



ADAMA

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 Second Quarter

Adjusted ¹	Q2 2021 USD (m)	Q2 2020 USD (m)	Q2 2021 RMB (m)	Q2 2020 RMB (m)	
Revenues	1,220	1,036	7,877	7,339	
Cost of Sales	848	718	5,474	5,084	
Other costs	7	7	45	51	
Gross profit	365	311	2,358	2,204	
<i>% of revenue</i>	<i>29.9%</i>	<i>30.0%</i>	<i>29.9%</i>	<i>30.0%</i>	
<i>Selling & Distribution expenses</i>	186	152	1,198	1,076	
<i>General & Administrative expenses</i>	39	32	251	228	
<i>Research & Development expenses</i>	18	17	117	121	
<i>Other operating expenses</i>	-3	-2	-17	-15	
Total operating expenses	240	199	1,549	1,410	
<i>% of revenue</i>	<i>19.7%</i>	<i>19.2%</i>	<i>19.7%</i>	<i>19.2%</i>	
Operating income (EBIT)	125	112	809	794	
<i>% of revenue</i>	<i>10.3%</i>	<i>10.8%</i>	<i>10.3%</i>	<i>10.8%</i>	
Financial expenses and investment income	54	43	350	302	
Income before taxes	71	69	459	492	
Taxes on Income	7	16	47	111	
Net Income	64	54	412	381	
Attributable to:					
Non-controlling interest	1	0	2	0	
Shareholders of the Company	63	54	410	381	
<i>% of revenue</i>	<i>5.2%</i>	<i>5.2%</i>	<i>5.2%</i>	<i>5.2%</i>	
Adjustments	-30	-23	-192	-160	
Reported Net income attributable to the shareholders of the Company	34	31	218	221	
<i>% of revenue</i>	<i>2.8%</i>	<i>3.0%</i>	<i>2.8%</i>	<i>3.0%</i>	
Adjusted EBITDA	186	170	1,199	1,205	
<i>% of revenue</i>	<i>15.2%</i>	<i>16.4%</i>	<i>15.2%</i>	<i>16.4%</i>	
Adjusted EPS²	– Basic – Diluted	0.0272 0.0272	0.0220 0.0220	0.1759 0.1759	0.1559 0.1559
Reported EPS²	– Basic – Diluted	0.0145 0.0145	0.0128 0.0128	0.0937 0.0937	0.0905 0.0905

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”.

² The number of shares used to calculate both basic and diluted earnings per share in 2021 is 2,329.8 million shares, reflecting the buyback and cancellation of 102.4 million shares from CNAC in July 2020 and repurchase and cancellation of 14.3 million B shares during the second half of 2020. The number of shares used to calculate both basic and diluted earnings per share in 2020 is 2,446.6 million shares.



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Abridged Consolidated Income Statement for the First Half

Adjusted ³	H1 2021 USD (m)	H1 2020 USD (m)	H1 2021 RMB (m)	H1 2020 RMB (m)
Revenues	2,329	2,008	15,064	14,121
Cost of Sales	1,630	1,391	10,543	9,780
Other costs	12	10	78	71
Gross profit	687	607	4,443	4,270
% of revenue	29.5%	30.2%	29.5%	30.2%
<i>Selling & Distribution expenses</i>	364	310	2,354	2,181
<i>General & Administrative expenses</i>	71	59	459	416
<i>Research & Development expenses</i>	35	34	227	238
<i>Other operating expenses</i>	-7	-5	-42	-38
Total operating expenses	463	398	2,998	2,797
% of revenue	19.9%	19.8%	19.9%	19.8%
Operating income (EBIT)	223	209	1,445	1,473
% of revenue	9.6%	10.4%	9.6%	10.4%
Financial expenses and investment income	91	74	586	520
Income before taxes	133	136	859	954
Taxes on Income	16	40	105	283
Net Income	117	95	754	671
Attributable to:				
Non-controlling interest	2	0	7	0
Shareholders of the Company	115	95	747	671
% of revenue	5.0%	4.7%	5.0%	4.7%
Adjustments	-59	-66	-380	-466
Reported Net income attributable to the shareholders of the Company	57	29	367	205
% of revenue	2.4%	1.4%	2.4%	1.4%
Adjusted EBITDA	343	323	2,216	2,273
% of revenue	14.7%	16.1%	14.7%	16.1%
Adjusted EPS⁴	– Basic – Diluted	0.0496 0.0496	0.0389 0.0389	0.3207 0.3207
Reported EPS⁴	– Basic – Diluted	0.0244 0.0244	0.0118 0.0118	0.1575 0.1575

