Stock Code: 000553(200553)   Stock Abbreviation: ADAMA A (B)   Announcement No. 2020-3

ADAMA Ltd.
Full Year 2019 Performance Estimation

The Company and all the directors confirm that the information disclosed is true, accurate, complete and with no false recording, misleading statement or material omission.

I. Performance Estimation

1. Estimation period: January 1, 2019 – December 31, 2019

2. Estimated performance: lower compared to last year

Item	Current reporting period January to December 2019	Same period last year January to December 2018 as previously reported
Net profit attributable to the shareholders of the listed company (RMB in millions)	242 – 327	2,402
	Percentage decrease YoY 86.4% - 89.9%	
Basic earnings per share (RMB)	0.0991 – 0.1336	0.9820

II. Pre-audit of the estimated performance

The estimated results of this period are the preliminary estimation of the Company and have not been audited nor reviewed by certified accountants.

III. Explanations for Performance Variation

Sales

The Company is expecting sales in the quarter to grow over 9% to reach an all-time fourth quarter record of over RMB 7 billion, driving full year sales to nearly

RMB 28 billion, another all-time record high for the Company, overcoming the significant headwinds seen during the year.

In the fourth quarter, the expected revenue growth was driven by a combination of robust business growth alongside certain price increases, which more than offset the impact of missing sales of key products manufactured at the Jingzhou old site stemming from the site disruption there during the year, as well as currency headwinds. The Company is expecting to report strong growth in Europe, where it saw an early start to the 2020 season, as well as in North America and Asia-Pacific. Noteworthy results are also seen in Brazil, led by a strong performance from CRONNOS®, and across Latin America, where the Company's differentiated product offering continues to grow.

Over the full year period, the Company is expecting to deliver another year of record-high sales, with growth of approximately 8%, nearly reaching RMB 28 billion, driving continued market share gains despite the impact of significant supply constraints, in particular the missing sales of Jingzhou old site products. The Company grew strongly in Brazil and the rest of Latin America, while the strong performance in Europe in the fourth quarter managed to mitigate some of the impact of the weather and supply constraints experienced in the region earlier in the year. The Company continues its robust growth in China, where its branded, formulated sales are expected to record another strong, double-digit increase.

Gross Profit

In the fourth quarter, the robust business growth, alongside higher prices and improved portfolio mix are expected to more than offset the impact of missing sales of the Jingzhou old site products, as well as higher procurement costs and generally weaker currencies, resulting in slightly higher gross profit compared to the same period in 2018.

Similarly, over the full year, the solid growth of the Company's differentiated portfolio, complemented by significantly higher prices, are expected to more than offset the impact of missing Jingzhou old site products sales, higher procurement costs and weaker currencies, bringing gross profit slightly above that of 2018.

Continued Progress on China Facilities Upgrade and Relocation; Associated Impairments and Provisions

The Company has made significant progress on the upgrade and relocation of its production and environmental facilities at both its Jingzhou (Hubei Province) and

Huai'An (Jiangsu Province) sites, a process in which it expects to realize significant operational efficiencies from upgrading of processes and technology, as well as the termination of less profitable production lines.

As the Company is reaching the final stage of relocation of the old sites, and expecting to commence production of the relocated products at the new Jingzhou site in Q3 2020, in its fourth quarter financial reports the Company is expecting to record a one-time, non-cash asset impairment related to terminated facilities at the old sites in both Jingzhou and Huai'An and related implementation costs of approximately RMB 355 million. In addition, the upgraded sites and their level of automation will allow for a more skilled, smaller workforce, a process which is expected to be largely completed by the end of 2020. As such, the Company is expecting to record a one-time provision for employee severance costs of approximately RMB 243 million in the fourth quarter.

Going forward, these actions are expected to deliver ongoing annual savings of up to RMB 235-330 million per year, commencing in 2020, including the elimination of most idleness charges, which were approximately RMB 329 million in 2019. Furthermore, the ongoing ramp-up of production at the Jingzhou site, as well as the expected return to regular production by some of the Company's key suppliers in China, is expected in 2020 to relieve part of the supply constraints experienced during 2019.

For additional information see the Announcement on the Provision for Relocation-related Asset Impairment and Employee Severance Costs published together with this announcement.

Other Items

- **Operating expenses:** The Company continued its tight management of operating expenses, both in the fourth quarter and throughout the full year.
- **Financial expenses:** Financial expenses in the fourth quarter are expected to be somewhat higher compared to the same period in 2018, driven by the effect of the stronger RMB on balance sheet positions. Over the full year, financial expenses are expected to be higher compared to 2018, driven by the effect on balance sheet positions of the more moderate weakening of the RMB in 2019 compared to its more marked weakening during 2018, a higher borrowing base, and the impact of accounting changes related to IFRS 16 / ASBE 21, offset to some extent by reduction in financing costs on the NIS-denominated, CPI-linked bonds due to a the

lower CPI.

