



ADAMA POSTS RECORD SECOND QUARTER WITH NET INCOME UP 20%, POSITIONING ADAMA FOR ANOTHER STRONG YEAR

Robust volume growth leads to best ever profits and profitability in both the second quarter and half year, in face of tough market

- **Q2 Sales up 2.8% to \$830 million; volumes up a robust 7.3% with strong momentum for differentiated products**
 - Half year sales increase to \$1,673 million, driven by 5.5% growth in volumes
- **Q2 Gross profit up 10.9% to record high \$300 million; gross margin up 2.7 percentage points to 36.2%**
 - Half year gross profit up 7.9% to record high \$612 million, with an increase of 2.4 percentage points in gross margin to 36.5%
 - Driven by continuing improvement in portfolio mix and cost reduction
- **Q2 Operating income up 16.6% to record high \$115 million; operating margin up 1.7 percentage points to 13.9%**
 - Half year operating income up 10.4% to record high \$252 million, with an increase of 1.3 percentage points in operating margin to 15.0%
- **Q2 Net income up 19.8% to \$68 million; net income margin up 1.1 percentage points to 8.2%**
 - Half year net income up 15.6% to record high \$183 million, with an increase of 1.4 percentage points in net income margin to 10.9%
- **Q2 EBITDA up 11.8% to record high \$159 million; EBITDA margin up 1.6 percentage points to 19.2%**
 - Half year EBITDA up 7.8% to record high \$339 million, with an increase of 1.4 percentage points in EBITDA margin to 20.3%
- **66% increase in Q2 Free Cash Flow to record high \$230 million**
 - 38% increase in Q2 Operating Cash Flow to \$254 million
 - Balance sheet working capital improved by \$150 million over the year
- **Significant \$310 million reduction in balance sheet net debt over the last 12 months to \$768 million**
 - Net debt / EBITDA ratio of 1.4x vs. 2.2x in Q2 last year
- **Combination with Sanonda completed**
 - Returning to the public equity market
 - Combined company to be renamed ADAMA and operate under its global leadership



TEL AVIV, ISRAEL, August 16, 2017 – ADAMA Agricultural Solutions Ltd. today reported its financial results for the second quarter and first half of the year ended June 30, 2017.

<i>Adjusted, US\$m</i>	Q2 2017	Q2 2016	% Change	H1 2017	H1 2016	% Change
Revenues	830	808	+2.8%	1,673	1,661	+0.7%
Gross profit	300	271	+10.9%	612	567	+7.9%
<i>Gross margin</i>	36.2%	33.5%		36.5%	34.1%	
Operating income (EBIT)	115	99	+16.6%	252	228	+10.4%
<i>EBIT margin</i>	13.9%	12.2%		15.0%	13.7%	
Net income	68	57	+19.8%	183	158	+15.6%
<i>Net income margin</i>	8.2%	7.1%		10.9%	9.5%	
EBITDA	159	143	+11.8%	339	315	+7.8%
<i>EBITDA margin</i>	19.2%	17.6%		20.3%	18.9%	

Revenue growth in constant currencies in the second quarter was 2.2%, and 0.8% in the half-year. H1 2017 figures have been adjusted for the capital gain from the sale/transfer process related to certain products in connection with ChemChina's acquisition of Syngenta and tax expenses in the amount of approximately \$3 million in respect of a tax event from 1985 against cancellation of a tax asset. H1 2016 figures have been adjusted for the value redeployment in the first quarter of 2016 of employee options granted in 2014.

Commenting on the results, **Yang Xingqiang, Chairman of Adama's Board of Directors**, said, "These exceptional results, both over the quarter and in the year-to-date, stand out in an overall challenging agricultural market, and once again demonstrate the resilience of Adama's business as well as the dedication and determination of its people. With the combination of Adama and Sanonda now completed, we are looking forward to an enormously promising future for the combined group."

Chen Lichtenstein, President and CEO of Adama, added, "In this quarter, our last before returning to the public equity market, we have delivered double-digit increases in all profit and profitability metrics, reaching record highs. Our profitable growth trajectory, driven by our increasingly differentiated portfolio, is resulting in strong cash flow generation and reduced leverage, allowing us to continue to invest in the development of our business globally. We are in a strong business and financial condition, ready to capitalize on the many growth opportunities that lie ahead."

Financial Highlights

Revenues grew by 2.8% in the quarter and by 0.7% in the half year period compared to the corresponding periods last year. This increase was driven by robust volume growth of 7.3% in the quarter and 5.5% in the half-year, with Adama's increasingly differentiated product portfolio driving strong business growth despite generally adverse agricultural market conditions. Especially strong performances were recorded in the India, Middle East and Africa region as well as in APAC. The strong volume growth was partially offset by the passing on to customers of a portion of the ongoing reduction in costs.