³ 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”.

⁴ The number of shares used to calculate both basic and diluted earnings per share in 2021 is 2,329.8 million shares, reflecting the buyback and cancellation of 102.4 million shares from CNAC in July 2020 and repurchase and cancellation of 14.3 million B shares during the second half of 2020. The number of shares used to calculate both basic and diluted earnings per share in 2020 is 2,446.6 million shares.



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Abridged Consolidated Balance Sheet

	June 30 2021 USD (m)	June 30 2020 USD (m)	June 30 2021 RMB (m)	June 30 2020 RMB (m)
Assets				
Current assets:				
Cash at bank and on hand	717	889	4,633	6,293
Bills and accounts receivable	1,570	1,367	10,144	9,679
Inventories	1,746	1,500	11,281	10,619
Other current assets, receivables and prepaid expenses	323	326	2,088	2,310
Total current assets	4,357	4,082	28,146	28,901
Non-current assets:				
Fixed assets, net	1,472	1,122	9,508	7,941
Rights of use assets	78	73	506	516
Intangible assets, net	1,509	1,437	9,751	10,171
Deferred tax assets	145	121	940	857
Other non-current assets	93	100	600	711
Total non-current assets	3,298	2,853	21,304	20,195
Total assets	7,655	6,935	49,450	49,096
Liabilities				
Current liabilities:				
Loans and credit from banks and other lenders	457	456	2,954	3,230
Bills and accounts payable	833	710	5,383	5,029
Other current liabilities	823	736	5,314	5,213
Total current liabilities	2,113	1,903	13,651	13,472
Long-term liabilities:				
Loans and credit from banks and other lenders	506	314	3,272	2,225
Debentures	1,238	1,224	7,996	8,664
Deferred tax liabilities	56	59	363	416
Employee benefits	116	96	748	677
Other long-term liabilities	308	137	1,989	973
Total long-term liabilities	2,224	1,830	14,367	12,954
Total liabilities	4,337	3,733	28,018	26,426
Equity				
Total equity	3,318	3,202	21,432	22,670
Total liabilities and equity	7,655	6,935	49,450	49,096



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Abridged Consolidated Cash Flow Statement for the Second Quarter

	Q2 2021 USD (m)	Q2 2020 USD (m)	Q2 2021 RMB (m)	Q2 2020 RMB (m)
Cash flow from operating activities:				
Cash flow from operating activities	361	229	2,329	1,619
Cash flow from operating activities	361	229	2,329	1,619
Investing activities:				
Acquisitions of fixed and intangible assets	-91	-63	-591	-446
Proceeds from disposal of fixed and intangible assets	2	7	10	51
Acquisition of subsidiaries	-93	-	-600	-
Other investing activities	-1	-6	-7	-47
Cash flow used for investing activities	-184	-62	-1,188	-442
Financing activities:				
Receipt of loans from banks and other lenders	296	230	1,915	1,628
Repayment of loans from banks and other lenders	-323	-45	-2,085	-317
Interest payment and other	-50	-44	-325	-311
Other financing activities	19	-22	123	-154
Cash flow from (used for) financing activities	-58	119	-372	846
Effects of exchange rate movement on cash and cash equivalents	3	-	-47	-5
Net change in cash and cash equivalents	122	286	723	2,018
Cash and cash equivalents at the beginning of the period	592	598	3,892	4,238
Cash and cash equivalents at the end of the period	714	884	4,615	6,256
Free Cash Flow	132	127	854	900



