
ADAMA
Business Update
Q1 2020

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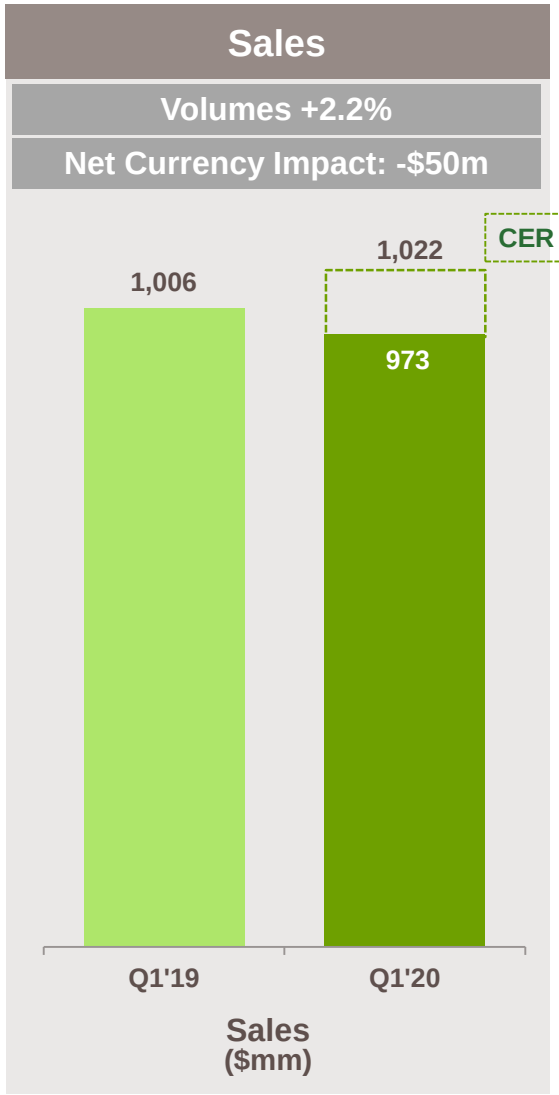
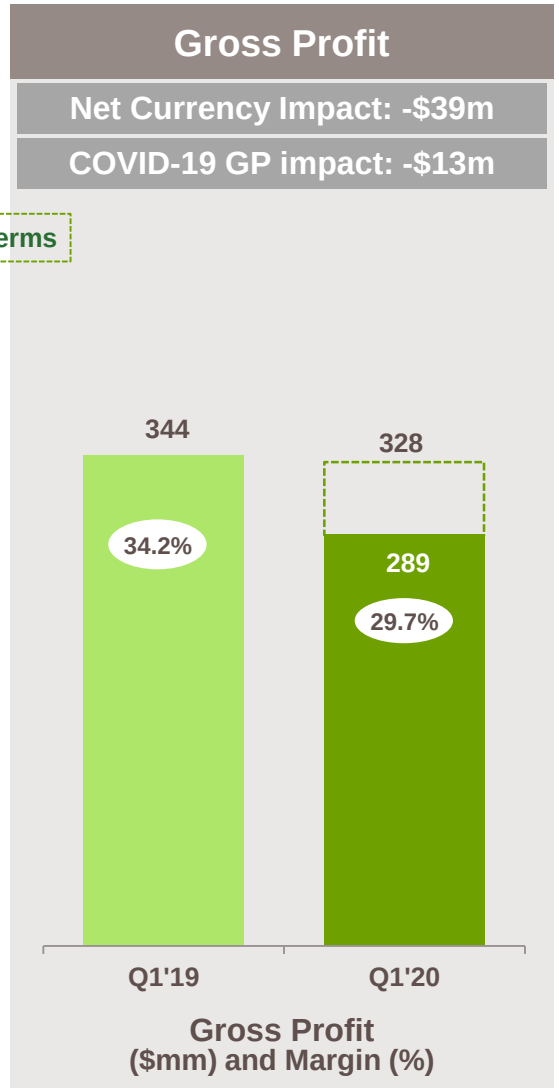
Financial Performance Review

Q1 Business Growth despite growing Covid-19 pandemic; Currency weakness a significant drag on profitability





