



ADAMA

ADAMA Reports Second Quarter and First Half 2021 Results

Strong Q2 sales growth driven by continued robust volume growth, boosts H1 sales to a record-high

Second Quarter 2021 Highlights

- Sales up 18% to a Q2 record-high of \$1,220 million (RMB: +7%), driven by robust 15% volume growth
- Adjusted EBITDA up 9%, reaching \$186 million (RMB: -0.5%)
- Reported net income up 8% to \$34 million (RMB: -1.4%)
- Adjusted net income up 18% to \$63 million (RMB: +8%)

First Half 2021 Highlights

- Sales up 16%, pushing H1 sales to a record-high of \$2,329 million (RMB: +7%)
- Adjusted EBITDA up 6%, reaching \$343 million (RMB: -2.5%)
- Reported net income up 97% to \$57 million (RMB: +79%)
- Adjusted net income up 21% to \$115 million (RMB: +11%)

BEIJING, CHINA and TEL AVIV, ISRAEL, August 25, 2021 – ADAMA Ltd. (the “Company”) (SZSE 000553), today reported its financial results for the second quarter and six-month period ended June 30, 2021.

Ignacio Dominguez, President and CEO of ADAMA, said, “Today, with crop prices at levels we have not seen in a number of years, and the resulting increase in planted areas, global demand for crop protection products is strong. This brings great opportunity, and places immense responsibility, on ADAMA and our industry to support the world’s growers with safe, effective and sustainable solutions to ensure they can nourish the planet, especially in a time of global pandemic-related uncertainty and disruption. I am extremely pleased that we continue to deliver on our business performance goals, reporting another quarter of business and profit growth. This has been achieved despite the extraordinary times we are in, which continue to pose numerous challenges to global logistics and supply lines, and is a testament to the commitment and dedication of our people to continue bringing our crop protection solutions to farmers across the globe.”



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Table 1. Financial Performance Summary

USD (m)	As Reported			Adjustments		Adjusted		
	Q2 2021	Q2 2020	% Change	Q2 2021	Q2 2020	Q2 2021	Q2 2020	% Change
Revenues	1,220	1,036	+18%	-	-	1,220	1,036	+18%
Gross profit	340	300	+13%	25	11	365	311	+17%
% of sales	27.9%	29.0%				29.9%	30.0%	
Operating income (EBIT)	90	88	+3%	35	25	125	112	+12%
% of sales	7.4%	8.5%				10.3%	10.8%	
Income before taxes	36	44	-18%	35	25	71	69	+2%
% of sales	3.0%	4.3%				5.8%	6.7%	
Net income	34	31	+8%	30	23	63	54	+18%
% of sales	2.8%	3.0%				5.2%	5.2%	
EPS								
- USD	0.0145	0.0128	+14%			0.0272	0.0220	+24%
- RMB	0.0937	0.0905	+4%			0.1759	0.1559	+13%
EBITDA	164	168	-2%	21	2	186	170	+9%
% of sales	13.5%	16.2%				15.2%	16.4%	

USD (m)	As Reported			Adjustments		Adjusted		
	H1 2021	H1 2020	% Change	H1 2021	H1 2020	H1 2021	H1 2020	% Change
Revenues	2,329	2,008	+16%	-	-	2,329	2,008	+16%
Gross profit	645	577	+12%	42	30	687	607	+13%
% of sales	27.7%	28.7%				29.5%	30.2%	
Operating income (EBIT)	156	138	+12%	68	71	223	209	+7%
% of sales	6.7%	6.9%				9.6%	10.4%	
Income before taxes	65	64	+2%	68	72	133	136	-2%
% of sales	2.8%	3.2%				5.7%	6.8%	
Net income	57	29	+97%	59	66	115	95	+21%
% of sales	2.4%	1.4%				5.0%	4.7%	
EPS								
- USD	0.0244	0.0118	+107%			0.0496	0.0389	+27%
- RMB	0.1575	0.0836	+88%			0.3207	0.2741	+17%
EBITDA	302	301	0%	41	22	343	323	+6%
% of sales	13.0%	15.0%				14.7%	16.1%	