Gross profit increased 10.9% in the quarter to a record high \$300 million, with gross margin up by 2.7 percentage points to 36.2%, compared to the corresponding period last year. In the half-year, gross profit rose by 7.9% to a record high \$612 million, with a 2.4 percentage point increase in gross margin to 36.5%. This strong increase in profitability was the result of a combination of the robust volume growth, further improvements in the portfolio mix towards a more differentiated offering, alongside continued reduction of costs, a portion of which was passed on to customers.



Operating income increased 16.6% in the quarter to a record high \$115 million, with an increase of 1.7 percentage points in operating margin to 13.9%, compared to the corresponding period last year. In the half-year, operating income rose by 10.4% to a record high \$252 million, with an increase of 1.3 percentage points in operating margin to 15.0%.

EBITDA increased 11.8% in the quarter to a record high \$159 million, with an increase of 1.6 percentage points in EBITDA margin to 19.2%, compared to the corresponding period last year. In the half-year, EBITDA rose by 7.8% to a record high \$339 million, with an increase of 1.4 percentage points in EBITDA margin to 20.3%.

Net income in the quarter increased by a significant 19.8% to \$68 million, with an increase of 1.1 percentage points in net income margin to 8.2%, compared to the corresponding period last year. In the half-year, net income grew by 15.6% to a record high \$183 million, with an increase of 1.4 percentage points in net income margin to 10.9%.

Working capital: Balance sheet working capital improved by \$150 million compared to the corresponding period last year, driven by improvements in all working capital items.

Cash Flow: Adama generated significant increases in operating and free cash flow, both in the second quarter and in the first half of the year, reflecting the significant increases in profit as well as the improvement in working capital levels.

Operating cash flow reached \$254 million in the quarter and \$251 million in the half-year, compared with \$184 million and \$192 million in the corresponding periods last year, respectively.

The Company saw robust free cash flow generation in the second quarter, reaching a record high \$230 million in the quarter and to \$188 million in the half-year, compared to \$138 million and \$114 million in the corresponding periods last year, respectively.

Leverage: The strong cash generation has seen Adama reduce its debt levels substantially, with balance sheet net debt at the end of the second quarter of \$768 million, an improvement of \$310 million over the last 12 months. This puts the company's net debt/EBITDA ratio at around 1.4x, compared to 2.2x at the same time last year.

Regional Sales Performance

	Q2 2017 \$m	Q2 2016 \$m	% Change CER	% Change USD	H1 2017 \$m	H1 2016 \$m	% Change CER	% Change USD
Europe	286	279	+4.4%	+2.8%	684	704	+0.3%	-2.8%
North America	190	186	+2.1%	+2.1%	359	340	+5.7%	+5.7%
Latin America	147	159	-10.8%	-7.7%	262	272	-10.2%	-4.0%
India, Middle East & Africa	116	99	+13.2%	+17.1%	190	176	+6.3%	+7.8%
Asia Pacific	91	85	+6.6%	+7.2%	178	169	+4.6%	+5.8%
Total	830	808	+2.2%	+2.8%	1,673	1,661	+0.8%	+0.7%

Europe: Sales increased by 4.4% in the quarter and by 0.3% in the half-year period in constant currency terms, compared with the corresponding periods last year. This increase was driven by strong volume growth of an increasingly differentiated portfolio, despite low disease and insect pressure as a result of the cold and wet conditions in the first part of the quarter, as well as the



lingering high levels of inventory in the distribution channels, which have led to slower demand and a decrease in the overall European crop protection market. The volume growth was partially offset by the passing on to customers of a portion of the reduction in costs.

Adama continues to capitalize on the increased sugar beet acreage across the continent, with its strong sugar beet product portfolio driving increased market share.

The Company grew markedly in Romania, where its multiple farmer-centric initiatives, such as SimpliCultura™ field events showcasing its leading crop protection solutions, reach farmers directly. These efforts, complemented by a variety of digital and social media programs serving to raise brand-awareness, are delivering tangible business growth.

In the Ukraine, strong demand for Adama's differentiated portfolio, including CUSTODIA®, SUPREME® and RACER® for sunflower, as well as MAVRIK® in oilseed rape, saw the Company record sharply increased sales. The focus on digital services providing farmers with support and decision-making tools, such as the Adama Lab, Adama iMeteo and Adama Fin apps, also contributed to sales growth.

KANTIK®, a unique mixture of three active ingredients for disease control in wheat and barley, was registered in France, and is expected to be launched later this year. In addition, Adama obtained a number of new registrations in Germany, including MERCURY®, a differentiated mixture for fungal diseases in sugar beet, and CRAWLER, a unique oilseed rape herbicide for the control of a wide range of grasses.