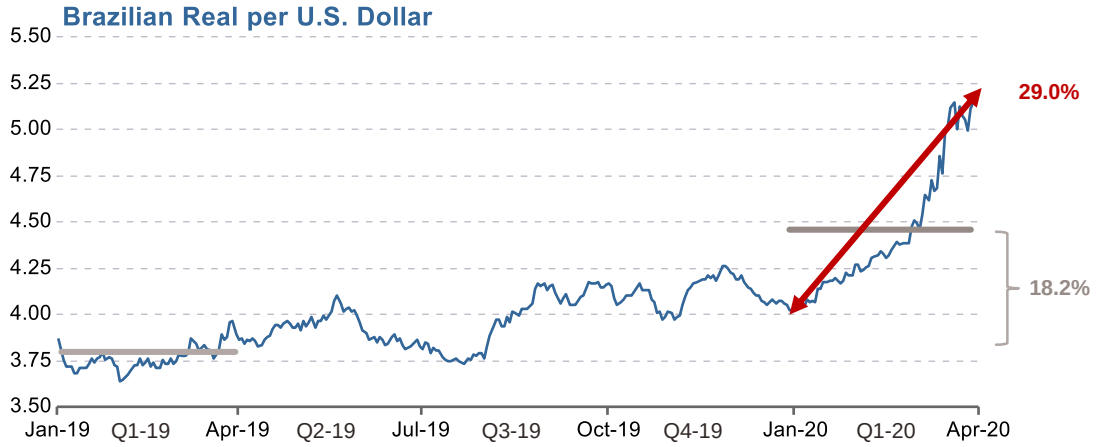
Sales: $973m, +2% in constant exchange rates, lower by 3% in USD terms

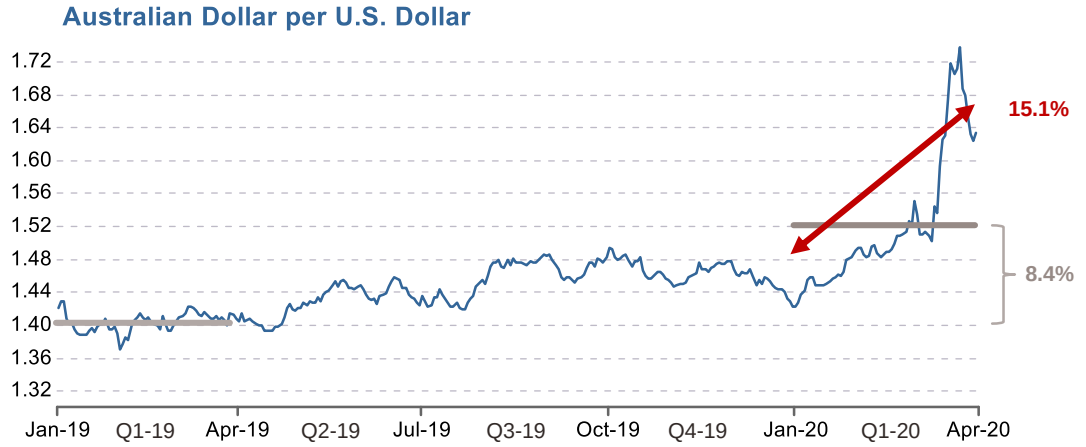
- Continued business growth, more than offset by devaluation of global currencies (-$50m impact)
- Growth in nearly all regions (in CER terms):
  - India, Middle East & Africa: +12.5%
  - Latin America (incl. Brazil): +12.5%
  - Asia Pacific (excl. China): +5.4%
  - Europe: +2.7%
- COVID-19 Sales impact: -$47m

Gross Profit: $289m

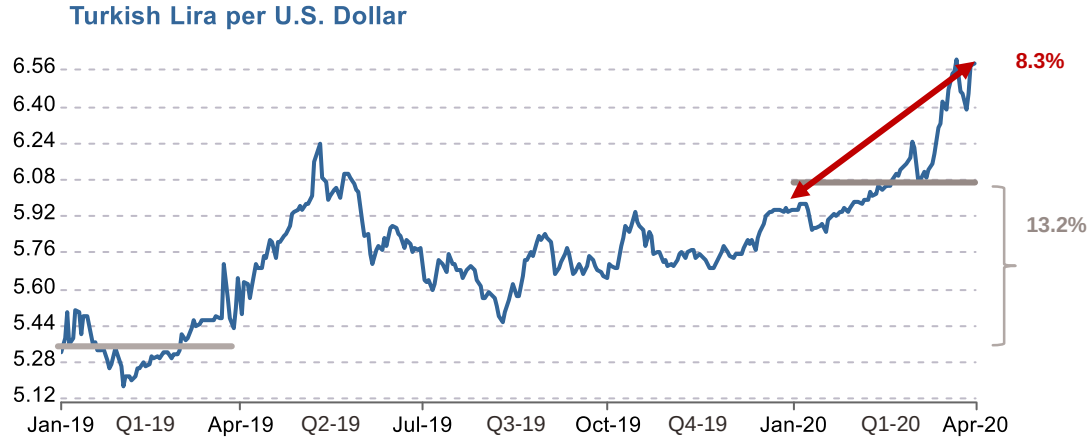
- Gross margin: 29.7%:
  - vs. Q1'19: -2.1 p.p. (CER); -4.5 p.p. (USD)
- Material depreciation of global currencies (-$39m impact)
- Procurement costs remain high
- Pricing pressure, mainly in Europe and China
- COVID-19 GP impact: -$13m