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Abridged Consolidated Cash Flow Statement for the First Half

	H1 2021 USD (m)	H1 2020 USD (m)	H1 2021 RMB (m)	H1 2020 RMB (m)
Cash flow from operating activities:				
Cash flow from operating activities	231	173	1,491	1,234
Cash flow from operating activities	231	173	1,491	1,234
Investing activities:				
Acquisitions of fixed and intangible assets	-182	-114	-1,179	-803
Proceeds from disposal of fixed and intangible assets	3	2	20	16
Acquisition of subsidiaries	-101	-	-655	-
Other investing activities	-12	-4	-77	-28
Cash flow used for investing activities	-292	-116	-1,892	-815
Financing activities:				
Receipt of loans from banks and other lenders	584	401	3,776	2,823
Repayment of loans from banks and other lenders	-360	-106	-2,329	-746
Interest payment and other	-60	-50	-388	-357
Other financing activities	22	-35	150	-245
Cash flow from (used for) financing activities	186	210	1,209	1,475
Effects of exchange rate movement on cash and cash equivalents	2	-3	-28	42
Net change in cash and cash equivalents	127	264	780	1,936
Cash and cash equivalents at the beginning of the period	588	619	3,835	4,320
Cash and cash equivalents at the end of the period	714	883	4,615	6,256
Free Cash Flow	-116	12	-752	95



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, 2021 and 2020 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").

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 this release certain idleness charges have been reclassified to impact gross profit, in line with the approach taken by the Company with respect to idleness charges generally
- "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

	Q2 2021 USD (m)	Q2 2020 USD (m)	Q2 2021 RMB (m)	Q2 2020 RMB (m)
Net Income (Reported)	33.8	31.2	218.4	221.4
<u>Adjustments to COGS & Operating Expenses:</u>				
1. Amortization of Legacy PPA of 2011 acquisition of Solutions (non-cash)	0.3	11.5	1.6	81.1
2. Amortization of Transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash)	6.7	7.5	43.2	53.3
3. Upgrade & Relocation related costs	24.8	8.1	160.3	57.1
4. Incentive plans (non-cash)	-0.6	-5.9	-3.9	-41.9
5. Amortization of acquisition-related PPA (non-cash), other acquisition-related costs	3.8	2.6	24.4	18.1
6. Employee early retirement expenses	-	0.9	-	6.4
Total Adjustments to Operating Income (EBIT)	34.9	24.6	225.6	174.1
Total Adjustments to EBITDA	21.4	1.8	138.4	12.4
<u>Adjustments to Financing Expenses</u>				
7. Revaluation of non-cash adjustment related to non-controlling interest	-	0.8	-	5.6
<u>Adjustments to Taxes</u>				
1. Tax shield on Legacy PPA of 2011 acquisition of Solutions	0.0	1.9	0.3	13.8
3. Taxes related to restructuring costs	4.3	0.5	27.8	3.7
5. Deferred tax due to amortization of acquisition-related PPA, other acquisition-related costs	0.6	0.3	3.9	2.2
Total adjustments to Net Income	30.0	22.6	193.7	160.0
Net Income (Adjusted)	63.8	53.8	412.1	381.4
Total adjustments to Net Income attributable to the shareholders of the Company	29.7	22.6	191.6	160.0

