



## ADAMA Reports First Quarter 2022 Results

### *Strong performance in Q1, with continued price increases while maintaining volume growth, significant increase in net profit*

#### First Quarter 2022 Highlights:

- Sales up 28% to an all-time quarterly record-high of \$1,420 million (RMB: +25%), driven by 18% higher prices and 14% volume growth
- Improvement of Opex/Sales ratio of 19.8% vs. 20.1% in Q1 2021
- Adjusted EBITDA up 28% to \$201 million (RMB: +25%)
- Adjusted net income up 44% to \$75 million; Reported net income nearly tripled to \$67 million (RMB: +187%)

**BEIJING, CHINA and TEL AVIV, ISRAEL, April 27, 2022** – ADAMA Ltd. (the “Company”) (SZSE 000553), today reported its financial results for the first quarter ended March 31, 2022.

**Ignacio Dominguez, President and CEO of ADAMA**, said, "The first quarter has seen us deliver an extremely strong start to the year, with a combination of higher prices and continued volume growth. Indeed, over the past two years, we have seen robust demand for crop protection products as a result of high agricultural commodity prices and strong farmer profitability. Now in the first quarter, we are reminded once again that crop protection is a vital component in ensuring global food security. Uncertainties in the supply from Ukraine and Russia of agricultural inputs, such as fertilizers, as well as agricultural produce like wheat, barley and sunflowers, have increased concerns regarding food security. This encourages agricultural production in other geographies and exacerbates an already tight global supply of all agricultural inputs. We hope that the terrible situation in Eastern Europe reaches a peaceful resolution as fast as possible, and ADAMA is committed to play its role in ensuring food security, in this region and globally, while continuing to provide support to our people and our customers as they navigate through this very difficult time."

**Table 1. Financial Performance Summary**

USD (m)	As Reported			Adjustments		Adjusted		
	Q1 2022	Q1 2021	% Change	Q1 2022	Q1 2021	Q1 2022	Q1 2021	% Change
<b>Revenues</b>	<b>1,420</b>	<b>1,109</b>	<b>+28%</b>	-	-	<b>1,420</b>	<b>1,109</b>	<b>+28%</b>
Gross profit	360	305	+18%	54	17	414	322	+29%
<i>% of sales</i>	25.4%	27.5%				29.2%	29.0%	
Operating income (EBIT)	124	65	+90%	9	33	133	98	+35%
<i>% of sales</i>	8.8%	5.9%				9.4%	8.9%	
Income before taxes	<b>71</b>	<b>29</b>	<b>+148%</b>	<b>9</b>	<b>33</b>	80	62	+30%
<i>% of sales</i>	5.0%	2.6%				5.7%	5.6%	
<b>Net income</b>	<b>67</b>	<b>23</b>	<b>+193%</b>	<b>8</b>	<b>29</b>	75	52	<b>+44%</b>
<i>% of sales</i>	4.7%	2.1%				5.3%	4.7%	
<b>EPS</b>								
- USD	<b>0.0289</b>	<b>0.0099</b>				<b>0.0322</b>	<b>0.0223</b>	
- RMB	<b>0.1836</b>	<b>0.0639</b>				<b>0.2045</b>	<b>0.1447</b>	
<b>EBITDA</b>	<b>203</b>	<b>138</b>	<b>+48%</b>	<b>(2)</b>	<b>19</b>	<b>201</b>	<b>157</b>	<b>+28%</b>
<i>% of sales</i>	14.3%	12.4%				14.2%	14.2%	



Notes:

“As Reported” denotes the Company’s financial statements according to the Accounting Standards for Business Enterprises and the implementation guidance, interpretations and other relevant provisions issued or revised subsequently by the Chinese Ministry of Finance (the “MoF”) (collectively referred to as “ASBE”). Note that in the reported financial statements, as a result of recent changes in the ASBE guidelines [IAS 37], certain items as of Q4 2021 (specifically certain transportation costs and certain idleness charges) have been reclassified from Operating Expenses to COGS. Please see the appendix to this release for further information.

Relevant income statement items contained in this release are also presented on an “Adjusted” basis, which exclude items that are of a transitory or non-cash/non-operational nature that do not impact the ongoing performance of the business, and reflect the way the Company’s management and the Board of Directors view the performance of the Company internally. The Company believes that excluding the effects of these items from its operating results allows management and investors to effectively compare the true underlying financial performance of its business from period to period and against its global peers. A detailed summary of these adjustments appears in the appendix below.