Covid-19 caused havoc in global currency markets in Q1



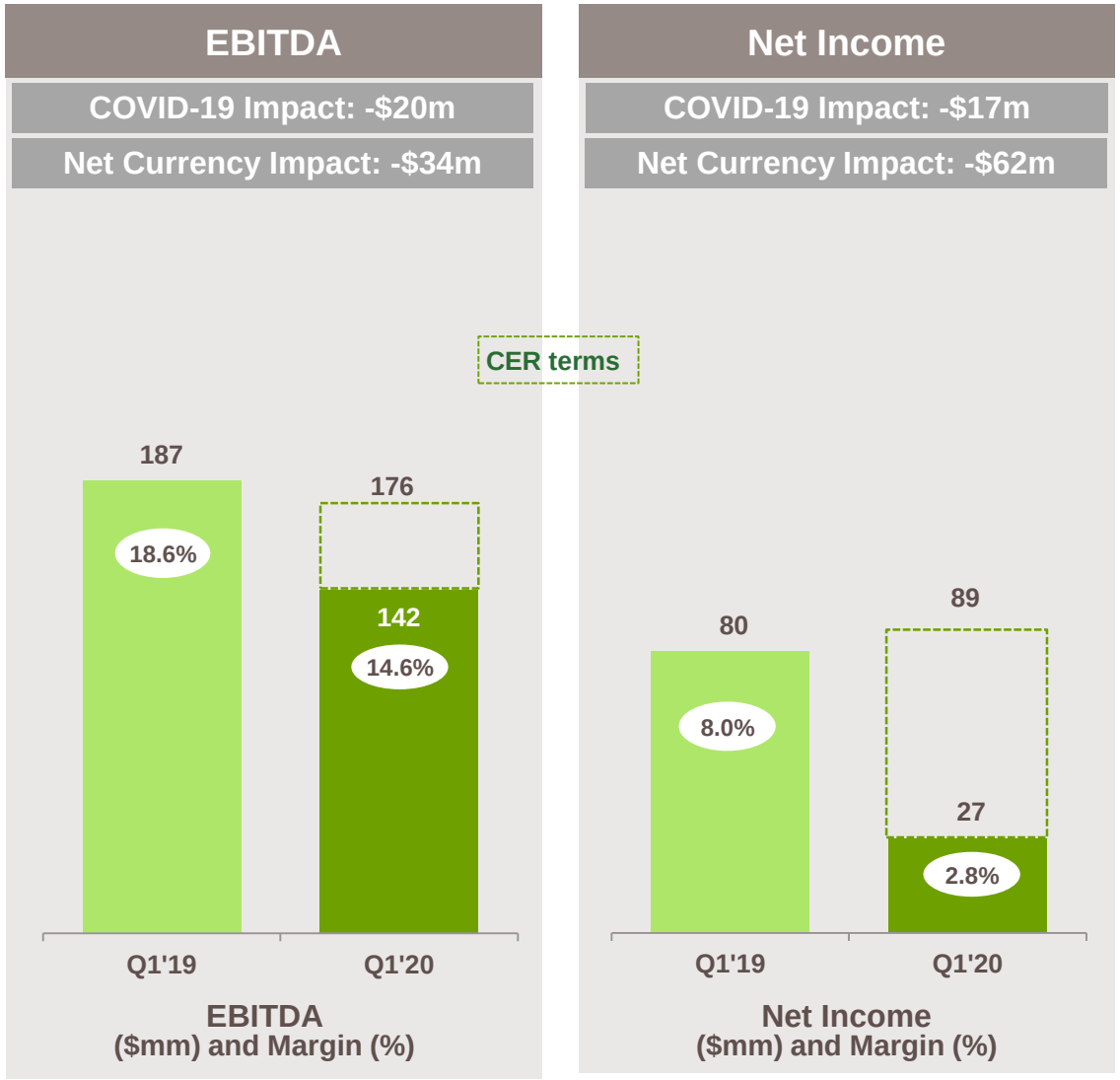






Total currency impact on sales of $50m

Currency headwinds due to the coronavirus outbreak constrained EBITDA and Net Income



EBITDA: $142m

- EBITDA margin: 14.6%:
  - vs. Q1'19: -1.4 p.p. (CER); -4.0 p.p. (USD)
  - -$34m currency impact
- Attrition in gross margin somewhat offset by tight control of operating expenses, which benefited from USD strength, achieving significant savings despite:
  - Inclusion of operating expenses of 2019 acquisitions
  - Jingzhou idleness costs of $10m due to temporary suspension of operations resulting from coronavirus outbreak
- COVID-19 EBITDA impact: -$20m

Net Income: $27m

- Net income margin: 2.8%:
  - vs. Q1'19: +0.8 p.p. (CER); -5.2 p.p. (USD)
  - -$62m currency impact
- COVID-19 Net Income impact: -$17m
- Significant weakening of BRL vs USD driving higher tax expenses

