ADAMA overcomes headwinds to conclude another quarter with billion-dollar sales

Continues gaining share, crossing the $2 billion mark year-to-date

- **Q2 Sales of $1,002 million, in line with last year in local currencies, lower by 2.1% in US dollar terms**
  - Continued robust growth in Latin America and Asia-Pacific, together with contribution of joiners, largely offsetting weather- and supply-related delays in North America, Europe and India
  - Continued price increases, averaging 3% across all regions
  - Jingzhou old site gradually resuming operation, resulting in short supply of high-demand products
  - **H1 sales of $2,008 million**, exceeding last year's in constant currencies, lower by 1.8% in US dollar terms
  - Cumulative 8% price increases across the portfolio since the beginning of 2018
  - Lack of high-demand products due to Jingzhou old site disruption constraining H1 sales by approximately $100 million
  - Sales of formulated, branded products in China, other than those from the Jingzhou old site, grew by more than 20% in both the quarter and the half-year

- **Q2 Gross Profit of $327 million**
  - Gross margin of 32.6% vs. 33.4% last year
  - **H1 gross profit of $673 million**, with gross margin of 33.5% vs. 33.9% last year
  - Robust prices largely offset lower volume, higher procurement costs and softer currencies
  - Jingzhou old site disruption constraining H1 gross profit by approximately $35 million

- **Q2 EBITDA of $177 million**
  - EBITDA margin of 17.7%, 0.8 p.p. below last year
  - **H1 EBITDA of $365 million**, with EBITDA margin of 18.2%, in line with H1 of last year
  - Strong containment of operating expenses while recording idleness cost at Jingzhou old site
  - Jingzhou old site disruption, including idleness cost, constraining H1 EBITDA by approximately $50 million

- **Q2 Net Income of $51 million**
  - Net income margin of 5.1%, 2.0 p.p. below last year
  - **H1 net income of $131 million**, with net income margin of 6.5%
  - Jingzhou old site disruption, including expected lower resulting taxes, constraining H1 Net Income by approximately $40 million

BEIJING, CHINA and TEL AVIV, ISRAEL, August 21, 2019 – ADAMA Ltd. (the "Company") (SZSE 000553) today reported its financial results for the second quarter and six-month period ended June 30, 2019.

Table 1. Financial Performance Summary

Adjusted, US$m		Q2 2019	Q2 2018	% Change	% Change CER	H1 2019	H1 2018	% Change	% Change CER
Revenues		**1,002**	**1,023**	**-2.1%**	**-0.6%**	**2,008**	**2,045**	**-1.8%**	**+0.2%**
Gross profit		327	342	-4.3%		673	694	-3.0%	
Gross margin		*32.6%*	*33.4%*			*33.5%*	*33.9%*		
Operating income (EBIT)		116	137	-15.6%		242	273	-11.2%	
EBIT margin		*11.5%*	*13.4%*			*12.1%*	*13.3%*		
Net income		**51**	**73**	**-30.3%**		**131**	**157**	**-16.5%**	
Net income margin		*5.1%*	*7.1%*			*6.5%*	*7.7%*		
EBITDA		**177**	**189**	**-6.2%**		**365**	**379**	**-3.7%**	
EBITDA margin		*17.7%*	*18.5%*			*18.2%*	*18.5%*		
Earnings per share	- USD	0.0208	0.0299			0.0535	0.0641		
	- RMB	0.1419	0.1905			0.3626	0.4083		

All income statement items contained in this release are presented on an adjusted basis. A detailed description and analysis of differences between the adjusted income statement and that reported in the financial statements is contained in the "Analysis of Gaps between Adjusted Income Statement and Income Statement in Financial Statements" in the appendix to this release. EPS are the same for basic and diluted. Q2 and H1 2019 include the results of both Bonide and Anpon following the completion of their acquisition.

Commenting on the results, **Yang Xingqiang, Chairman of ADAMA's Board of Directors**, said, "In challenging times, the Company's ability to successfully execute on its growth strategy anchors our strength. Our robust and expanding product portfolio, combined with our strong global market presence, has allowed us to overcome market and supply challenges and deliver a resilient performance."

Chen Lichtenstein, President and CEO of ADAMA, added, "We now cross difficult market conditions, with adverse weather, industry-wide supply constraints and currency headwinds. In addition, as the gradual ramp-up of production at the Jingzhou old site is ongoing, we still lack sufficient supply of products in high demand. We drive our performance by capitalizing on growth markets, deepening our commercial presence and launching new and differentiated products, and continue to outgrow the market."

Performance in Context of Market Environment

Significant precipitation in North America in the first quarter followed by unprecedented flooding in the second quarter, alongside extreme dry weather in Europe, India and parts of Asia-Pacific, delayed and reduced application of crop protection products in these regions. Latin America benefited from relatively strong demand in the southern hemisphere off-season. India's monsoon season started late in the second quarter, delaying the sowing of several summer-planted crops.

Crop prices have generally remained subdued in the first half of 2019, with the exception of corn, which continues to challenge farmer income in most regions, resulting in continued sluggish demand for crop protection products.

The sustained supply-constrained environment, mostly owing to increased environmental focus in China, has seen continued industry-wide shortages in certain raw materials and intermediates, and

resulted in procurement costs remaining elevated compared to the first half of last year. The Company continues to raise its prices in all regions and contain its manufacturing and other operating costs to mitigate this impact.

