Announcement on the Provision for Relocation-related Asset Impairment and Employee Severance Costs of ADAMA Ltd.

The Company and all members of its Board of Directors confirm that all the information disclosed herein is true, accurate, and complete with no false or misleading statement or material omission.

I. Overview and Financial Impact of Provision for Relocation-related Asset Impairment and Employee Severance Costs

In accordance with Accounting standards for Business Enterprises, ADAMA Ltd. (hereinafter referred to as the "**Company**"), is expected to record a total of RMB 598 million ($85 million) in provisions for asset impairments and employee severance costs during 2019 due to the upgrading and relocation of the facilities at the old sites in Jingzhou (Hubei) and Huai'An (Jiangsu).

The provisions, net of tax, are expected to lead to a reduction of the net profit attributable to the owners of the Company by RMB 540 million ($77 million). Further details as follows:

Unit: '000,000 RMB

Item	**Provision Amount**
Fixed Assets	355
Employee severance costs	243
In Total	**598**

The aforementioned expected provisions related to the upgrading and relocation of the old sites in 2019 are not audited. Please refer to the audited 2019 annual report for the final provision number.

II. Explanation on the Provisions for Asset Impairments and Employee Severance Costs

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, including automated control and data systems, machinery and laboratory equipment, as well as

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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 2019 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 of approximately RMB 355 million ($50 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 ($35 million) in the fourth quarter of 2019. Going forward, these actions are expected to deliver ongoing annual pre-tax savings of RMB 235-330 million ($34-47 million) per year, commencing in 2020, including the elimination of most reported idleness charges, which were approximately RMB 329 million ($47 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.

The Company is aiming to complete most of the relocations and be operational with improved cost and efficiency at its new sites at Jingzhou by Q3 2020 and at Huai'An by mid-2021. The transformed new sites are designed to be more profitable than the old ones, and ready to accommodate additional new molecules emerging from the Company's strong development pipeline. Over the longer term, the Company is working towards the commercialization of all its vacated old sites, subject to receipt of the required approvals. As a result, the Company aims to be able to recover the remainder of its upgrade and relocation investments, with the anticipated gains from the realization of this significant value expected to be included in the Company's reported net income in the coming years.

Risk warning

Regarding the information in this announcement that constitutes forward-looking statements, it does not constitute, in any manner whatsoever, a substantial commitment of the Company to investors. Investors and other relevant people are cautioned to be sufficiently mindful of investment risks.

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

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