Q1 Business Growth despite growing Covid-19 pandemic; Currency weakness a significant drag on profitability

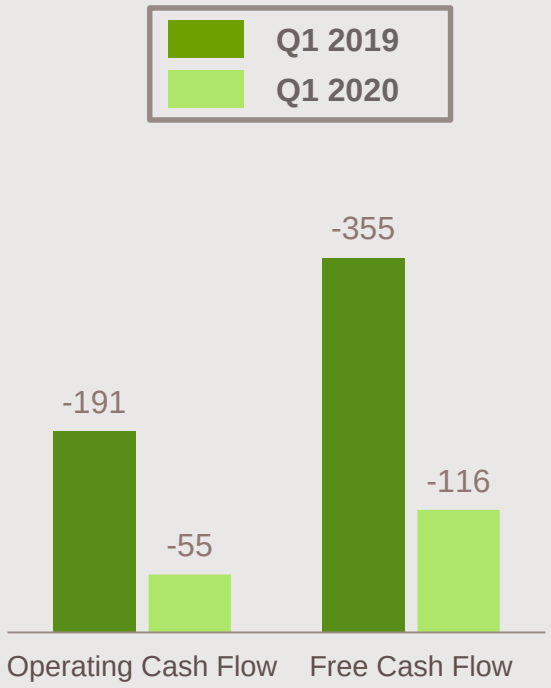
Adjusted, (million)	Q1 2020	Q1 2019	% Change CER	Currency Impact	% Change
Sales	**973**	**1,006**	**+1.6%**	**-50**	**-3.4%**
Gross Profit	289	344	-4.8%	-39	-16.0%
% of Sales	*29.7%*	*34.2%*			
Operating Expenses	207	218			
% of Sales	*21.2%*	*21.6%*			
Operating Income (EBIT)	82	127	-8.4%	-34	-35.4%
% of Sales	*8.4%*	*12.6%*			
Net Income	**27**	**80**		**-62**	**-66.3%**
% of Sales	*2.8%*	*8.0%*			
EBITDA	**142**	**187**	**-6.1%**	**-34**	**-24.1%**
% of Sales	*14.6%*	*18.6%*			
Earnings per Share (USD)	0.0110	0.0327			

CER: Constant Exchange Rates

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.

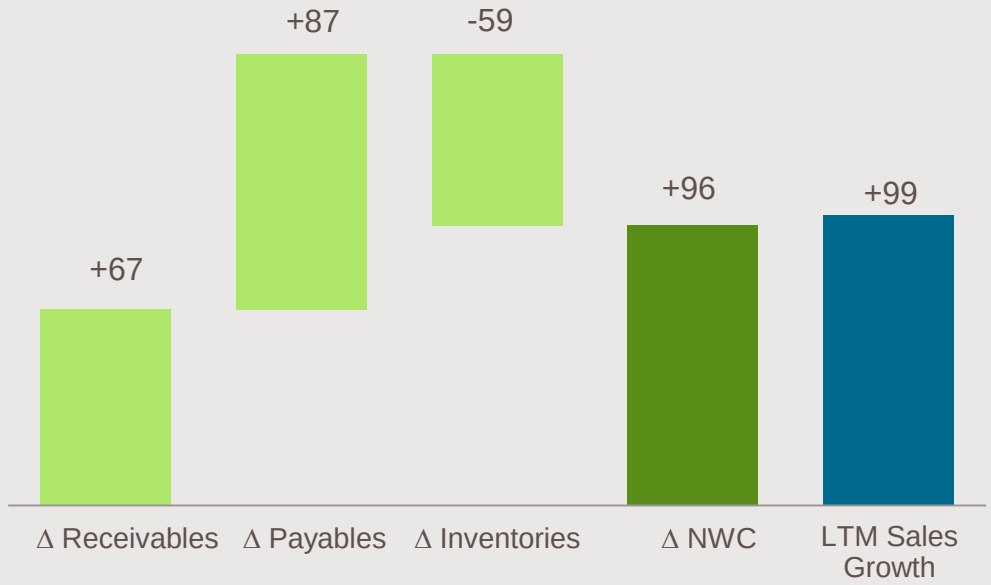
Working capital build-up driven by strong growth momentum

Operating and Free Cash Flow improvement



Cash Flow
($mm)