Looking toward the second half of the year, the Company expects robust growth, as the southern hemisphere regions, which are performing strongly, move into their peak season, as the Monsoon season progresses in India, and as supply constraints start alleviating.

Financial Highlights

Revenues in the second quarter were $1,002 million, in-line with the same period last year in constant currency terms, and somewhat lower in US dollar terms (5% up in RMB terms). Half-year sales reached $2,008 million, slightly above last year in constant currency terms, and somewhat below in US dollar terms (5% up in RMB terms), reflecting the lack of high-demand products due to the Jingzhou old site disruption, which constrained H1 sales by approximately $100 million.

The extended cold and wet conditions in North America, alongside dry weather in Europe, India and parts of Asia-Pacific, delayed and reduced application of crop protection products, while continued tight supply conditions prevented the Company from taking advantage of demand for certain products.

Strong growth in Latin America, led by Brazil, as well as resilient performance in APAC, notably Australia, alongside the contribution of joiners Bonide and Anpon, partially offset these weather- and supply-related delays. The continued supportive pricing environment allowed for the passing on of some of the impact of the constrained supply and higher procurement costs, while mitigating the impact of generally softer currencies. ADAMA continues to drive growth with new launches of differentiated product throughout all regions.

In China, continued strong demand for the Company's differentiated, formulated and branded products is supporting the shift towards sales through its own channels and away from sales of unformulated, technical active ingredients to intermediaries.

Gross profit in the second quarter was $327 million (gross margin of 32.6%) and $673 million (gross margin of 33.5%) in the half-year, compared to $342 million (gross margin of 33.4%) and $694 million (gross margin of 33.9%) in the corresponding periods last year, respectively (up by 2% and 3%, respectively, in RMB terms). The relatively modest decline in gross margin reflects the benefit of stronger pricing, which compensated for a large part of the impact of the lower available volumes, higher procurement costs and softer currencies. The Jingzhou old site disruption constrained H1 gross profit by approximately $35 million.

Operating expenses. Total operating expenses were $211 million (21.1% of sales) in the second quarter and $430 million (21.4% of sales) in the half-year, compared to $205 million (20.0% of sales) and $421 million (20.6% of sales) in the corresponding periods last year, respectively. These moderate increases reflect the ongoing containment of expenses, aided by softer currencies as well as net other operating income of $18 million in the half-year from expropriation of land, which offset the inclusion of joiners as well as the recording of a charge in the half-year of $20 million in respect of idleness costs at the Jingzhou old site, as it advances its gradual ramp-up in production.

Sales and Marketing expenses in the second quarter were $160 million (16.0% of sales), and $324 million (16.1% of sales) in the first half, compared to $157 million (15.4% of sales) and $319 million (15.6% of sales) in the corresponding periods last year, respectively. The moderate increase reflects the benefit of expense containment and softer currencies, offset by joiners' first-time inclusion.

General and Administrative expenses in the second quarter were $36 million (3.6% of sales), and $68 million (3.4% of sales) in the first half, compared to $35 million (3.5% of sales) and $75 million (3.6% of sales) in the corresponding periods last year, respectively.

R&D expenses in the second quarter were $15 million (1.5% of sales), and $31 million (1.5% of sales) in the first half, compared to $12 million (1.2% of sales) and $25 million (1.2% of sales) in the corresponding periods last year, reflecting higher spend on strategic research and development projects.

Operating income in the second quarter was $116 million (11.5% of sales) and $242 million (12.1% of sales) in the first half, compared to $137 million (13.4% of sales) and $273 million (13.3% of sales) in the corresponding periods last year, respectively.

EBITDA in the second quarter was $177 million (17.7% of sales) and $365 million (18.2% of sales) in the first half, compared to $189 million (18.5% of sales) and $379 million (18.5% of sales) in the corresponding periods last year, respectively (up by 0.2% and 2.5%, respectively in RMB terms). The Jingzhou old site disruption, including idleness costs, constrained H1 EBITDA by approximately $50 million.

Financial expenses and investment income. Total net financial expenses and investment income were $49 million in the second quarter and $87 million in the first half, compared to $33 million and $67 million in the corresponding periods last year, respectively. This reflects the impact of both the appreciation of the Israeli Shekel as well as the higher CPI on the Shekel-denominated, CPI-linked bonds, as well as higher interest and hedging costs, while the lower expenses in the corresponding periods last year reflect the benefit of foreign exchange income related to balance sheet positions.

Tax expenses. Net tax expenses were $15 million in the second quarter and $24 million in the first half, compared to $31 million and $49 million in the corresponding periods last year, respectively. The lower tax expenses this year were largely due to the lower taxable income, while the higher tax expenses in the prior periods reflected the non-cash impact of the devaluation of the Brazilian Real, resulting in a lower value of local currency-denominated non-monetary assets.

Net income in the second quarter was $51 million (5.1% of sales) and $131 million (6.5% of sales) in the first half compared to $73 million (7.1% of sales) and $157 million (7.7% of sales) in the corresponding periods last year, respectively (lower by 26% and 11%, respectively, in RMB terms). The Jingzhou old site disruption, including the expected lower resulting taxes, constrained H1 Net Income by approximately $40 million.

Working capital at June 30, 2019 was $2,067 million, compared to $1,700 million at the same point last year. The higher level reflects increased trade receivables resulting from the Company's strong growth in Q4 2018 and the robust performance in Brazil in the first-half of 2019, alongside somewhat lower payable days, notably due to the inclusion of joiners. Inventory levels were higher due to the missing of sales resulting from the weather-related challenges as well as credit restraint in eastern Europe, alongside the build-up of inventory to prepare for the expected growth in the second half of 2019, as well as the first-time additions of joiners.