The number of shares used to calculate both basic and diluted earnings per share in Q1 of both 2021 and 2022 is 2,329.8 million shares.

## The general crop protection market environment

**Crop prices** increased sharply during Q1 2022 as a result of concerns regarding supply, due mainly to the Russia-Ukraine conflict, and also due to persistent dryness in parts of South America. Prices are generally expected to remain high throughout 2022, incentivizing another year of increases in global planted areas. As a result, crop protection demand remains strong globally as farmers strive to maximize yields in this high crop price environment. Farmers continue to face elevated production costs, mainly from higher fertilizer prices resulting from disruption to supply and tight availability caused by the Russia-Ukraine conflict, yet their farming activities are nevertheless still very profitable in most regions.

The challenging cost environment of 2021 has extended into 2022. **Global energy prices** further increased during the quarter, impacted by Russia’s strong share of global gas exports. In addition, global freight and logistics costs have recently increased again due to oil prices going up, while the availability of shipping resources continues to be limited. Despite some easing in procurement prices for raw materials, intermediates and active ingredients in China during the quarter, prices are expected to remain generally elevated and could increase further due to production disruptions and tight supply in China as COVID-19 impacts the country. Strong global crop protection demand, as well as the high energy prices, may exert additional upward pressure on such procurement prices. Additionally, the availability of certain intermediates, such as co-formulants, has become uncertain as higher energy prices have decreased the economic viability of their production, causing a spike in their prices.

## Portfolio Development Update

In line with ADAMA’s efforts to differentiate its product portfolio through unique formulations, during the first quarter of 2022, ADAMA registered and launched multiple new products in markets across the globe. Among these were:

- Launch in Canada of SORADUO™, a broad-spectrum, long-lasting fungicide against Fusarium in wheat and barley that includes ADAMA’s unique formulation of Prothioconazole and Tebuconazole. ADAMA is one of the first companies to produce in-house the recently off-patent Prothioconazole;
- Continued rollout in Europe of TIMELINE® FX, a three-way herbicide mixture in an advanced formulation for a wide range of weeds in cereals;
- Launch in Canada of ZIVATA™, a broad-spectrum insecticide with an advanced, renewably sourced formulation using sustainable plant-based materials;
- Registration in the USA of CORMORAN®, a broad range, dual mode, long-lasting insecticide for use in tree nuts;
- Registration in Australia of FIGHTBACK®, a dual mode herbicide for use in fallow land, pastures and others;



- Registration in Mexico, Peru, Ecuador and other countries in Central America of MAT TOK® a dual mode systematic broad-spectrum, long-lasting fungicide with unique anti-stress technology formulation for rice and corn.

## Financial Highlights

**Revenues** in the first quarter grew by 28% (+25% in RMB terms) to \$1,420 million, driven by a significant 18% increase in prices, a trend which started in the third quarter of 2021. The markedly higher prices were complemented by continued strong volume growth (+14%), including the contribution of newly acquired companies, achieved despite supply challenges in the market, which were only slightly moderated by the adverse impact of exchange rate movements.

Table 2. Regional Sales Performance

	Q1 2022 \$m	Q1 2021 \$m	Change USD	Change CER
Europe	357	344	+3.6%	+5.7%
North America	284	189	+50.4%	+49.9%
Latin America	234	177	+32.5%	+31.5%
Asia Pacific	388	241	+60.8%	+62.8%
<i>Of which China</i>	237	124	+90.6%	+87.7%
India, Middle East & Africa	157	158	-0.5%	+15.8%
<b>Total</b>	<b>1,420</b>	<b>1,109</b>	<b>+28.0%</b>	<b>+31.2%</b>

CER: Constant Exchange Rates

**Europe:** A strong performance in France, Romania and Poland, bolstered by good demand and high prices, more than offset a decline in sales in Ukraine, drought conditions in parts of southern Europe, and the adverse impact of exchange rates. The Company benefited from the sales in various countries of recently launched products POLEPOSITION® and TIMELINE® FX.

**North America:** The remarkably strong growth in sales in the first quarter was driven by the Consumer & Professional business, which experienced robust demand, allowing for price increases in light of concerns regarding potential shortages. This was further complemented by continued growth in US crop protection, driven both by higher volumes as well as higher prices, reflecting generally strong demand, especially in corn, soybeans, cereals and rice.