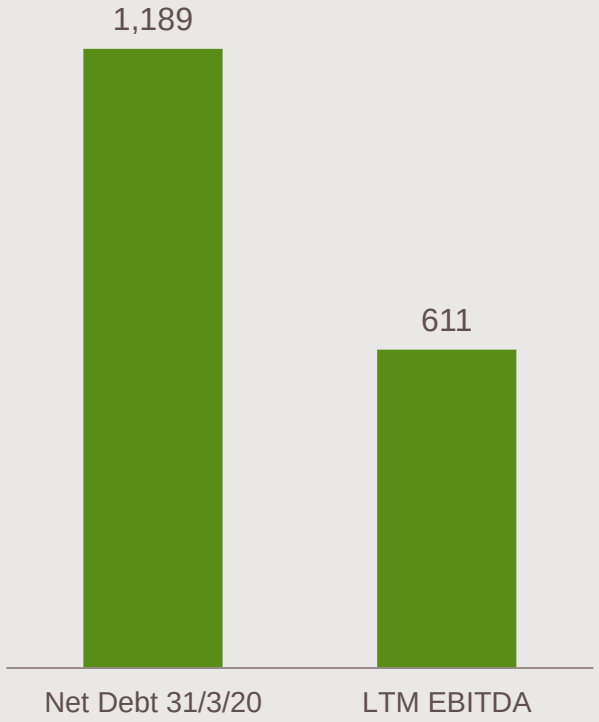
Controlled working capital supporting business growth



Working Capital

Strong Balance Sheet

Net debt / EBITDA ratio of 1.9x



Balance Sheet Net Debt
($mm and Net Debt / EBITDA)

2017 Adama-Sanonda Combination VAM Profit Commitment

- In the 2017 Adama-Sanonda Combination, CNAC was required to commit to a Value Adjustment Mechanism (VAM)
- CNAC committed that Adama Solutions would deliver aggregate net profit of $543m over 2017-2019
- This commitment was based on Solutions' forecasts set at the end of 2016, with no expectation of the ChemChina -Syngenta acquisition and its potential impact on ADAMA
  - The ChemChina/Syngenta deal required product divestments to achieve regulatory approval
  - Solutions Divested products to a third party in exchange for receiving Transfer of products of the same nature and economic value from Syngenta ("D&T")
- Due to the high sale price received from the third party and paid over to Syngenta:
  - Solutions' recognized a material **one-time capital gain ($242 million)** on the divestment, to the benefit of ADAMA Ltd. and all its shareholders (including the minority investors)
  - The value of the assets acquired from Syngenta were written up to a significantly higher book value than the original assets divested, resulting in **increased annual amortization charges**, which totaled $66m in 2017-2019

2017 Adama-Sanonda Combination VAM Profit Commitment

- **Absent the impact of these non-cash amortization charges, Solutions would have overachieved the 2017-2019 Profit Commitment by $35m**
  - **However, due to this $66m impact, the calculated Net Profit is $31m short of the Profit Commitment**
- In addition to the Profit Commitment, an independent valuation of Solutions' has been performed by a certified Appraiser, finding that **no reduction in value has occurred, with no need for impairment**
- Based on the shortfall in the Profit Commitment, CNAC will be required to return 102.4m (5.7%) of the ~1.8bn shares it received in ADAMA, and the dividends received in respect of those shares.
- These shares will be canceled, reducing ADAMA's total number of shares, bringing CNAC's ownership from 78.9% to 78.0%.

($m)	2017	2018	2019	2017-2019
Net Profit Commitment	148	173	222	543
Net Profit pre-D&T	232	167	180	578
Over/(under) Pre-D&T	**84**	**(6)**	**(42)**	**35**
D&T impact	0	(30)	(36)	(66)
Net profit including D&T	232	137	144	512
Over/(under) including D&T	**84**	**(36)**	**(78)**	**(31)**