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”). 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 Q2 2020 and H1 2020 Adjusted Income Statements have been amended from that presented at the time to include additional adjustments in order to consistently reflect largely the treatment of China Relocation & Upgrade Program-related costs amongst other adjustments that the Company has deemed non-operational and one-time in nature, as well as to reflect a change in allocation of certain costs between those impacting Operating Expenses and those impacting Gross Profit.

The number of shares used to calculate both basic and diluted earnings per share in Q2 and H1 2020 is 2,446.6 million shares. The number of shares used to calculate both basic and diluted earnings per share in Q2 and H1 2021 is 2,329.8 million shares, reflecting the repurchase 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 general crop protection market environment

During the second quarter of 2021, crop prices of most of the major commodity crops remained elevated, driving an increase in planted areas and strong crop protection demand in most regions. Demand was also supported by positive weather conditions in various regions, although drought conditions in the Americas, most notably in Brazil and the western United States, posed challenges for farmers in those regions.

During the quarter, prices of intermediates and active ingredients sourced from China continued to rise compared to the same period last year, driven by high raw material prices, and the higher global demand. Oil prices have been rising considerably, following the alleviation of pandemic control measures in a number of countries.

Global freight and logistics costs continued to rise during the second quarter of 2021, as COVID-19 continues to disrupt port activity, resulting in container shortages, while demand for container shipping remains high. Similarly, in-land logistics remain challenged as pandemic-related restrictions continue to create frictions in domestic supply lines. Taken together, these constraints have impacted both availability of shipping and transportation resources, as well as significantly increased their costs, a dynamic widely observed across all international trade-related industries.

The Company continues to actively manage its procurement and supply chain activities in order to mitigate these higher procurement and logistics costs. It also endeavors to adjust its pricing wherever possible to compensate for these increased costs, but intense competition in certain key markets has restrained the Company's ability to do so in an effective and timely manner.

Jingzhou Production Resumption Update

Following the completion of the Relocation & Upgrade program for Sanonda, production has recently resumed at the Company's new, state-of-the-art Jingzhou site. While production is initially starting at relatively low levels, the Company expects output levels to gradually ramp up over the remainder of the year. This return to production at Sanonda will progressively reduce the need for incurring additional procurement costs which the Company has endured while the plant has been suspended, and is expected to reduce idleness charges as production and utilization levels rise over the coming months.

Financial Highlights

Revenues in the second quarter grew by 18% (+7% in RMB terms) to \$1,220 million, driven by continued robust 15% volume growth.

In the quarter, ADAMA delivered significant growth in Asia Pacific, led by a strong performance in China and the Pacific region. In North America, the Company recorded continued growth from its Consumer and Professional business, alongside a solid performance in the crop protection arm, recovering from first-quarter headwinds seen there. Pleasing growth was seen in Latin America despite ongoing drought conditions across the region, as well as strong growth in the India, Middle-East & Africa region, which enjoyed favorable weather including the start of the monsoon season in India. In Europe sales grew, aided by a recent heatwave in the region, which caused higher disease and insect pressure in most countries.

The accelerated growth in the quarter brought half-year sales to a record-high of \$2,329 million, an increase of 16% (+7% in RMB terms).

Gross Profit reported in the second quarter was up 13% to \$340 million (gross margin of 27.9%), and up 12% to \$645 million (gross margin of 27.7%) in the half-year period, compared to \$300 million (gross margin of 29.0%) and \$577 million (gross margin of 28.7%) in the corresponding periods last year, respectively.