**Latin America:** Strong growth was achieved in Brazil due to early demand from farmers and higher prices, supported by good soybean and corn planting seasons, and despite drought conditions in the south of the country. This was complemented by demand for the Company's differentiated products, including the fungicides ARMERO™, ACROSS® and the herbicide ARADDO®, which are part of ADAMA's leading soybean protection offering.

Sales also grew in most of the countries of the wider region, driven by price increases, as the Company continues to strengthen its positioning throughout the region.

**Asia-Pacific:** The Company's rapid growth in Asia Pacific during the first quarter was led by the particularly strong increase in sales in China. The growth in China was led firstly by the sales of raw materials and intermediates, which continued to benefit from strong demand and high prices in light of ongoing tight supply following shutdowns in competing facilities due to environmental inspections



and COVID-19, which has also disrupted and slowed down transportation. In addition, sales of ADAMA's branded, formulated portfolio in China also grew significantly, and were supported by a pleasing performance from the commercial activities and portfolio acquired from Huifeng at the end of 2020.

In the wider APAC region, strong sales were delivered in the Pacific region and in certain countries in the Far East, benefiting from favorable seasonal conditions, and despite the impact of the weakening of the Australian dollar.

**India, Middle East & Africa:** Sales in the region grew in constant exchange rate terms, mainly led by India, and despite the cold and rainy season in the Middle East and Africa which brought low insect and disease pressure. This growth is particularly noteworthy in light of a very strong first quarter in 2021 and was offset by the adverse impact of the depreciation of the Turkish Lira on the USD denominated sales.

**Gross Profit** reported in the first quarter was up 18% to \$360 million (gross margin of 25.4%) compared to \$305 million (gross margin of 27.5%) in the same quarter last year.

Adjustments to reported results: The adjusted gross profit includes all idleness costs and excludes transportation costs to third parties and its marketing subsidiaries (classified under operating expenses).

In the reported results, as of Q4 2021, following recent changes in the guidelines in China, the aforementioned transportations costs and opex idleness have been reclassified from operating expenses to costs of goods (not impacting the operating results), while these expenses were not recorded in the cost of goods in Q1 2021, but rather in the operating expenses.

Additionally, certain extraordinary charges related largely to a temporary disruption of the production of certain products, were adjusted in Q1 2021. These charges have significantly declined in Q1 2022, as the relocation and upgrade of the manufacturing Jingzhou site in China has been completed and is now almost fully operational.

Excluding the impact of the abovementioned extraordinary items, **adjusted gross profit** in the first quarter was up 29% to \$414 million (gross margin of 29.2%) compared to \$322 million (gross margin of 29.0%) in the same quarter last year.

In the quarter, the significantly higher gross profit and improvement in the adjusted gross margin were mainly driven by the markedly higher prices, complemented by continued volume growth, all of which more than offset higher logistics, procurement and production costs as well as the negative FX impact.

**Operating expenses** reported in the first quarter were \$236 million (16.6% of sales) compared to \$239 million (21.6% of sales) in the same quarter last year.

Adjustments to reported results: please refer to the explanation regarding adjustments to the gross profit in respect to certain transportation costs and idleness.

Additionally, the Company recorded certain non-operational, mostly non-cash, charges within its reported operating expenses amounting to \$5.7 million in Q1 2022 in comparison to \$16.0 million in Q1 2021. These charges include mainly (i) non-cash amortization charges in respect of Transfer assets received from Syngenta related to the 2017 ChemChina-Syngenta acquisition, (ii) charges related mainly to the non-cash amortization of intangible assets created as part of the Purchase Price Allocation (PPA) on acquisitions, with no impact on the ongoing performance of the companies acquired, as well as other M&A-related costs and (iii) non-cash, share-based compensation (incentive plans). For further details on these non-operational charges, please see the appendix to this release.



Excluding the impact of the abovementioned non-operational charges, **adjusted operating expenses** in the quarter were \$281 million (19.8% of sales), compared to \$223 million (20.1% of sales) in the corresponding period last year.

The higher operating expenses in the quarter primarily reflect a doubtful debt provision for trade receivables in Ukraine, higher transportation and logistics costs driven by both volumes being transported and an increase in freight costs, as well as the inclusion of recent acquisitions.

**Operating income** reported in the first quarter was up 90% to \$124 million (8.8% of sales) compared to \$65 million (5.9% of sales) in the same quarter last year.