Cash Flow. Operating cash flow of $144 million was generated in the quarter and $47 million was consumed in the first half, compared to $156 million and $122 million generated in the corresponding periods last year, respectively, mainly reflecting the build-up of working capital and the impact of the partially operational Jingzhou old site.

Net cash used in investing activities was $44 million in the quarter and $203 million in the first half compared to cash outflows of $49 million and $41 million in the corresponding periods last year, respectively, with the higher 2019 outflow reflecting acquisitions, while in the first quarter of 2018, the Company recorded the one-time proceeds from the divestiture of several products in connection with the approval by the EU Commission of the acquisition of Syngenta by ChemChina, and outflow of a lesser net amount for the transfer of a similar portfolio of products. Investments in fixed assets, net of investment grants, amounted to $25 million in the quarter and $47 million in the first half compared to $29 million and $56 million in the corresponding periods last year, respectively.

Free cash flow of $59 million was generated in the second quarter compared to $72 million generated in the same period last year. In the first half, free cash flow consumed was $297 million compared to the $42 million that the Company generated in the corresponding period last year, noting the impact of net proceeds from divestitures in 2018, and outflow for acquisitions in 2019.

Leverage: Balance sheet net debt at the end of the quarter was $866 million, compared to $447 million as of June 30, 2018, reflecting the aforementioned net consumption of cash, acquisitions, the assumption of their debt and dividend paid out.

Increasing collaboration activities. The Company continues to advance collaboration opportunities with other ChemChina group entities, as well as other entities of the Sinochem group, to make the most of its positioning.

Jingzhou Old Site

Following resumption of operations at the Jingzhou old site in late March, the Company is advancing the gradual ramp-up of production. The new state-of-the-art wastewater treatment facility is operational, and the upgraded biological-decomposition systems are being acclimated to the improved wastewater quality. As this progresses, the Company is still experiencing constrained supply in key products manufactured at the site, especially impacting the Americas, Asia-Pacific, China, and India, Middle-East and Africa, constraining sales and gross profit by approximately $100 million and $35 million, respectively, in the half-year, and recorded approximately $20 million in related idleness costs during the period, bringing the impact from the disruption on EBITDA to approximately $50 million and on Net Income to approximately $40 million. In recent weeks, the Ecological Protection Supervision Team of the central government commenced on-site inspections at many ChemChina group companies, including the Company's sites in China, as part of its strengthening ongoing environmental and safety focus. ADAMA is working in full cooperation, in the context of its 3-year relocation and upgrade process which is due to conclude next year, to identify and rectify any safety or environmental matter.

Table 2. Regional Sales Performance

	Q2 2019 $m	Q2 2018 $m	Change CER	Change USD	H1 2019 $m	H1 2018 $m	Change CER	Change USD
Europe	267	309	-16.7%	-13.6%	628	702	-13.6%	-10.6%
North America	220	213	+3.7%	+3.5%	400	407	-1.3%	-1.6%
Latin America	196	172	+20.0%	+14.2%	355	311	+22.6%	+14.4%
Asia Pacific	173	167	+7.8%	+3.1%	358	356	+5.2%	+0.7%
Of which China	*86*	*88*	*+1.7%*	*-3.0%*	*179*	*173*	*+7.8%*	*+3.9%*
India, Middle East & Africa	146	162	-6.2%	-10.2%	267	270	+5.9%	-1.4%
Total	**1,002**	**1,023**	**-0.6%**	**-2.1%**	**2,008**	**2,045**	**+0.2%**	**-1.8%**

CER: Constant Exchange Rates

Europe: Sales in Europe were lower by 16.7% in the quarter and 13.6% in the first half, in constant currency terms, compared to the corresponding periods last year. This is primarily due to tight supply conditions as well as unseasonably hot weather towards the end of the second quarter, which constrained sales in key countries.

In Northern Europe, sales continued to be impacted by credit restraint in Ukraine, with the Company proactively restricting sales to only those customers with a proven ability to pay, as well as by adverse weather conditions in Germany, reducing crop protection application in all major crops, alongside the tight supply conditions.

In Southern Europe, weak disease pressure in key markets resulted in subdued demand for crop protection products, while supply-related constraints further impacted sales.

In the second quarter, ADAMA launched MERKUR® in France, a differentiated, broad-spectrum three-way herbicide mixture in an innovative formulation, combating weed seed germination and growth. In addition, the Company obtained several new product registrations, including MERPLUS®, a differentiated fungicide for pome fruits in Europe and FLUTEPRID®, a 3-way combination insecticide-fungicide seed dressing for control of diseases and pests in grain crops in Russia.

In US dollar terms, sales in Europe were lower by 13.6% in the quarter and 10.6% in the first half compared to the corresponding periods last year, reflecting positive hedging contribution.

North America: Sales increased by 3.7% in the quarter and were 1.3% lower in the first half, in constant currency terms, compared with the corresponding periods last year, with continued price increases partially offsetting adverse weather conditions.

Significant and extended precipitation in the first quarter, followed by unprecedented floodings in the second quarter, posed significant challenges for farmers, delaying the planting season and reducing planted acreage, impacting sales across key agricultural markets.