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The Company recorded certain extraordinary charges within its reported cost of goods sold, totaling approximately \$25 million in the second quarter (Q2 2020: \$11 million) and \$42 million in the half-year period (H1 2020: \$30 million). These charges were largely related to its continuing Relocation & Upgrade program, and include mainly (i) excess procurement costs, both in quantity and cost terms, 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, and (ii) elevated idleness charges largely related to suspensions at the facilities being relocated as well as to the temporary suspension of the Jingzhou site in Q1 2020 at the outbreak of COVID-19 in Hubei Province. For further details on these extraordinary charges, please see the appendix to this release.

Excluding the impact of the abovementioned extraordinary items, adjusted gross profit in the second quarter was up 17% to \$365 million (29.9% of sales), and up 13% to \$687 million (gross margin of 29.5%) in the half-year period, compared to \$311 million (gross margin of 30.0%) and \$607 million (gross margin of 30.2%) in the corresponding periods last year, respectively.

In the quarter, the higher gross profit was driven by the strong volume growth and the strengthening of local currencies against the US dollar, which more than offset the impacts of somewhat softer local currency prices and higher procurement and logistics costs.

During the half-year period, the higher gross profit was driven by the strong volume growth alongside positive seasonal changes in product offering, as well as the stronger currencies against the US dollar, all of which outweighed the impacts of the softer local currency prices and higher procurement and logistics costs.

Despite the exceptionally strong sales growth, the Company continues to see pressure on gross margins, reflecting the higher logistics and procurement costs, as well as the impact on production costs of the strengthening of the Chinese Renminbi and the Israeli Shekel.

Operating expenses reported in the second quarter were \$250 million (20.5% of sales) and \$489 million (21.0% of sales) in the half-year period, compared to \$213 million (20.5% of sales) and \$439 million (21.9% of sales) in the corresponding periods last year, respectively.

The Company recorded certain non-operational, mostly non-cash, charges within its reported operating expenses, totaling approximately \$10 million in the second quarter (Q2 2020: \$14 million) and \$26 million in the half-year period (H1 2020: \$41 million). These charges include mainly (i) \$7 million in Q2 2021 (Q2 2020: \$8 million) and \$15 million in H1 2021 (H1 2020: \$15 million) in non-cash amortization charges in respect of Transfer assets received from Syngenta related to the 2017 ChemChina-Syngenta acquisition, (ii) \$1 million benefit in Q2 2021 (Q2 2020: \$6 million) and \$4 million charge in H1 2021 (H1 2020: benefit of \$5 million) in non-cash impacts related to incentive plans, and (iii) \$4 million in Q2 2021 (Q2 2020: \$2 million) and \$8 million in H1 2021 (H1 2020: \$5 million) in 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. The higher aggregate amount of non-operational charges in Q2 and H1 2020 then also included \$11 million and \$23 million, respectively, in non-cash amortization charges related to the legacy PPA of the 2011 acquisition of Adama Agricultural Solutions, which have now largely finished, and \$1 million and \$9 million, respectively, in early retirement expenses. 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 and half-year period were \$240 million (19.7% of sales) and \$463 million (19.9% of



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sales), compared to \$199 million (19.2% of sales) and \$398 million (19.8% of sales) in the corresponding periods last year, respectively.

The higher operating expenses in the quarter and half-year period reflect primarily an increase in sales and marketing teams in growing geographies to drive and support the strong sales growth, higher transportation and logistics costs driven by both an increase in freight costs and the increased volumes being transported, as well as the inclusion of recent acquisitions.

In addition to these factors, operating expenses in the quarter were impacted by the strengthening of local currencies against the US dollar.

Operating income reported in the second quarter was up 3% to \$90 million (7.4% of sales), and up 12% to \$156 million (6.7% of sales) in the half-year period, compared to \$88 million (8.5% of sales) and \$138 million (6.9% of sales) in the corresponding periods last year, respectively.

Excluding the impact of the abovementioned non-operational, mostly non-cash items, adjusted operating income in the second quarter was up 12% to \$125 million (10.3% of sales) and up 7% to \$223 million (9.6% of sales) in the half-year period, compared to \$112 million (10.8% of sales) and \$209 million (10.4% of sales) in the corresponding periods last year, respectively.