Excluding the impact of the abovementioned non-operational, mostly non-cash items, **adjusted operating income** in the first quarter was up 35% to \$133 million (9.4% of sales) compared to \$98 million (8.9% of sales) in the same quarter last year.

**EBITDA** reported in the first quarter was up 48% to \$203 million (14.3% of sales) compared to \$138 million (12.4% of sales) in the same quarter last year.

Excluding the impact of the abovementioned non-operational, mostly non-cash items, **adjusted EBITDA** in the first quarter was up 28% to \$201 million (14.2% of sales) compared to \$157 million (14.2% of sales) in the same quarter last year.

**Financial expenses and investment income** were \$53 million in the first quarter, compared to \$36 million in the corresponding period last year. The higher financial expenses in the quarter were mainly driven by the net effect of the increase in the Israeli CPI on the ILS-denominated, CPI-linked bonds, and higher non-cash charges related to put options in respect of minority interests on recent acquisitions.

**Taxes on income** in the first quarter were \$5 million, compared to \$9 million in the corresponding period last year. The first quarter is generally characterized by a low effective tax rate compared to the effective tax rate of the Company over the full year. This is mainly due to the generation of profits by subsidiary companies within ADAMA whose tax rates are lower relative to the Company's aggregate effective tax rate, as well as to the method of calculation of tax assets related to unrealized profits. In the first quarter of 2022, the low effective tax rate also reflects the tax income due to non-cash impact on the value of non-monetary tax assets of the significant strengthening of the BRL, while in the first quarter of 2021, the Company recorded tax expenses due to the impact of the weakening of the BRL.

**Net income attributable to the shareholders of the Company** reported in the first quarter was \$67 million (4.7% of sales), up 193% compared to \$23 million (2.1% of sales) in the corresponding period last year.

Excluding the impact of the abovementioned extraordinary and non-operational charges, **adjusted net income** in the first quarter was \$75 million (5.3% of sales), up 44% compared to \$52 million (4.7% of sales) in the corresponding period last year.

**Trade working capital** at March 31, 2022 was \$2,695 million compared to \$2,604 million at the same point last year. The slight increase in working capital was due to an increase in trade receivables, driven largely by its strong sales growth as well as the inclusion of a recently acquired company. The Company is holding higher inventory levels due mainly to the expectation of further volume growth in coming quarters as well as anticipated supply shortages and inventory costs increases. This increase in inventory levels was offset by higher trade payables. The trade capital/last twelve months sales ratio of 53% at March 31, 2022 in comparison to 61%, at March 31, 2021 demonstrates the improved efficiency in the Company's management of its working capital.

**Cash Flow:** Operating cash flow of \$286 million was consumed in the quarter, compared to \$129 million consumed in the corresponding period last year. The negative operating cash flow, which is



seasonally typical for ADAMA in the first quarter, also reflects the higher build-up of working capital in the first quarter compared to the parallel quarter last year for supporting the growth of the business.

Net cash used in investing activities was \$90 million in the quarter, compared to \$109 million in the corresponding period last year. The cash used in investing activities in the first quarter of 2022 is largely related to investments in our differentiated portfolio (Core Leap) in Israel and Brazil as well as in China relocations. In the first quarter of 2021, the Company also recorded such investments in addition to the completion of the payment related to the acquisition of Jiangsu Huifeng's domestic commercial crop protection business.

Free cash flow of \$386 million was consumed in the first quarter compared to \$248 million consumed in the corresponding period last year, reflecting the aforementioned operating and investing cash flow dynamics.

**Table 3. Revenues by operating segment**

**First quarter sales by segment**

	Q1 2022 USD (m)	%	Q1 2021 USD (m)	%
Crop Protection	1,271	89.5%	1,007	90.8%
Intermediates and Ingredients	149	10.5%	102	9.2%
<b>Total</b>	<b>1,420</b>	<b>100%</b>	<b>1,109</b>	<b>100.0%</b>

**First quarter sales by product category**

	Q1 2022 USD (m)	%	Q1 2021 USD (m)	%
Herbicides	659	46.4%	477	43.0%
Insecticides	351	24.7%	314	28.3%
Fungicides	261	18.4%	216	19.5%
Intermediates and Ingredients	149	10.5%	102	9.2%
<b>Total</b>	<b>1,420</b>	<b>100%</b>	<b>1,109</b>	<b>100.0%</b>

Note: the sales split by product category is provided for convenience purposes only and is not representative of the way the Company is managed or in which it makes its operational decisions.