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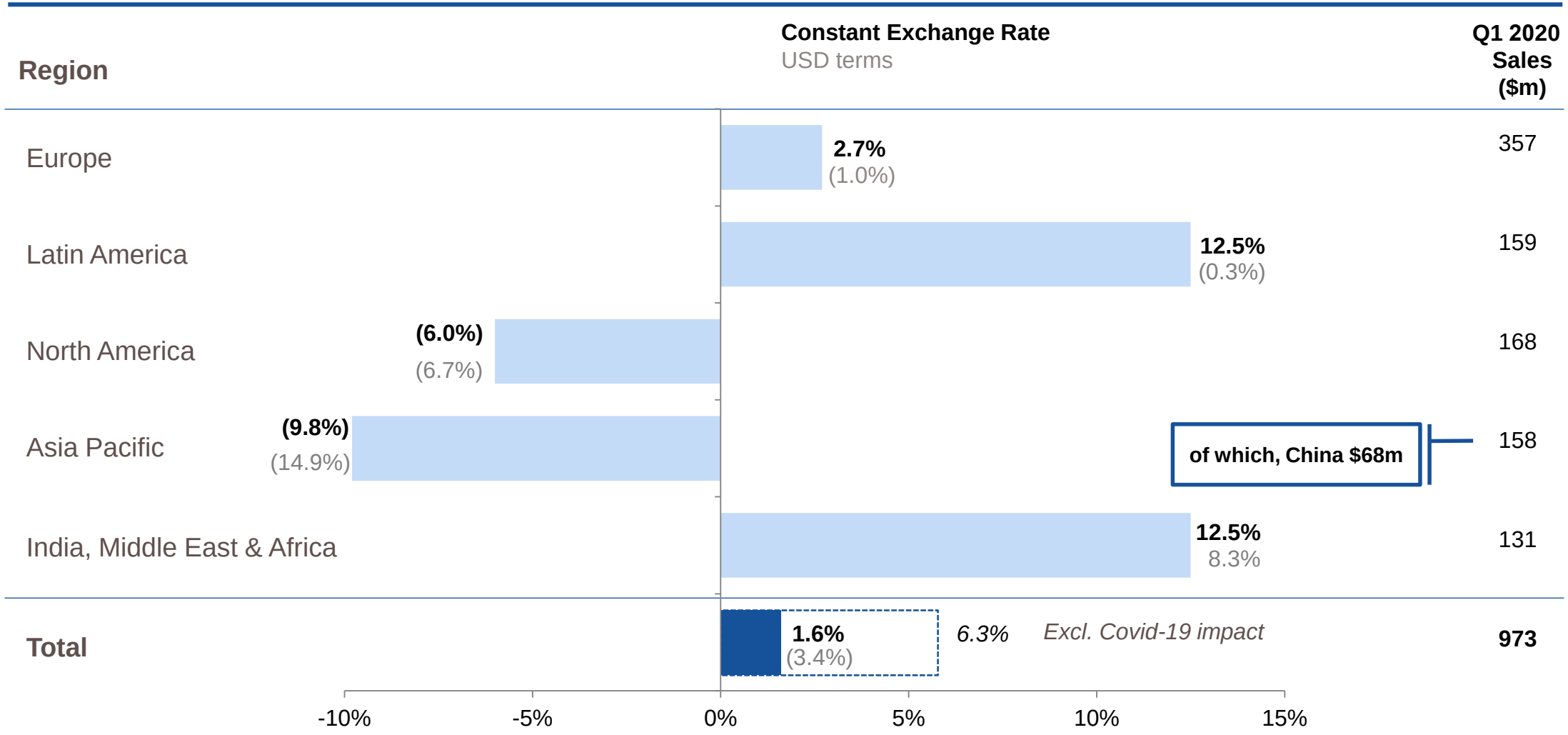
Regional Review

Q1 Business Growth Across Most Regions

Sales change by region – Q1 2020 vs. Q1 2019



CER: Constant Exchange Rate

Europe

	Q1'20	Q1'19	% Variance CER	% Variance USD
Sales ($m)	357	360	+2.7%	-1.0%

CER: Constant Exchange Rate

Northern Europe Highlights

- Pleasing business growth in Q1, partially recovering from supply constraints seen in 2019 affecting key products
- Business growth offset by currency headwinds and lower prices due to elevated inventory levels in industry distribution channels
- Robust growth in **Ukraine**, **Hungary** and **Russia** supported by favorable weather conditions

Southern Europe Highlights

- Robust performance vs. Q1 last year led by solid business growth in **Poland** and **France**
- Record Q1 sales in **Romania**, benefiting from early start to season



Record Q1 sales in Romania despite many challenges

North America

Latin America

	Q1'20	Q1'19	% Variance CER	% Variance USD	Q1'20	Q1'19	% Variance CER	% Variance USD
Sales ($m)	168	180	-6.0%	-6.7%	159	159	+12.5%	-0.3%

North America Highlights

- **US Ag:** In line with last year, despite coronavirus impact on supply chains and logistics in March
- **Canada:** strong business growth due to favorable weather conditions, alongside continued price increases, more than offset weakening of Canadian dollar
- **Consumer & Professional (non-crop)** products significantly impacted by coronavirus, reducing restocking demand from large retailers



Two new rice herbicides, enhancing rice portfolio, complementing Preface™ and Postscript™ herbicides for FullPage™ Rice Cropping Solution

Latin America Highlights

- **Brazil:** Continued business growth, despite drought in key crops including soybean, reduced application of fungicides
- **Other LatAm:** Solid business growth, alongside contribution from recent Peru acquisition, AgroKlinge
- Noteworthy performances in **Colombia**, **Peru, Mexico**, and **Ecuador**, driven by good harvest season in key crops
- Significant depreciation of regional currencies

New differentiated product launches and registrations include:

- EMINENT®, dual mode broad spectrum insecticide, in Argentina
- UBERTOP®, insecticide used mainly for the control of a wide range of pests in tomato and cabbage, in Mexico



Asia Pacific

	Q1'20	Q1'19	% Variance CER	% Variance USD
Sales ($m)	158	186	-9.8%	-14.9%

Asia Pacific Highlights

- Robust growth in **Australia** vs Q1 last year, recovering from drought conditions in previous years
- Largely compensated for poor seasonal conditions and coronavirus-driven slowdown in South East-Asia
- Noteworthy performance in **Indonesia**
- **China:**
  - +5.2% sales growth in branded, formulated products
  - Sales impacted by temporary suspension in Jingzhou due to coronavirus outbreak