In Consumer and Professional Solutions, the Company saw a pleasing contribution from joiner Bonide, despite the challenging weather conditions which similarly impacted the non-crop market.

BRAZEN®, a selective herbicide for grass control in spring wheat and barley in Canada, delivered a strong performance in its first quarter following its recent launch.

In US dollar terms, sales in North America increased by 3.5% in the quarter and were 1.6% lower in the first half, compared to the corresponding periods last year.

Latin America: Latin America delivered exceptionally strong growth in both the second quarter and half year period, with sales up by 20.0% and 22.6%, in constant currency terms, compared to the corresponding periods last year, respectively. Business growth in key countries across the region, alongside continued price increases, more than offset the impact of constrained supply.

The Company continues to grow strongly in Brazil, where robust demand for its corn portfolio overcame supply shortages in certain products. The Company saw strong performance in the key soybean market, leveraging its distinctive product offering, including flagship CRONNOS®, the triple-action fungicide for rust, while benefiting from an increase in planted areas.

Noteworthy performance was recorded in the second quarter in Argentina, despite adverse weather conditions.

During the quarter, the Company launched several new products, including BREVIS®, a differentiated post-bloom fruit thinner in apples in Argentina, as well as KADABRA®, a broad-spectrum mixture insecticide for vegetables in Mexico, and UBERTOP® an insecticide used mainly for the control of a wide range of pests in tomato and cabbage in Central America, while the proprietary NIMITZ® suite of nematicide products was launched in Peru.

In US dollar terms, sales in Latin America increased by 14.2% in the quarter and 14.4% in the first half, compared to the corresponding periods last year, reflecting the impact of softer currencies.

Asia-Pacific: Sales in the region grew by 7.8% in the second quarter and 5.2% in the first half, in constant currency terms, compared to the corresponding periods last year, driven by business growth and continued price increases.

The second quarter saw a strong recovery in Australia, as long-awaited rain bolstered the winter crop season following the severe drought which significantly impacted sales in the country in the first quarter. However, drought conditions continued to impact the broader Asia-Pacific region in the second quarter, reducing crop protection application and constraining sales in many countries.

During the quarter, the Company obtained a number of new registrations for differentiated products, including LEGACY MA-X® for controlling a wide range of broadleaf weeds in Australian winter cereals and pasture, APROPO® fungicide for rice in Philippines, and TOPNOTCH® to control various diseases in Australian wheat and barley.

In China, ADAMA continues to see strong demand for its differentiated, formulated and branded products, and prioritizes the sale of these products through its own channels by rapidly shifting away from selling unformulated, technical product to intermediaries, and in so doing benefiting from the full product positioning as well as end-to-end margin. Sales of these formulated, branded products other than those from the Jingzhou old site, grew by more than 20% in both the quarter and first half.

ADAMA continues to make significant portfolio advances in China, with the launch in the second quarter of LEIWANG®, a combination insecticide to help combat the fall army worm outbreak.

Anpon delivered a solid performance in its first full quarter since joining, compensating for the interruption to supply resulting from the Jingzhou old site.

In US dollar terms, sales in Asia-Pacific grew by 3.1% in the second quarter and by 0.7% in the first half, compared to the corresponding periods last year, reflecting the impact of softer currencies.

India, Middle East & Africa: Sales were lower by 6.2% in the second quarter, yet up by 5.9% in the first half, in constant currency terms, compared to the corresponding periods last year.

Sales in India were impacted by the late Monsoon rains, reducing planting areas and delaying crop protection application, as well as supply constraints in China-sourced products. In the half-year, growth in the region benefited from a strong performance in Turkey.

In US dollar terms, sales were lower by 10.2% in the second quarter and 1.4% in the first half, compared to the corresponding periods last year, reflecting the impact of softer currencies.

Table 3. Revenues by operating segment

Second quarter sales

	Q2 2019 USD(m)	%	Q2 2018 USD(m)	%
Crop Protection	905	90.3%	957	93.5%
Intermediates and Ingredients	97	9.7%	66	6.5%
Total	**1,002**	**100.0%**	**1,023**	**100.0%**

First half sales

	H1 2019 USD(m)	%	H1 2018 USD(m)	%
Crop Protection	1,814	90.4%	1,905	93.1%
Intermediates and Ingredients	194	9.6%	141	6.9%
Total	**2,008**	**100.0%**	**2,045**	**100.0%**

Further Information

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

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About ADAMA

ADAMA 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 more than 7,000-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.

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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 ADAMA Ltd. and Adama Agricultural Solutions Ltd. as filed with the Shenzhen and Tel Aviv Stock Exchanges, respectively.

Table 4. Abridged Consolidated Income Statement for the Second Quarter

Adjusted[1]	Q2 2019 USD(m)	Q2 2018 USD(m)	Q2 2019 RMB(m)	Q2 2018 RMB(m)
Revenues	**1,002**	**1,023**	**6,828**	**6,527**
Cost of Sales	672	679	4,577	4,330
Business taxes and surcharges	3	3	22	18
Gross profit	**327**	**342**	**2,229**	**2,179**
% of revenue	*32.6%*	*33.4%*	*32.6%*	*33.4%*
Selling and distribution expenses	160	157	1,092	1,003
General and administrative expenses	37	35	248	225
Research and development expenses	15	12	105	76
Other operating expenses / (income)	-1	0.2	-4	1
Total Operating expenses	211	205	1,441	1,305
Operating income (EBIT)	**116**	**137**	**788**	**873**
% of revenue	*11.5%*	*13.4%*	*11.5%*	*13.4%*
Financial expenses and investment income	49	33	337	210
Income before taxes	**66**	**104**	**451**	**663**
Taxes on Income	15	31	104	197
Net income	**51**	**73**	**347**	**466**
% of revenue	*5.1%*	*7.1%*	*5.1%*	*7.1%*
EBITDA	**177**	**189**	**1,207**	**1,204**
% of revenue	*17.7%*	*18.5%*	*17.7%*	*18.5%*
Earnings per Share – Basic	*0.0208*	*0.0299*	*0.1419*	*0.1907*
– Diluted	*0.0208*	*0.0299*	*0.1419*	*0.1907*