**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](http://www.adama.com).

**About ADAMA**

ADAMA Ltd. is a global leader in crop protection, providing solutions to farmers across the world to combat weeds, insects and disease. ADAMA has one of the widest and most diverse portfolios of



active ingredients in the world, state-of-the art R&D, manufacturing and formulation facilities, together with a culture that empowers our people in markets around the world to listen to farmers and ideate from the field. This uniquely positions ADAMA to offer a vast array of distinctive mixtures, formulations and high-quality differentiated products, delivering solutions that meet local farmer and customer needs in over 100 countries globally. For more information, visit us at [www.ADAMA.com](http://www.ADAMA.com) and follow us on Twitter® at [@ADAMAagri](https://twitter.com/ADAMAagri).

## Contact

Rivka Neufeld  
Global Investor Relations  
Email: [ir@adama.com](mailto:ir@adama.com)

Zhujun Wang  
China Investor Relations  
Email: [irchina@adama.com](mailto:irchina@adama.com)



## Abridged Adjusted Consolidated Financial Statements

The following abridged consolidated financial statements and notes have been prepared as described in Note 1 in this appendix. While prepared based on the principles of Chinese Accounting Standards (ASBE), they do not contain all of the information which either ASBE 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.

Relevant income statement items contained in this release are also presented on an “Adjusted” basis, which 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 reflect the way the Company’s management and the Board of Directors view the performance of the Company internally. The Company believes that excluding the effects of these items from its operating results allows management and investors to effectively compare the true underlying financial performance of its business from period to period and against its global peers.

### Abridged Consolidated Income Statement for the First Quarter

<i>Adjusted<sup>1</sup></i>	Q1 2022 USD (m)	Q1 2021 USD (m)	Q1 2022 RMB (m)	Q1 2021 RMB (m)
<b>Revenues</b>	<b>1,420</b>	<b>1,109</b>	<b>9,016</b>	<b>7,187</b>
Cost of Sales	989	782	6,282	5,069
Other costs	16	5	105	34
<b>Gross profit</b>	<b>414</b>	<b>322</b>	<b>2,630</b>	<b>2,085</b>
<i>% of revenue</i>	<i>29.2%</i>	<i>29.0%</i>	<i>29.2%</i>	<i>29.0%</i>
<i>Selling &amp; Distribution expenses</i>	<i>199</i>	<i>178</i>	<i>1,263</i>	<i>1,156</i>
<i>General &amp; Administrative expenses</i>	<i>47</i>	<i>32</i>	<i>296</i>	<i>208</i>
<i>Research &amp; Development expenses</i>	<i>21</i>	<i>17</i>	<i>130</i>	<i>110</i>
<i>Other operating expenses</i>	<i>15</i>	<i>-4</i>	<i>95</i>	<i>-26</i>
Total operating expenses	281	223	1,785	1,448
<i>% of revenue</i>	<i>19.8%</i>	<i>20.1%</i>	<i>19.8%</i>	<i>20.1%</i>
<b>Operating income (EBIT)</b>	<b>133</b>	<b>98</b>	<b>844</b>	<b>637</b>
<i>% of revenue</i>	<i>9.4%</i>	<i>8.9%</i>	<i>9.4%</i>	<i>8.9%</i>
Financial expenses and investment income	53	36	335	236
<b>Income before taxes</b>	<b>80</b>	<b>62</b>	<b>509</b>	<b>401</b>
Taxes on Income	5	9	33	58
<b>Net Income</b>	<b>75</b>	<b>53</b>	<b>477</b>	<b>342</b>
Attributable to:				
Non-controlling interest	0	1	0	5
<b>Shareholders of the Company</b>	<b>75</b>	<b>52</b>	<b>477</b>	<b>337</b>
<i>% of revenue</i>	<i>5.3%</i>	<i>4.7%</i>	<i>5.3%</i>	<i>4.7%</i>
Adjustments	8	29	49	188
<b>Reported Net income attributable to the shareholders of the Company</b>	<b>67</b>	<b>23</b>	<b>428</b>	<b>149</b>
<i>% of revenue</i>	<i>4.7%</i>	<i>2.1%</i>	<i>4.7%</i>	<i>2.1%</i>
<b>Adjusted EBITDA</b>	<b>201</b>	<b>157</b>	<b>1,277</b>	<b>1,018</b>
<i>% of revenue</i>	<i>14.2%</i>	<i>14.2%</i>	<i>14.2%</i>	<i>14.2%</i>
<b>Adjusted EPS<sup>2</sup></b>				
– Basic	0.0322	0.0223	0.2045	0.1447
– Diluted	0.0322	0.0223	0.2045	0.1447
<b>Reported EPS<sup>2</sup></b>				
– Basic	0.0289	0.0099	0.1836	0.0639
– Diluted	0.0289	0.0099	0.1836	0.0639

<sup>1</sup> 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”.