	H1 2021 USD (m)	H1 2020 USD (m)	H1 2021 RMB (m)	H1 2020 RMB (m)
Net Income (Reported)	57.1	28.8	369.2	204.6
<u>Adjustments to COGS & Operating Expenses:</u>				
1. Amortization of Legacy PPA of 2011 acquisition of Solutions (non-cash)	0.5	22.9	3.2	159.7
2. Amortization of Transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash)	14.5	15.4	93.9	107.4
3. Upgrade & Relocation related costs	40.2	23.5	260.1	164.6
4. Incentive plans (non-cash)	3.5	-5.2	22.9	-36.8
5. Amortization of acquisition-related PPA (non-cash), other acquisition-related costs	7.5	5.1	48.7	38.0
6. Employee early retirement expenses	-	9.5	-	66.2
7. Provisions in tax expenses related to prior years' activities	1.6	-	10.3	-
Total Adjustments to Operating Income (EBIT)	67.9	71.2	439.2	499.1
Total Adjustments to EBITDA	40.8	22.0	263.9	154.1
<u>Adjustments to Financing Expenses</u>				
8. Revaluation of non-cash adjustment related to non-controlling interest	-	0.8	-	5.6
<u>Adjustments to Taxes</u>				
1. Tax shield on Legacy PPA of 2011 acquisition of Solutions	0.1	3.9	0.5	27.2
3. Taxes related to restructuring costs	6.7	1.0	43.3	7.2
5. Deferred tax due to amortization of acquisition-related PPA, other acquisition-related costs	1.2	0.6	7.7	4.6
7. Provisions in tax expenses related to prior years' activities	0.4	-	2.5	-
Total adjustments to Net Income	59.5	66.4	385.2	465.8
Net Income (Adjusted)	116.6	95.3	754.4	670.5
Total adjustments to Net Income attributable to the shareholders of the Company	58.7	66.4	380.1	465.8



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. **Employee early retirement expenses:** Provision for early retirement plan of employees at the Company's Israeli manufacturing sites.
7. **Provisions in tax expenses related to prior years' activities:** Provisions in respect of tax expenses related to activities of prior years.
8. **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 removed from the Adjusted performance figures.



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Exchange Rate Data for the Company's Principal Functional Currencies

	June 30			Q2 Average			H1 Average		
	2021	2020	Change	2021	2020	Change	2021	2020	Change
EUR/USD	1.189	1.120	6.1%	1.204	1.10	9.5%	1.205	1.101	9.5%
USD/BRL	5.002	5.476	8.7%	5.295	5.39	1.7%	5.384	4.923	(9.4%)
USD/PLN	3.804	3.981	4.4%	3.763	4.10	8.1%	3.768	4.008	6.0%
USD/ZAR	14.347	17.241	16.8%	14.121	17.98	21.4%	14.545	16.664	12.7%
AUD/USD	0.750	0.684	9.6%	0.769	0.65	17.5%	0.771	0.656	17.5%
GBP/USD	1.386	1.227	12.9%	1.397	1.24	12.6%	1.388	1.260	10.2%
USD/ILS	3.260	3.466	5.9%	3.266	3.52	7.1%	3.268	3.507	6.8%
USD LIBOR 3M	0.15%	0.30%	(51.8%)	0.16%	0.60%	(74.0%)	0.18%	1.08%	(83.5%)

	June 30			Q2 Average			H1 Average		
	2021	2020	Change	2021	2020	Change	2021	2020	Change
USD/RMB	6.460	7.080	(8.7%)	6.458	7.085	(8.8%)	6.470	7.029	(8.0%)
EUR/RMB	7.678	7.931	(3.2%)	7.776	7.791	(0.2%)	7.797	7.739	0.7%
RMB/BRL	0.774	0.774	(0.1%)	0.820	0.761	(7.8%)	0.832	0.700	(18.8%)
RMB/PLN	0.589	0.562	(4.7%)	0.583	0.559	(4.2%)	0.582	0.570	(2.1%)
RMB/ZAR	0.450	0.411	(9.7%)	0.457	0.394	(16.0%)	0.445	0.422	(5.4%)
AUD/RMB	4.845	4.846	0.0%	4.967	4.638	7.1%	4.989	4.612	8.2%
GBP/RMB	8.952	8.689	3.0%	9.022	8.790	2.6%	8.982	8.857	1.4%
RMB/ILS	0.505	0.490	(3.1%)	0.506	0.496	(1.9%)	0.505	0.499	(1.2%)