRL	3.324	3.168	(4.9%)	3.244	3.143	(3.2%)
USD/PLN	3.414	3.946	13.5%	3.400	4.060	16.3%
USD/ZAR	11.82	13.44	12.1%	11.945	13.246	9.8%
AUD/USD	0.768	0.766	0.3%	0.786	0.757	3.8%
GBP/USD	1.407	1.246	12.9%	1.391	1.239	12.3%
USD/ILS	3.514	3.632	3.2%	3.458	3.733	7.3%
USD LIBOR 3M	2.03%	1.15%	76.2%	1.81%	1.07%	69.0%

vs. RMB	March 31			Q1 Average		
	2018	2017	Change	2018	2017	Change
USD/RMB	6.288	6.899	(8.9%)	6.358	6.288	1.1%
EUR/RMB	7.746	7.375	5.0%	7.813	7.333	6.5%
RMB/BRL	0.529	0.459	(15.1%)	0.510	0.457	(11.7%)
RMB/PLN	0.543	0.572	5.1%	0.535	0.590	9.3%
RMB/ZAR	1.789	1.948	8.2%	1.838	1.925	4.5%
AUD/RMB	4.831	5.284	(8.6%)	4.999	5.212	(4.1%)
GBP/RMB	8.847	8.595	2.9%	8.843	8.525	3.7%
RMB/ILS	0.559	0.526	(6.2%)	0.544	0.542	(0.3%)
RMB SHIBOR 3M	4.462%	4.393%	1.6%	4.680%	4.078%	14.8%