New product launches and registrations including:

- QUALIPRO ENCLAVE®, quadruple-mode of action fungicide mixture for use in turf in Australia;
- BALORIC® and SOLITO®, early-post-emergent rice herbicide, in Thailand and Indonesia



India, Middle East & Africa

	Q1'20	Q1'19	% Variance CER	% Variance USD
Sales ($m)	131	121	+12.5%	+8.3%

India, Middle East & Africa Highlights

- Robust business growth in **South Africa** and **Israel** vs. Q1 last year, alongside continued price increases
- Strong performance in **India**, in spite of Jingzhou site suspension and Indian countrywide lockdown that commenced towards end of Q1, both due to coronavirus pandemic
- Constrained by impact of currency headwinds, most notably Turkish Lira and Indian Rupee



Adopting to coronavirus reality while continuing to support our customers around the globe

Outlook

- Going forward, we face many challenges, both on supply and demand, including COVID-19 related effects, especially widespread currency weakness
- The Company's major production facilities globally are continuing to operate, although logistics and supply lines in many places are restricted
- These impacts are likely to have a negative effect on the performance of the business in Q2 2020, and potentially beyond
- The Company continues to actively monitor the evolving situation over the coming weeks and months
- The Company is actively managing its response to the pandemic to ensure safety of its employees, making every effort to limit the potential impact on the performance of the Company



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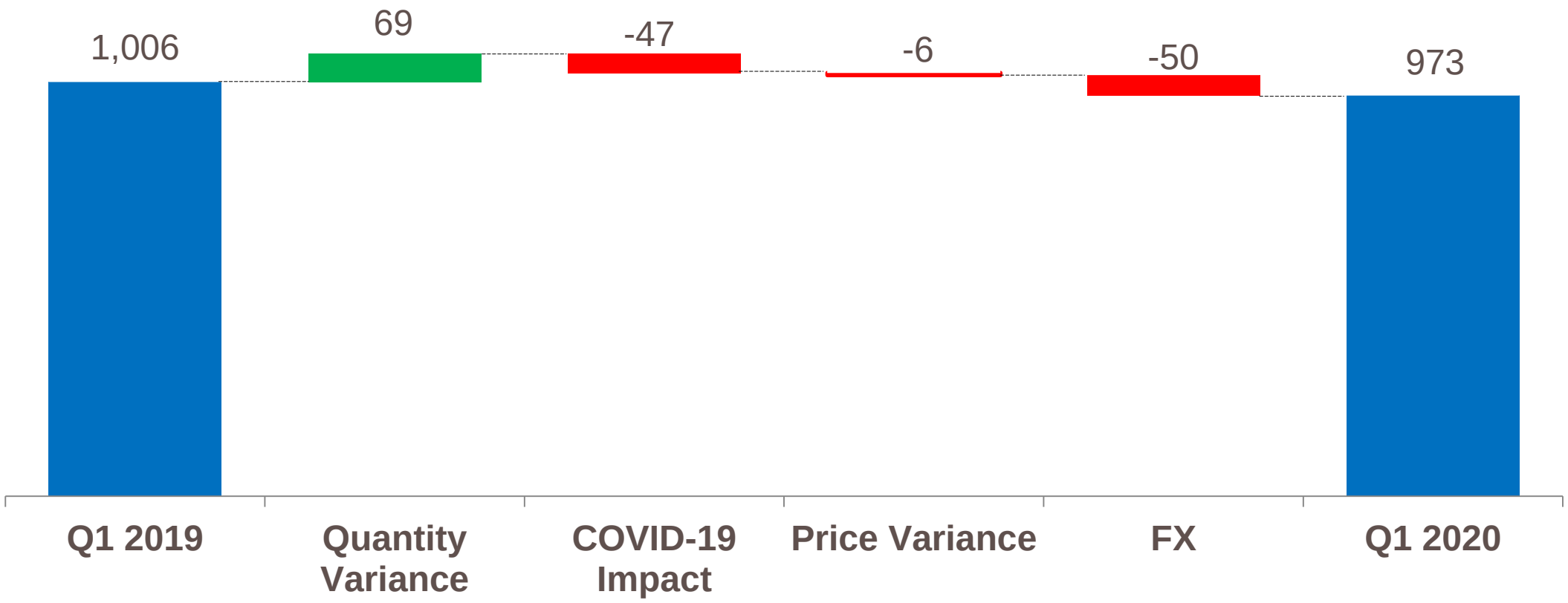
Bridge Analysis