<sup>2</sup> The number of shares used to calculate both basic and diluted earnings per share in in Q1 of both 2021 and 2022 is 2,329.8 million shares.



## Abridged Consolidated Balance Sheet

	March 31 2022 USD (m)	March 31 2021 USD (m)	March 31 2022 RMB (m)	March 31 2021 RMB (m)
<b>Assets</b>				
<b>Current assets:</b>				
Cash at bank and on hand	598	596	3,796	3,915
Bills and accounts receivable	1,857	1,707	11,789	11,220
Inventories	2,151	1,663	13,657	10,931
Other current assets, receivables and prepaid expenses	333	383	2,117	2,516
<b>Total current assets</b>	<b>4,940</b>	<b>4,349</b>	<b>31,359</b>	<b>28,582</b>
<b>Non-current assets:</b>				
Fixed assets, net	1,651	1,235	10,480	8,115
Rights of use assets	74	80	467	528
Intangible assets, net	1,506	1,490	9,560	9,790
Deferred tax assets	157	133	994	874
Other non-current assets	114	83	725	542
<b>Total non-current assets</b>	<b>3,501</b>	<b>3,021</b>	<b>22,227</b>	<b>19,849</b>
<b>Total assets</b>	<b>8,441</b>	<b>7,370</b>	<b>53,587</b>	<b>48,431</b>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Loans and credit from banks and other lenders	438	618	2,781	4,063
Bills and accounts payable	1,324	781	8,404	5,131
Other current liabilities	905	760	5,745	4,995
<b>Total current liabilities</b>	<b>2,667</b>	<b>2,159</b>	<b>16,931</b>	<b>14,190</b>
<b>Long-term liabilities:</b>				
Loans and credit from banks and other lenders	655	368	4,156	2,416
Debentures	1,211	1,195	7,690	7,851
Deferred tax liabilities	52	59	330	387
Employee benefits	121	100	770	657
Other long-term liabilities	371	170	2,357	1,120
<b>Total long-term liabilities</b>	<b>2,411</b>	<b>1,892</b>	<b>15,303</b>	<b>12,431</b>
<b>Total liabilities</b>	<b>5,078</b>	<b>4,051</b>	<b>32,234</b>	<b>26,620</b>
<b>Equity</b>				
<b>Total equity</b>	<b>3,364</b>	<b>3,319</b>	<b>21,352</b>	<b>21,811</b>
<b>Total liabilities and equity</b>	<b>8,441</b>	<b>7,370</b>	<b>53,587</b>	<b>48,431</b>



## Abridged Consolidated Cash Flow Statement for the First Quarter

	Q1 2022 USD (m)	Q1 2021 USD (m)	Q1 2022 RMB (m)	Q1 2021 RMB (m)
<b>Cash flow from operating activities:</b>				
Cash flow from operating activities	-286	-129	-1,814	-838
<b>Cash flow from operating activities</b>	<b>-286</b>	<b>-129</b>	<b>-1,814</b>	<b>-838</b>
<b>Investing activities:</b>				
Acquisitions of fixed and intangible assets	-92	-91	-584	-588
Proceeds from disposal of fixed and intangible assets	1	1	3	9
Acquisition of subsidiaries	0	-8	-	-55
Other investing activities	1	-11	7	-71
<b>Cash flow used for investing activities</b>	<b>-90</b>	<b>-109</b>	<b>-574</b>	<b>-704</b>
<b>Financing activities:</b>				
Receipt of loans from banks and other lenders	153	287	969	1,862
Repayment of loans from banks and other lenders	-27	-38	-172	-244
Interest payment and other	-10	-10	-61	-63
Dividends to shareholders	-	-	-	-
Other financing activities	-65	5	-410	26
<b>Cash flow from (used for) financing activities</b>	<b>51</b>	<b>244</b>	<b>327</b>	<b>1,581</b>
Effects of exchange rate movement on cash and cash equivalents	0	-2	-24	18
<b>Net change in cash and cash equivalents</b>	<b>-325</b>	<b>4</b>	<b>-2,085</b>	<b>57</b>
Cash and cash equivalents at the beginning of the period	903	588	5,759	3,835
<b>Cash and cash equivalents at the end of the period</b>	<b>579</b>	<b>592</b>	<b>3,674</b>	<b>3,892</b>
<b>Free Cash Flow</b>	<b>-386</b>	<b>-248</b>	<b>-2,448</b>	<b>-1,605</b>