Earnings per share are the same for basic and diluted. The number of shares used to calculate earnings per share is 2,446.6 million shares.

[1] 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".

Table 5. Abridged Consolidated Income Statement for the First Half

Adjusted[2]	H1 2019 USD(m)	H1 2018 USD(m)	H1 2019 RMB(m)	H1 2018 RMB(m)
Revenues	**2,008**	**2,045**	**13,616**	**13,026**
Cost of Sales	1,329	1,346	9,010	8,571
Business taxes and surcharges	7	6	46	37
Gross profit	**673**	**694**	**4,560**	**4,418**
% of revenue	*33.5%*	*33.9%*	*33.5%*	*33.9%*
Selling and distribution expenses	324	319	2,195	2,030
General and administrative expenses	69	75	464	474
Research and development expenses	31	25	211	156
Other operating expenses / (income)	7	3	49	21
Total Operating expenses	431	421	2,919	2,682
Operating income (EBIT)	**242**	**273**	**1,641**	**1,735**
% of revenue	*12.1%*	*13.3%*	*12.1%*	*13.3%*
Financial expenses and investment income	87	67	589	426
Income before taxes	**155**	**206**	**1,052**	**1,309**
Taxes on Income	24	49	165	310
Net income	**131**	**157**	**887**	**999**
% of revenue	*6.5%*	*7.7%*	*6.5%*	*7.7%*
EBITDA	**365**	**379**	**2,471**	**2,411**
% of revenue	*18.2%*	*18.5%*	*18.2%*	*18.5%*
Earnings per Share – Basic	*0.0535*	*0.0641*	*0.3626*	*0.4083*
– Diluted	*0.0535*	*0.0641*	*0.3626*	*0.4083*

Earnings per share are the same for basic and diluted. The number of shares used to calculate earnings per share is 2,446.6 million shares.

[2] 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".

Table 6. Abridged Consolidated Balance Sheet

	June 30 2019 USD (m)	June 30 2018 USD (m)	June 30 2019 RMB (m)	June 30 2018 RMB (m)
Assets				
Current assets:				
Cash at bank and on hand	789	914	5,425	6,050
Bills and accounts receivable	1,201	1,087	8,254	7,194
Inventories	1,504	1,251	10,338	8,275
Other current assets, receivables and prepaid expenses	285	306	1,959	2,026
Total current assets	**3,779**	**3,558**	**25,976**	**23,544**
Non-current assets:				
Fixed assets, net	1,121	1,061	7,708	7,021
Rights of use assets	80	-	548	-
Intangible assets, net	1,469	1,486	10,102	9,835
Deferred tax assets	112	94	768	624
Other non-current assets	103	84	708	554
Total non-current assets	**2,885**	**2,726**	**19,834**	**18,034**
Total assets	**6,664**	**6,284**	**45,810**	**41,578**
Liabilities				
Current liabilities:				
Loans and credit from banks and others	397	132	2,730	872
Bills and accounts payable	662	660	4,554	4,366
Other current liabilities	767	825	5,270	5,460
Total current liabilities	**1,826**	**1,617**	**12,555**	**10,699**
Long-term liabilities:				
Long-term loans	98	48	674	320
Debentures	1,186	1,141	8,153	7,549
Deferred tax liabilities	51	71	351	472
Employee benefits	94	95	644	631
Other long-term liabilities	139	55	954	363
Total long-term liabilities	**1,567**	**1,411**	**10,775**	**9,336**
Total liabilities	**3,393**	**3,028**	**23,331**	**20,034**
Equity				
Total equity	3,270	3,256	22,479	21,543
Total equity	**3,270**	**3,256**	**22,479**	**21,543**
Total liabilities and equity	**6,664**	**6,284**	**45,810**	**41,578**

Table 7. Abridged Consolidated Cash Flow Statement for the Second Quarter

	Q2 2019 USD (m)	Q2 2018 USD (m)	Q2 2019 RMB (m)	Q2 2018 RMB (m)
Cash flow from operating activities:				
Cash flow from operating activities	144	156	985	995
Cash flow from operating activities	**144**	**156**	**985**	**995**
Investing activities:				
Acquisitions of fixed and intangible assets	-47	-48	-319	-304
Cash received from disposal of investments	2	-	12	-
Proceeds from disposal of fixed and intangible assets	-	-	-	1
Acquisitions of a subsidiary	-	-	-2	-
Other investing activities	1	-1	9	-7
Cash flow used for investing activities	**-44**	**-49**	**-300**	**-310**
Financing activities:				
Receipt of loans from banks and other lenders	66	-	451	-
Repayment of loans from banks and other lenders	-30	-33	-205	-212
Other financing activities	-50	-41	-343	-258
Cash flow from (used for) financing activities	**-14**	**-74**	**-98**	**-470**
Effects of exchange rate movement on cash and cash equivalents	**-7**	**-14**	**57**	**209**
Net change in cash and cash equivalents	**79**	**20**	**643**	**424**
Cash and cash equivalents at the beginning of the period	704	890	4,739	5,597
Cash and cash equivalents at the end of the period	**783**	**910**	**5,382**	**6,021**
Free Cash Flow	**59**	**72**	**404**	**453**