The higher operating income in the quarter and half-year period was driven by the increased gross profit, partially offset by the impact of the higher operating expenses.

EBITDA reported in the second quarter was \$164 million (13.5% of sales) and \$302 million (13.0% of sales) in the half-year period, compared to \$168 million (16.2% of sales) and \$301 million (15.0% of sales) recorded in the corresponding periods last year, respectively.

Excluding the impact of the abovementioned non-operational, mostly non-cash items, adjusted EBITDA in the second quarter was up 9% to \$186 million (15.2% of sales) and up 6% to \$343 million (14.7% of sales) in the half-year period, compared to \$170 million (16.4% of sales) and \$323 million (16.1% of sales) in the corresponding periods last year, respectively.

Financial expenses and investment income were \$54 million in the second quarter and \$91 million in the half-year period, compared to \$43 million and \$74 million in the corresponding periods last year, respectively. The higher financial expenses in the quarter and half-year period were mainly driven by the net effect of an increase in the Israeli CPI on the ILS-denominated, CPI-linked bonds. The increase in the CPI was most marked in the second quarter of 2021, compared to its decline in the parallel quarter last year, and appears to be similar to the increase in inflation rates that has been observed in many countries across the world this year as the global economy continues to reopen following pandemic-related shutdowns.

Taxes on income reported in the second quarter were \$7 million and \$16 million in the half-year period, compared to \$16 million and \$40 million in the corresponding periods last year, respectively.

The lower tax expenses recorded in the second quarter and first half of 2021 were mainly due to non-cash tax income from the impact of the stronger Brazilian Real on the value of non-monetary tax assets, caused due to differences between the functional (US dollar) and tax (local) currencies' value of these non-monetary assets. The higher tax expenses recorded in 2020 were largely due to the opposite impact, which was then caused by the significant weakening of the BRL in those periods in 2020.

Net income attributable to the shareholders of the company reported in the second quarter was \$34 million (2.8% of sales) and \$57 million (2.5% of sales) in the half-year period, compared to \$31 million (3.0% of sales) and \$29 million (1.4% of sales) in the corresponding periods last year, respectively.

Excluding the impact of the abovementioned extraordinary and non-operational charges, adjusted net income in the second quarter was \$63 million (5.2% of sales) and \$115 million (5.0% of sales) in the



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half-year, compared to \$54 million (5.2% of sales) and \$95 million (4.7% of sales) in the corresponding periods last year, respectively.

The marked improvement in adjusted net income in the quarter and half-year period was driven by the higher operating income and lower taxes, which were partially offset by the higher financial expenses.

Trade working capital at June 30, 2021 was \$2,498 million compared to \$2,173 million at the same point last year. The Company is holding higher inventory levels due mainly to a shift in geographic and portfolio sales mix, the anticipation of further volume growth in coming quarters, the increase in procurement and production costs, as well as the inclusion of recent acquisitions. The Company also saw an increase in trade receivables, driven largely by its strong growth over the half-year period in emerging markets, most notably in Latin America and Brazil, where customer credit terms are generally longer. These increases were partially offset by higher trade payables.

Cash Flow: Operating cash flow of \$361 million was generated in the quarter and \$231 million in the half-year period, compared to \$229 million and \$173 generated in the corresponding periods last year, respectively. The stronger operating cash flow generated in the second quarter and half-year period reflects the stronger operating income generated this year, alongside improved collections during the second quarter.

Net cash used in investing activities was \$184 million in the quarter and \$292 million in the half-year period, compared to \$62 million and \$116 million in the corresponding periods last year, respectively. The higher levels of cash used in investing activities in the periods largely reflect an increase in investments in fixed assets, mainly driven by the payments for the relocation of manufacturing facilities in China and upgrading of facilities in Israel, as well as a total of \$101 million paid for the acquisitions of majority stakes in Jiangsu Huifeng's domestic commercial crop protection business and its manufacturing assets.