## 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 March 31, 2022 and 2021 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 (ASBE) 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 “ASBE”). Note that in the reported financial statements, as a result of recent changes in the ASBE guidelines (IAS 37), certain items as of Q4 2021 (specifically certain transportation costs and certain idleness charges) have been reclassified from Operating Expenses to COGS. See the notes to the financial statements for more details in this regard.

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:

- “Gross profit” in this release is revenue less costs of goods sold, taxes and surcharges, inventory impairment and other idleness charges (in addition to those already included in costs of goods sold); part of the idleness charges is removed in the Adjusted financial statements
- “Other operating expenses” includes impairment losses (not including inventory impairment); gain (loss) from disposal of assets and non-operating income and expenses
- “Operating expenses” in this release differ from those in the formally reported financial statements in that in the reported financial statements, as a result of recent changes in the ASBE guidelines (IAS 37), certain items as of Q4 2021 (specifically certain transportation costs and certain idleness charges) have been reclassified from Operating Expenses to COGS.
- “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; financial assets in respect of derivatives; prepayments; other receivables; and other current assets
- “Fixed assets, net” includes fixed assets and construction in progress
- “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 other lenders” includes short-term loans and non-current liabilities due within one year
- “Other current liabilities” includes financial liabilities in respect of derivatives; payables for employee benefits, taxes, interest, dividends and others; advances from customers and other current liabilities
- “Other long-term liabilities” includes long-term payables, provisions, deferred income and other non-current liabilities



## Income Statement Adjustments

	Q1 2022 USD (m)	Q1 2021 USD (m)	Q1 2022 RMB (m)	Q1 2021 RMB (m)
<b>Net Income (Reported)</b>	<b>67.3</b>	<b>23.3</b>	<b>427.7</b>	<b>150.8</b>
<b><u>Adjustments to COGS &amp; Operating Expenses:</u></b>				
1. Amortization of Legacy PPA of 2011 acquisition of Solutions (non-cash)	0.3	0.3	1.6	1.6
2. Amortization of Transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash)	5.6	7.8	35.6	50.8
3. Upgrade & Relocation related costs	1.9	15.4	12.0	99.8
4. Incentive plans (non-cash)	(4.1)	4.1	(26.2)	26.8
5. Amortization of acquisition-related PPA (non-cash), other acquisition-related costs	5.1	3.7	32.4	24.3
6. Transportation classification COGS impact	50.9	-	323.2	-
7. Transportation classification OPEX impact	(50.9)	-	(323.2)	-
8. Provisions in respect of prior years' legal- and tax-related costs	-	1.6	-	10.3
<b>Total Adjustments to Operating Income (EBIT)</b>	<b>8.7</b>	<b>33.0</b>	<b>55.5</b>	<b>213.6</b>
<b>Total Adjustments to EBITDA</b>	<b>(2.4)</b>	<b>19.4</b>	<b>(15.3)</b>	<b>125.6</b>
<b><u>Adjustments to Taxes</u></b>				
1. Tax shield on Legacy PPA of 2011 acquisition of Solutions	0.0	0.0	0.3	0.3
3. Taxes related to Upgrade & Relocation related costs	0.1	2.4	0.4	15.6
5. Deferred tax on amortization of acquisition-related PPA, other acquisition-related costs	0.9	0.6	5.9	3.9
8. Provisions in tax expenses in respect of prior years' legal- and tax-related costs	-	0.4	-	2.5
<b>Total adjustments to Net Income</b>	<b>7.7</b>	<b>29.5</b>	<b>48.9</b>	<b>191.5</b>
<b>Net Income (Adjusted)</b>	<b>75.0</b>	<b>52.8</b>	<b>476.5</b>	<b>342.3</b>
<b>Total adjustments to Net Income attributable to the shareholders of the Company</b>	<b>7.7</b>	<b>29.1</b>	<b>48.9</b>	<b>188.4</b>