Table 8. Abridged Consolidated Cash Flow Statement for the First Half

	H1 2019 USD (m)	H1 2018 USD (m)	H1 2019 RMB (m)	H1 2018 RMB (m)
Cash flow from operating activities:				
Cash flow from operating activities	-47	122	-305	780
Cash flow from operating activities	**-47**	**122**	**-305**	**780**
Investing activities:				
Acquisitions of fixed and intangible assets	-89	-421	-606	-2,678
Cash received from disposal of investments	3	-	20	-
Proceeds from disposal of fixed and intangible assets	5	380	31	2,413
Acquisitions of a subsidiary	-123	-	-827	-
Other investing activities	2	-	12	1
Cash flow used for investing activities	**-203**	**-41**	**-1,370**	**-265**
Financing activities:				
Receipt of loans from banks and other lenders	294	-	1,988	-
Repayment of loans from banks and other lenders	-68	-322	-464	-2,048
Other financing activities	-116	-48	-788	-308
Cash flow from (used for) financing activities	**109**	**-370**	**736**	**-2,356**
Effects of exchange rate movement on cash and cash equivalents	**-2**	**-4**	**-25**	**-2**
Net change in cash and cash equivalents	**-142**	**-294**	**-964**	**-1,843**
Cash and cash equivalents at the beginning of the period	925	1,204	6,346	7,864
Cash and cash equivalents at the end of the period	**783**	**910**	**5,382**	**6,021**
Free Cash Flow	**-297**	**42**	**-1,996**	**254**

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 June 30, 2019 and 2018 incorporate the financial statements of ADAMA Ltd. and of all of its subsidiaries (the "Company"), including Adama Agricultural Solutions Ltd. ("Solutions") and its subsidiaries.

The 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").

The abridged consolidated financial statements contained in this release are presented in both Chinese Renminbi (RMB), as the 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 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 expenses; research and development expenses; asset and credit 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 held for trading, derivatives financial assets, receivables financing, prepayments, other receivables; and other current assets
- "Fixed assets, net" includes fixed assets, construction in progress and rights-of-use assets
- "Intangible assets, net" includes intangible assets and goodwill
- "Other non-current assets" includes other equity investments; long-term equity investments; long-term receivables; investment property; and other non-current assets
- "Loans and credit from banks and others" includes short-term loans and non-current liabilities due within one year
- "Other current liabilities" includes derivatives financial liabilities, payables for employee benefits, contract liabilities, taxes payable, other payables and other current liabilities
- "Other long-term liabilities" includes long-term payables, lease liability, provisions and other non-current liabilities

Table 9. Analysis of Gaps between Adjusted Income Statement and Reported Income Statement in Financial Statements

Q2	Adjusted		Adjustments		Reported	
USD(m)	Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018
Revenues	1,002	1,023	-	-	1,002	1,023
Gross profit	327	342	-1	-	328	342
Operating expenses	211	205	-22	-23	233	228
Operating income (EBIT)	116	137	21	23	95	114
Income before taxes	66	104	20	23	46	81
Net income	51	73	18	21	33	52
EBITDA	177	189	-3	2	180	187
Earnings per share	0.0208	0.0299			0.0133	0.0212

Q2	Adjusted		Adjustments		Reported	
RMB(m)	Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018
Revenues	6,828	6,527	-	-	6,828	6,527
Gross profit	2,229	2,179	-3	-	2,233	2,179
Operating expenses	1,441	1,305	-144	-148	1,586	1,453
Operating income (EBIT)	788	873	141	148	647	726
Income before taxes	451	663	137	148	314	515
Net income	347	466	125	135	222	331
EBITDA	1,207	1,204	-22	10	1,229	1,194
Earnings per share	0.1419	0.1905			0.0907	0.1352

H1	Adjusted		Adjustments		Reported	
USD(m)	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018
Revenues	2,008	2,045	-	-	2,008	2,045
Gross profit	673	694	2	2	671	692
Operating expenses	430	421	-49	-63	479	140
Operating income (EBIT)	242	273	51	-281	191	553
Income before taxes	155	206	47	-280	108	486
Net income	131	157	44	-215	87	372
EBITDA	365	379	2	-310	363	689
Earnings per share	0.0535	0.0641			0.0355	0.1518

H1	Adjusted		Adjustments		Reported	
RMB(m)	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018
Revenues	13,616	13,026	-	-	13,616	13,026
Gross profit	4,560	4,418	13	10	4,547	4,408
Operating expenses	2,919	2,682	-330	1,790	3,249	892
Operating income (EBIT)	1,641	1,735	343	-1,781	1,298	3,516
Income before taxes	1,052	1,309	323	-1,781	729	3,090
Net income	887	999	298	-1,364	589	2,363
EBITDA	2,471	2,411	10	-1,976	2,461	4,387
Earnings per share	0.3626	0.4083			0.2406	0.9658

Table 10. Income Statement Adjustments

In addition to the reported financial results that the Company prepares in accordance with PRC GAAP, the Company's management prepares non-GAAP, Adjusted financial results to present what the Company believes is a more useful view of the true economic performance of the business on an ongoing basis. These Adjusted results exclude items that are of a one-time or non-cash/non-operational nature that do not impact the ongoing performance of the business and reflects the way the Company's management and Board of Directors view the performance of the Company. The Company believes that excluding the effects of these items from its operating results allows an effective assessment and comparison of the underlying financial performance of its business from period to period and within the market.