- **Taxes:** Taxes in the fourth quarter of 2019 were lower due to creation of deferred tax assets in respect of the one-time, mostly non-cash charges. Over the full year, the Company saw lower tax expenses due the lower pre-tax income in the year, while in comparison, 2018 saw higher tax expenses due to the impact of the devaluation of net, non-cash tax assets as a result of the weakening in 2018 of the Brazilian Real against the US dollar.

Net Income

The reported net income for the quarter and the full year 2019 will include the one-time, mostly non-cash charges pertaining to the conclusion of the upgrade and relocation of the old sites in Jingzhou and Huai'An, which will deliver material pre-tax savings of RMB 235-330 million per year starting in 2020. Absent these one-time, mostly non-cash charges, net income in 2019 is expected to have been between RMB 840 – 925 million, while eliminating approximately RMB 329 million in related idleness charges incurred during the year, which are expected to almost entirely cease going forward as a consequence of the upgrade and relocation savings, would have brought net income to be an even higher RMB 1,169 – 1,254 million.

The higher reported net income in 2018 was due to the divestiture of several products in Europe in connection with the approval by the EU Commission of the acquisition of Syngenta by ChemChina in 2018, and other related impacts, which resulted in the recognition of an approximately RMB 1,535 million one-time gain, net of tax, in 2018. The proceeds of this divestiture, net of taxes and transaction expenses, were paid to Syngenta in return for the transfer of a portfolio of products in Europe of similar nature and economic value, which in turn, resulted in the recording, in the reported financials of each quarter from Q2 2018 onwards, of non-cash amortization expenses in respect of these written-up assets of approximately RMB 53-70 million per quarter, with no economic impact. Excluding the impact of the products' divestiture and transfer, net income in 2018 would have been lower by RMB 1,345 million, while in 2019 net income would have been higher by RMB 242 million. In the year 2020, these non-cash amortization expenses are expected to be reduced to approximately RMB 207 million, while in the year 2021 they are expected to further reduce to RMB 153 million.

In addition, in 2019 the Company recorded continued legacy amortization charges of approximately RMB 262 million in respect of the 2011 PPA for the acquisition of

Adama Agricultural Solutions Ltd. by ChemChina. The amortization of these non-cash expenses will fully conclude by Q4 2020, resulting in the elimination of these charges from 2021 onwards.

In aggregate, despite the increased gross profit and ongoing containment of operating expenses, and largely due to the missing profit from products of the Jingzhou old site and the recording of related idleness costs, as well as the one-time, mostly non-cash charges, net income for both the fourth quarter and the full year is expected to be lower than that of the parallel periods in 2018.

Excluding the impact of the one-time, mostly non-cash items, including mainly (i) the asset impairments and provisions for employee severance costs related to the upgrade and relocation of facilities at the old sites in Jingzhou and Huai'An, (ii) the non-cash amortization of Transfer assets received from Syngenta related to 2017 ChemChina-Syngenta acquisition and (iii) the legacy amortization of the 2011 PPA for the acquisition of Adama Agricultural Solutions Ltd. by ChemChina, results in the following:

- Adjusted net income for the year is expected to be between RMB 1,366 – 1,450 million compared to last year's adjusted net income of RMB 1,629 million.

- Adjusted basic earnings per share for the year is expected to be between RMB 0.5583 – 0.5928 compared to last year's adjusted basic earnings per share of RMB 0.6657.

- Adjusted EBITDA is expected to significantly increase to between RMB 970 and RMB 1,054 million in the fourth quarter, while in the full year it is expected to be between RMB 4,450 and RMB 4,535 million, in line with the record high of 2018, and despite the missing profit from missing sales of products of the Jingzhou old site and the recording of related idleness costs, as well as the supply and weather-related challenges encountered throughout the year.

IV. Other Remarks

The estimated results above are only preliminary calculations performed by the finance team of the Company based on preliminary financial data available to the Company and have not been audited or reviewed by the Company's independent auditors. These estimations may change, inter alia, as a result of the processing and analysis of the financial data that the Company will perform for the preparation of its 2019 financial statements. Please refer to the 2019 Report to be duly disclosed by the Company on March 19, 2020 for specific and accurate financial information.

Investors are reminded to exercise caution when making investment decisions.

Media for Information Disclosure of the Company: China Securities Journal, Securities Times, Ta Kung Pao, and Cninfo (www.cninfo.com.cn). Investors are reminded to exercise caution when making investment decisions.

By order of the Board
ADAMA Ltd.
January 23, 2020