In US dollar terms, reflecting the weaker exchange rates in the quarter and half-year period, and the lower contribution of currency hedging compared with corresponding periods last year, sales increased by 2.8% in the quarter and were 2.8% lower in the half-year.

North America: Sales increased by 2.1% in the quarter, and by 5.7% in the half-year period, both in constant currency and in US dollar terms, compared with the corresponding periods last year. This increase was a result of robust volume growth, partially offset by the passing on to customers of a portion of the reduction in costs.

Adama's US crop protection business grew strongly in the quarter, with volume-led revenue expansion, as well as an improvement in portfolio mix and improved pricing driving markedly improved profitability. Adama continues to grow sales of key backward-integrated products sourced from Sanonda and ChemChina entities, building strategic positions in these key molecules. Leveraging its leading cotton portfolio and demand creation activities on increasing cotton acres in the US, the Company continues to grow its share in this crop.

In Canada and in the Consumer and Professional Solutions business, Adama's continued shift towards more differentiated and higher-margin products drove improved profitability.

Latin America: Sales were lower by 10.8% in the quarter and by 10.2% in the half-year period in constant currency terms, compared with the corresponding periods last year. This is a reflection of the ongoing challenging industry conditions in the region, causing lower volumes and prices in the quarter in Argentina and Brazil, which was offset by volume growth in other countries. Volumes over the half-year period were stable.

Despite the overall decline in the Brazilian agrochemical market, Adama's sales in the country in the first half of the year remained stable, with volume growth complemented by an improved portfolio, a particularly noteworthy performance.



Adama is working with its customers in Brazil to navigate through the tough market conditions. The Company has expanded the SOMAR program for distributors, including financial services, as well as SOMAR PESSOAS, its unique human capital development program. In recognition of these and other initiatives, Adama Brazil was ranked, for the second year in a row, as one of the top five innovative agribusiness companies in the country.

Adama delivered strong results in Colombia and Mexico, driven by an improved portfolio mix, as well as pricing initiatives. These performances were supported by generally positive weather conditions.

Notwithstanding the challenging conditions in many countries across the region, Adama continues to invest in the development of its differentiated portfolio, with the launch in Chile of the proprietary product BREVIS® in apples as well as ACADIA BIO™, a unique anti-stress fungicide formulation, launched in Argentina.

In US dollar terms, sales in Latin America were lower by 7.7% in the quarter and by 4.0% in the half-year period compared with the corresponding periods last year, benefiting from the appreciation of local currencies, primarily the Brazilian Real, against the US dollar.

India, Middle East & Africa: Sales increased by 13.2% in the quarter and by 6.3% in the half-year period in constant currency terms, compared with the corresponding periods last year, due to substantial volume growth, most notably in India, supported by favorable weather conditions.

The outstanding performance in India was driven by significant volume growth of an increasingly differentiated portfolio, while benefiting from the early start of the monsoon season. Adama is establishing leading positions in products based on molecules sourced from Sanonda, such as ACEMAIN® and TAPUZ®, a differentiated mixture for insect control.

In Turkey, its leading sugar beet portfolio continues to perform well. Sales in South Africa were negatively impacted by drought conditions.

In US dollar terms, sales increased 17.1% in the quarter and 7.8% in the half-year period, compared to the corresponding periods last year, reflecting the strengthening of several currencies, including the South African Rand and the Indian Rupee.

Asia-Pacific: Robust growth of 6.6% in the quarter and 4.6% in the half-year was recorded in this region in constant currency terms, compared with the corresponding periods last year. This increase was driven by significant volume growth, primarily in the Pacific and parts of South East Asia, supported by new product launches, improvement of portfolio mix and positive weather conditions.

Adama continued the global rollout of its innovative nematicide NIMITZ®, with the registration of NEMASHOT in Japan, and obtained a registration for PALMERO® TX, a proprietary herbicide mixture for chickpea in Australia. CUSTODIA®, a differentiated mixture for fungus control, was launched successfully in Thailand.

The Company delivered a particularly noteworthy performance in South East Asia, with strong results in Thailand, Vietnam and Indonesia, driven in part by increased sales of its rice portfolio.

In China, Adama continued to expand its product portfolio, with launches of a number of new products, including LONGCHUANG® and LIANGGONG®, both insecticides for rice, as well as APROPO®, a broad-spectrum systemic fungicide, and JICHU™, a differentiated herbicide for wheat.

In US dollar terms, sales increased by 7.2% in the quarter and by 5.8% in the half-year compared to the corresponding periods last year, benefiting from the appreciation of local currencies, primarily the Australian Dollar, against the US dollar.



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.

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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 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 5,000-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 and follow us on Twitter® at [@AdamaAgri](https://twitter.com/AdamaAgri).

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