Free cash flow of \$132 million was generated in the second quarter and \$116 million consumed in the half-year period compared to \$127 million and \$12 million generated in the corresponding periods last year, respectively, reflecting the aforementioned operating and investing cash flow dynamics.

Portfolio Development Update

In the second quarter, ADAMA continued to advance the development of its differentiated product portfolio. The Company obtained multiple new product registrations in the quarter, including **TIMELINE FX®**, a three-way mixture herbicide for cereals in Sweden, **MAXENTIS®**, a unique co-formulation fungicide that protects against key foliar diseases in cereals and canola in Australia, and **TAPUZ®**, a unique combination product with two different modes of action to control various rice pests in Indonesia.

ADAMA continued its global roll-out of one of its self-produced prothioconazole-based products, **SORATEL®**, with launches in the UK and Canada. This is ADAMA's first product featuring its novel **Asorbital™** formulation technology, a proprietary formulation technology that delivers improved penetration efficiency and excellent systemic movement in plants, resulting in higher efficacy of ADAMA's prothioconazole-based products.

In Italy, the Company launched **EXELGROW®**, a unique seaweed-based biostimulant promoting plant growth, further penetrating this segment.



Table 2. Regional Sales Performance

	Q2 2021 \$m	Q2 2020 \$m	Change USD	Change CER	H1 2021 \$m	H1 2020 \$m	Change USD	Change CER
Europe	261	252	+3.4%	+0.2%	605	609	-0.6%	-2.3%
North America	256	205	+25.2%	+24.0%	445	373	+19.4%	+18.5%
Latin America	271	220	+22.9%	+21.5%	448	379	+18.1%	+21.7%
Asia Pacific	242	191	+26.4%	+14.4%	483	349	+38.3%	+25.7%
Of which China	135	99	+36.0%	+26.3%	259	168	+54.6%	+44.5%
India, Middle East & Africa	190	167	+13.5%	+9.7%	347	298	+16.6%	+15.5%
Total	1,220	1,036	+17.7%	+13.6%	2,329	2,008	+15.9%	+13.6%

CER: Constant Exchange Rates

Europe: Sales in the second quarter were in line with those of the same quarter last year, in CER terms, but were lower by 2.3% in the first half of the year compared with the corresponding period last year.

In the quarter, sales were aided by a recent region-wide heatwave, causing higher disease and insect pressure in most countries, following a prolonged cold spell. Noteworthy performances were seen across eastern Europe, supported by favorable conditions in key crops, as well as in Italy and in Greece, bolstered by the Company's recent acquisition in the latter country. These more than compensated for softer performances in certain countries in the western part of the continent, but were largely offset by a generally softer pricing environment across the region.

In US dollar terms, sales were higher by 3.4% in the quarter but were lower by 0.6% in the half-year period, compared to the corresponding periods last year, reflecting the net impact of the strengthening of regional currencies compared to their weakening in the 2020 periods at the outbreak of COVID-19 then.

North America: Sales were up by 24.0% in the second quarter and by 18.5% in the first half of the year, in CER terms, compared with the corresponding periods last year.

In the quarter, ADAMA recorded continued robust growth and market share gain in key segments of its Consumer and Professional business, alongside a solid performance in the crop protection arm, recovering from first-quarter headwinds seen there.

In US dollar terms, sales were higher by 25.2% in the quarter and by 19.4% in the first half, compared to the corresponding periods last year, reflecting the strengthening of the Canadian Dollar.

Latin America: Sales grew by 21.5% in the second quarter and by 21.7% in the first half of the year, in CER terms, compared to the corresponding periods last year.

The Company delivered pleasing growth in the quarter, driven by business growth in Brazil supported by the strong crop prices, and despite ongoing drought conditions which affected the corn planting season in the country, as well as growth seen in other countries across the region.