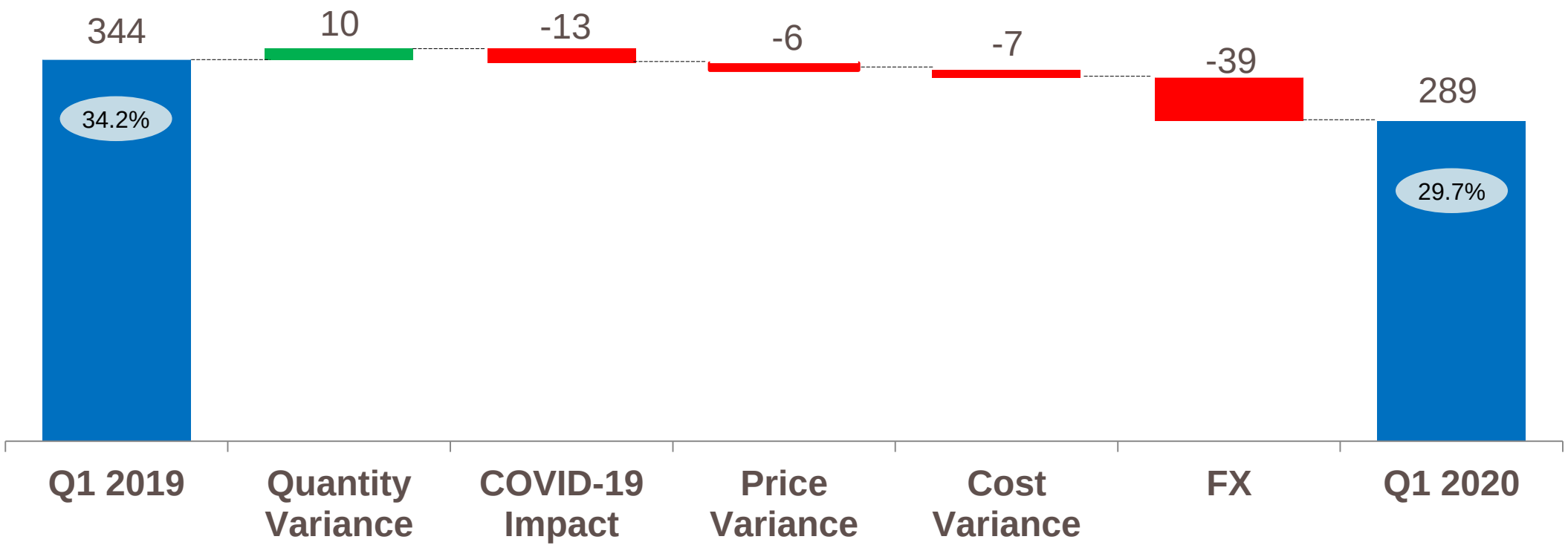
Q1 Sales – Bridge Analysis



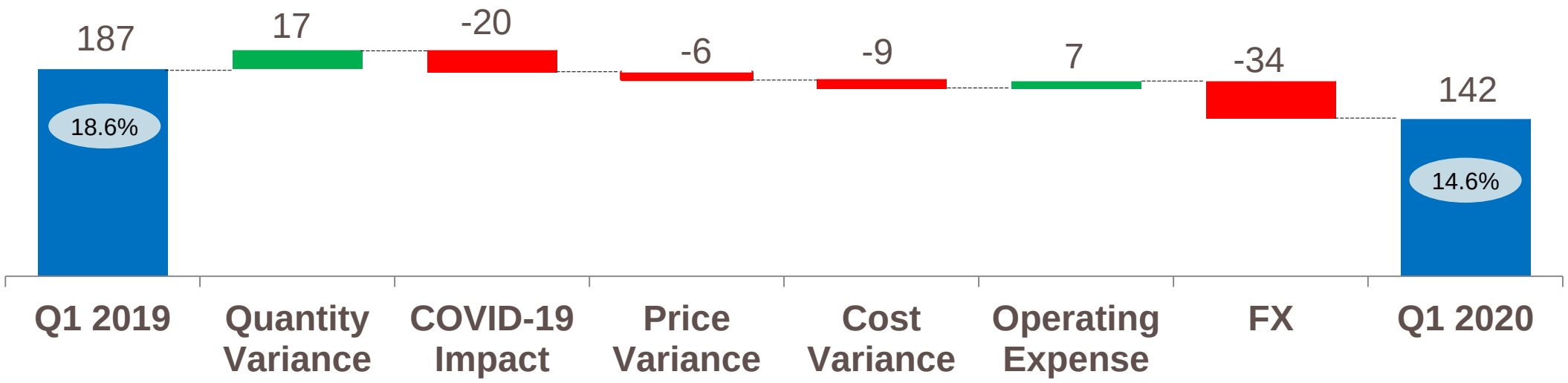
Bridge Analysis

NOTE: FX includes currency effect on sales and hedging

Q1 Gross Profit – Bridge Analysis



Q1 EBITDA – Bridge Analysis





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Thank You