**Notes:**

1. **Amortization of Legacy PPA of 2011 acquisition of Solutions (non-cash):** Under ASBE, since the first combined reporting for Q3 2017, the Company has inherited the historical “legacy” amortization charge 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 have been completed by the end of 2020.
2. **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 in 2018 the Company adjusted for the one-time gain that it made on the divested products, the additional amortization charge incurred due to the written-up value of the acquired assets is also adjusted to present a consistent view of Divestment and Transfer transactions, which had no net impact on the underlying economic performance of the Company. These additional amortization charges will continue until 2032 but at a reducing rate, yet will still be at a meaningful level until 2028.
3. **Upgrade & Relocation-related costs:** These charges all relate to the multi-year Upgrade & Relocation program in China. As part of this program, production assets located in the old production sites in Jingzhou and Huai’An are being relocated to the new sites, both in 2020 and 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 all charges related to the China Upgrade & Relocated program, which include mainly: (i) excess procurement costs incurred as the Company continued to fulfill demand for its products, in order to protect its market position, through replacement sourcing at significantly higher costs from third-party suppliers (ii) elevated idleness charges largely related to suspensions at the facilities being relocated as well as to the temporary suspensions of the Jingzhou site in Q1 2020 (at the outbreak of COVID-19 in Hubei Province).
4. **Incentive plans (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 and to reflect the existing phantom options, in the Company’s adjusted financial performance, the LTI is presented on an equity-settled basis in accordance with the value of the existing plan at the grant date.
5. **Amortization of acquisition-related PPA (non-cash) and other acquisition-related costs:** Related mainly to the non-cash amortization of intangible assets created as part of the Purchase Price Allocation (PPA) on acquisitions, with no impact on the ongoing performance of the companies acquired, as well as other M&A-related costs.
6. **Transportation classification COGS impact** – as a result of recent changes in the ASBE guidelines [IAS 37], certain items as of Q4 2021 (specifically certain transportation costs and certain idleness charges) have been reclassified from Operating Expenses to COGS.
7. **Transportation classification OPEX impact** – as a result of recent changes in the ASBE guidelines [IAS 37], certain items as of Q42021 (specifically certain transportation costs and certain idleness charges) have been reclassified from Operating Expenses to COGS.
8. **Provisions in tax expenses related to prior years’ activities:** Provisions in respect of tax expenses related to activities of prior years.



## Exchange Rate Data for the Company's Principal Functional Currencies

	March 31			Q1 Average		
	2022	2021	Change	2022	2021	Change
EUR/USD	1.109	1.174	(5.5%)	1.122	1.206	(7.0%)
USD/BRL	4.738	5.697	16.8%	5.233	5.473	4.4%
USD/PLN	4.180	3.968	(5.4%)	4.180	3.772	(10.8%)
USD/ZAR	14.51	14.93	2.8%	15.249	14.970	(1.9%)
AUD/USD	0.749	0.761	(1.7%)	0.724	0.773	(6.4%)
GBP/USD	1.312	1.376	(4.6%)	1.342	1.380	(2.7%)
USD/ILS	3.176	3.334	4.7%	3.198	3.270	2.2%
USD LIBOR 3M	0.96%	0.20%	380.5%	0.53%	0.20%	164.4%

	March 31			Q1 Average		
	2022	2021	Change	2022	2021	Change
USD/RMB	6.348	6.571	(3.4%)	6.351	6.481	(2.0%)
EUR/RMB	7.043	7.712	(8.7%)	7.126	6.481	10.0%
RMB/BRL	0.746	0.867	13.9%	0.824	0.844	2.4%
RMB/PLN	0.658	0.604	(9.1%)	0.649	0.604	(7.5%)
RMB/ZAR	2.286	2.271	(0.7%)	2.401	2.271	(5.7%)
AUD/RMB	4.752	5.003	(5.0%)	4.595	5.012	(8.3%)
GBP/RMB	8.332	9.041	(7.8%)	8.520	9.041	(5.8%)
RMB/ILS	0.500	0.507	1.4%	0.504	0.507	0.7%
RMB LIBOR 3M	2.37%	2.64%	(9.9%)	2.42%	2.71%	(10.8%)