In US dollar terms, sales in the region grew by 22.9% in the quarter, reflecting a strengthening in regional currencies during the quarter compared to the parallel quarter in 2020. In the half year, sales in the region grew by 18.1% in US dollar terms, compared to the corresponding period last year, reflecting the somewhat weaker average currency levels that prevailed during the first quarter of 2021 compared to the parallel quarter in 2020, which saw currency weakness against the USD only late in the quarter at the outbreak of COVID-19.



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Asia-Pacific: Sales grew by 14.4% in the quarter and by 25.7% in the first half of the year, in CER terms, compared to the corresponding periods last year.

In the second quarter, the Company delivered robust growth in the region, led by a strong performance in China and the Pacific. In China, ADAMA is seeing strong growth, both from sales of its branded, formulated portfolio, further aided by the acquisition of Huifeng's domestic commercial arm at the end of 2020, as well as from sales of its raw materials and intermediates which saw strong demand and higher prices. The Company also started to benefit from its recent acquisition of Huifeng's manufacturing assets at the end of May 2021. In the Pacific region, the Company grew strongly in the quarter, driven by continued favorable seasonal conditions.

In the rest of APAC, the Company recorded continued growth in the quarter, with noteworthy performances delivered in Indonesia, Korea and Australia, more than offsetting the challenging seasonal conditions in other parts of South-East Asia, and the lingering effects of COVID-19 which continues to challenge local farmers throughout the region.

In US dollar terms, sales in the region grew by 26.4% in the second quarter and by 38.3% in the first half of the year, compared to the corresponding periods last year, reflecting the impact of the strengthening of regional currencies, most notably the Australian Dollar and Chinese Renminbi.

India, Middle East & Africa: Sales grew by 9.7% in the quarter and by 15.5% in the first half of the year, in CER terms, compared to the corresponding periods last year.

In the quarter, the strong growth was led by India, which enjoyed favorable weather with a strong start to the monsoon season, enabling good cropping conditions.

In US dollar terms, sales in the region grew by 13.5% in the quarter and by 16.6% in the first half of the year, compared to the corresponding periods last year, reflecting the impact of the strengthening of regional currencies compared to the USD, most notably the Israeli Shekel.

Table 3. Revenues by operating segment

Second quarter sales by segment

	Q2 2021 USD (m)	%	Q2 2020 USD (m)	%
Crop Protection	1,104	90.5%	941	90.8%
Intermediates and Ingredients	116	9.5%	95	9.2%
Total	1,220	100%	1,036	100%



Second quarter sales by product category

	Q2 2021 USD (m)	%	Q2 2020 USD (m)	%
Herbicides	473	38.7%	446	43.0%
Insecticides	393	32.3%	312	30.2%
Fungicides	239	19.6%	183	17.7%
Intermediates and Ingredients	116	9.5%	95	9.2%
Total	1,220	100%	1,036	100%

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.

Half-year sales by segment

	H1 2021 USD (m)	%	H1 2020 USD (m)	%
Crop Protection	2,111	90.7%	1,826	90.9%
Intermediates and Ingredients	218	9.3%	183	9.1%
Total	2,329	100%	2,008	100%

Half-year sales by product category

	H1 2021 USD (m)	%	H1 2020 USD (m)	%
Herbicides	950	40.8%	886	44.1%
Insecticides	706	30.3%	530	26.4%
Fungicides	455	19.5%	410	20.4%
Intermediates and Ingredients	218	9.3%	183	9.1%
Total	2,329	100%	2,008	100%

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.

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,



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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 and follow us on Twitter® at [@ADAMAAgri](https://twitter.com/ADAMAAgri).

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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	0.0272	0.0220	0.1759
	– Diluted	0.0272	0.0220	0.1759
Reported EPS²	– Basic	0.0145	0.0128	0.0937
	– Diluted	0.0145	0.0128	0.0937

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.



ADAMA

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%)