	Q2 2019 USD (m)	Q2 2018 USD (m)	Q2 2019 RMB (m)	Q2 2018 RMB (m)
Net Income (Reported)	**32.6**	**51.9**	**221.9**	**330.8**
Adjustments to COGS & Operating Expenses:				
1. Amortization of Legacy PPA of 2011 acquisition of Solutions (non-cash)	11.5	11.5	78.1	73.0
2. One-time capital gain from Divestment of registrations due to 2017 ChemChina-Syngenta transaction	-	-	-	-
3. Amortization of Transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash)	9.2	10.2	62.5	64.8
4. Reinstatement of amortization expenses due to Divestment (non-cash)	-	-	-	-
5. Accelerated depreciation due to relocation (non-cash)	2.2	-	15.2	-
6. Non-core assets closure (non-cash)	-	0.8	-	4.9
7. Long-term incentive classified on an equity-settled basis (non-cash)	-3.3	0.8	-22.7	5.0
8. Amortization of acquisition PPA (non-cash)	1.2	-	8.1	-
9. Sanonda-ADAMA Combination transaction one-time stamp tax	-	-	-	-
Total Adjustments to Operating Income (EBIT)	**20.7**	**23.2**	**141.1**	**147.7**
Total Adjustments to EBITDA	**-3.2**	**1.6**	**-21.6**	**9.9**
Adjustments to Financing Expenses:				
10. Revaluation of non-cash adjustment related to non-controlling interest	-0.7	-	-4.5	-
Total Adjustments to Income before Taxes	**20.0**	**23.2**	**136.7**	**147.7**
Adjustments to Taxes				
1. Tax shield on Legacy PPA of 2011 acquisition of Solutions	-1.9	-1.9	-13.3	-12.4
2. Tax expense due to capital gain from registrations Divestment	-	-	-	-
8. Deferred tax due to PPA	0.3	-	1.9	-
Total adjustments to Net Income	**18.4**	**21.2**	**125.3**	**135.3**
Net Income (Adjusted)	**50.9**	**73.1**	**347.2**	**466.1**

	H1 2019 USD (m)	H1 2018 USD (m)	H1 2019 RMB (m)	H1 2018 RMB (m)
Net Income (Reported)	**86.9**	**371.5**	**588.7**	**2,362.8**
Adjustments to COGS & Operating Expenses:				
1. Amortization of Legacy PPA of 2011 acquisition of Solutions (non-cash)	22.9	22.9	155.3	145.8
2. One-time capital gain from Divestment of registrations due to 2017 ChemChina-Syngenta transaction	-	-314.3	-	-1,998.5
3. Amortization of Transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash)	19.8	10.2	134.2	64.8
4. Reinstatement of amortization expenses due to Divestment (non-cash)	-	-2.6	-	-16.5
5. Accelerated depreciation due to relocation (non-cash)	4.5	-	30.7	-
6. Non-core assets closure (non-cash)	-	2.3	-	14.8
7. Long-term incentive classified on an equity-settled basis (non-cash)	1.4	-0.1	9.2	-0.9
8. Amortization of acquisition PPA (non-cash)	2.1	-	14.1	-
9. Sanonda-ADAMA Combination transaction one-time stamp tax	-	1.5	-	9.4
Total Adjustments to Operating Income (EBIT)	**50.7**	**-280.2**	**343.6**	**-1,781.0**
Total Adjustments to EBITDA	**1.6**	**-310.9**	**10.3**	**-1,976.7**
Adjustments to Financing Expenses:				
10. Revaluation of non-cash adjustment related to non-controlling interest	-3.0	-	-20.5	-
Total Adjustments to Income before Taxes	**47.7**	**-280.2**	**323.0**	**-1,781.0**
Adjustments to Taxes				
1. Tax shield on Legacy PPA of 2011 acquisition of Solutions	-3.9	-3.9	-26.4	-24.8
2. Tax expense due to capital gain from registrations Divestment	-	69.5	-	441.8
8. Deferred tax due to PPA	0.3	-	1.9	-
Total adjustments to Net Income	**44.1**	**-214.6**	**298.5**	**-1,363.9**
Net Income (Adjusted)	**131.0**	**156.9**	**887.1**	**998.8**

Notes:

1. **Amortization of Legacy PPA of 2011 acquisition of Solutions (non-cash)**: Under PRC GAAP, the Company has inherited the historical "legacy" amortization charge from the first combined reporting for Q3 2017 that ChemChina previously was incurring in respect of its acquisition of Solutions in 2011. This amortization is done in a linear manner on a quarterly basis, most of which will be completed and removed in the second half of 2020.
2. **One-time capital gain from Divestment of registrations due to 2017 ChemChina-Syngenta transaction:** In the first quarter of 2018, the Company earned a one-time profit on the Divestment of crop protection products in connection with the approval by the EU Commission of the acquisition of Syngenta by ChemChina. This one-time profit is excluded from the Adjusted financial results due to its one-time nature, while the related tax expense is also adjusted for.
3. **Amortization of Transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash):** The proceeds from the Divestment of crop protection products in connection with the approval by the EU Commission of the acquisition of Syngenta by ChemChina, 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. Since the products acquired from Syngenta are of the same nature and with the same net economic value as those divested, and since the Company excludes the one-time gain that it made on the divested products, the additional amortization charge incurred due to the written-up of the acquired assets is also excluded to present a consistent view of Divestment and Transfer transactions, which had no net impact on the underlying economic performance of the Company. See note 2.
4. **Reinstatement of amortization expenses, related to the Divestment (non-cash):** Reinstatement of amortization expenses due to classification of to-be-divested European registrations as "Held-for-Sale", related to 2017 ChemChina acquisition of Syngenta.
5. **Accelerated depreciation due to relocation (non-cash):** Production assets located in the old production sites in Jingzhou and Huai'An will be relocated to the new sites in the coming years. Since some of the older production assets may not be able to be relocated, some of these assets which are no longer operational are being written off (or impaired), while for others, their economic life has been shortened and therefore will be depreciated over a shorter period. Since these are older assets that were built many years ago and will be replaced by newer production facilities at the new sites, and since the ongoing operations of the business will not be impacted thereby, the Company adjusts for the impact of the accelerated depreciation of these assets.

6. **Non-core assets closure (non-cash):** One-time charge due to closure of peripheral, non-material assets.
7. **Long-term incentive classified on an equity-settled basis (non-cash):** The Company granted its employees, who are mainly non-Chinese residents, a long term incentive (LTI) in the form of 'phantom' options, due to the complexity of granting Chinese-listed, equity-settled options to non-Chinese employees. As such, the Company records an expense, or recognizes income, depending on the fluctuation in the Company's share price, even though the Company will not incur any cash impact prior to exercise of the phantom options. To neutralize the impact of such share price movements on the measurement of the Company's performance and expected employee compensation, in the Company's adjusted financial performance, the LTI is presented on an equity-settled basis in accordance with the value of the plan at the grant date.
8. **Amortization of acquisition PPA (non-cash)**: Related to the amortization of non-cash intangible assets created as part of acquisitions; has no impact on the ongoing performance of the companies acquired.
9. **Sanonda-ADAMA Combination transaction one-time stamp tax:** One-time stamp tax expense incurred related to the Combination.
10. **Revaluation of non-cash adjustment related to non-controlling interest:** Relates to put options issued to non-controlling interests as part of historical business combinations which took place before January 1, 2010. The put options are presented as a liability at the present value of the future exercise price. The revaluation of these put options in Solutions is recognized under IFRS to Goodwill, but due to the acquisition of Solutions by the Company in 2017, which is treated from an accounting perspective as a "Business Combination Under Common Control", such revaluation is recorded as a profit or loss item in the financial reports of the Company. The revaluations of such put options have no bearing on the ongoing performance of the Company and are therefore adjusted for.

Table 11. Exchange Rate Data for the Company's Principal Functional Currencies

	June 30			Q2 Average			H1 Average		
	2019	2018	Change	2019	2018	Change	2019	2018	Change
EUR/USD	1.138	1.166	(2.4%)	1.124	1.193	(5.8%)	1.130	1.211	(6.7%)
USD/BRL	3.832	3.856	0.6%	3.919	3.606	(8.7%)	3.845	3.425	(12.3%)
USD/PLN	3.734	3.744	0.3%	3.812	3.575	(6.6%)	3.801	3.487	(9.0%)
USD/ZAR	14.140	13.701	(3.2%)	14.407	12.623	(14.1%)	14.213	12.284	(15.7%)
AUD/USD	0.703	0.739	(4.9%)	0.700	0.757	(7.5%)	0.706	0.771	(8.4%)
GBP/USD	1.270	1.317	(3.5%)	1.285	1.361	(5.6%)	1.294	1.376	(6.0%)
USD/ILS	3.566	3.650	2.3%	3.595	3.570	(0.7%)	3.620	3.514	(3.0%)
USD LIBOR 3M	2.32%	2.34%	(0.9%)	2.51%	2.30%	9.2%	2.69%	2.11%	27.5%

	June 30			Q2 Average			H1 Average		
	2019	2018	Change	2019	2018	Change	2019	2018	Change
USD/RMB	6.875	6.617	3.9%	6.816	6.376	3.9%	6.780	6.367	6.5%
EUR/RMB	7.821	7.714	1.4%	7.661	7.605	0.7%	7.661	7.708	(0.6%)
RMB/BRL	0.557	0.583	4.3%	0.575	0.565	(1.7%)	0.567	0.538	(5.4%)
RMB/PLN	0.543	0.566	4.0%	0.559	0.561	0.3%	0.561	0.548	(2.3%)
RMB/ZAR	0.486	0.483	(0.7%)	0.473	0.505	6.3%	0.477	0.518	8.0%
AUD/RMB	4.832	4.892	(1.2%)	4.773	4.828	(1.1%)	4.790	4.912	(2.5%)
GBP/RMB	8.734	8.715	0.2%	8.762	8.679	1.0%	8.773	8.761	0.1%
RMB/ILS	0.519	0.552	6.0%	0.527	0.560	5.8%	0.534	0.552	3.3%
RMB SHIBOR 3M	2.708%	4.155%	(34.8%)	2.867%	4.190%	(31.6%)	2.866%	4.441%	(35.5%)