

Q2 & H1 2021 Review

August 2021

Legal Notice

This presentation is for marketing and information purposes only. By this presentation, neither ADAMA Ltd. nor Adama Agricultural Solutions Ltd. (together the “Company” or “ADAMA”) intend to give, and the presentation does not constitute, professional or business advice or an offer or recommendation to perform any transaction in the Company’s securities. The accuracy, completeness and/or adequacy of the content of this presentation, as well as any estimation and/or assessment included in this presentation, if at all, is not warranted or guaranteed and the Company disclaims any intention and/or obligation to comply with such content. The Company may make improvements and/or changes in the features or content presented herein at any time. The Company shall not be liable for any loss, claim, liability or damage of any kind resulting from your reliance on, or reference to, any detail, fact or opinion presented herein.

This presentation contains proprietary information of the Company and may not be reproduced, copied, disclosed or utilized in any way, in whole or in part, without the prior written consent of the Company.

The Company’s assessments may not materialize, inter alia, due to factors out of the Company's control, including the risk factors listed in the Company’s annual reports, changes in the industry or potential operations of the Company's competitors.

All information included in this presentation relates only to the date which it refers to, and the Company does not undertake to update such information afterwards.

Any content contained herein shall not constitute or be construed as any regulatory, valuation, legal, tax, accounting and investment advice or any advice of any kind or any part of it. Nor shall they constitute or be construed as any recommendation, solicitation, offer or commitment (or any part of it) to buy, sell, subscribe for or underwrite any securities, provide any credit or insurance or engage in any transactions. Without any written consent, any third party providing this document to you shall not act as your financial advisor or trustee. Before entering into any transactions, you shall ensure that you fully understand the potential risks and returns of such transactions. Before making such decisions, you shall consult the advisors you think necessary, including your accountant, investment advisor and legal and tax specialists. The Company and its affiliates, controlling persons, directors, officials, partners, employees, agents, representatives or their advisors shall not assume any responsibilities of any kind (including negligence or others) for the use of and reliance on such information by you or any person to whom such information are provided.

ADAMA

General Performance Overview

General Market Update

- In Q2, the industry saw **strong demand for crop protection in most regions**, driven by:
  - High crop prices of most major commodity crops
  - Increased planted areas
  - Positive weather conditions in various regions
- **Prices of intermediates and active ingredients sourced from China continued to rise** vs. Q2 2020, driving up procurement costs. This was due in part to:
  - Higher raw material costs
  - Rising oil prices
  - Stronger demand
- Global **freight and logistics costs continued to rise**, driven by severe shortage of shipping and transportation resources amid resurgent demand for container shipping
  - Container shortages from disruptions in port activity due to COVID-19
  - Frictions in domestic supply lines due to pandemic-related restrictions

Q2: strong sales growth driven by continued robust volume growth across all key regions

Adj. $ million	Q2 2021	Q2 2020	%▲ USD
Sales	1,220	1,036	**+18%**
Gross Profit	365	311	**+17%**
% of Sales	*29.9%*	*30.0%*	
Operating Expenses	240	199	**+21%**
% of Sales	*19.7%*	*19.2%*	
EBITDA	186	170	**+9%**
% of Sales	*15.2%*	*16.4%*	
Adjusted Net Income	63	54	**+18%**
% of Sales	*5.2%*	*5.2%*	
Adjustments	(30)	(23)	
Reported Net Income	**34**	**31**	**+8%**
% of Sales	*2.8%*	*3.0%*	

Q2 Highlights

- **Sales**
  - Sales up 18% to Q2 record-high
  - Driven by robust 15% volume growth
- **Gross Profit**
  - Strong volume growth and strengthening of local currencies against the US dollar
  - More than offsetting softer local currency prices, higher logistics and procurement costs
- **EBITDA**
  - 9% ahead of Q2'20
  - Higher Opex accommodating significantly higher sales and inclusion of recent acquisitions
  - Ongoing expense discipline: Opex/Sales ratio of 19.7% vs. 19.2% in Q2 2020 (at onset of pandemic shutdowns)
- **Net income**
  - 18% increase in net income driven by higher operating income alongside lower taxes

Continued robust business growth yields increased profits in Q2, despite pressure on margins

H1: another quarter of strong growth pushing YTD sales to record-high

Adj. $ million	H1 2021	H1 2020	%▲ USD
Sales	2,329	2,008	**+16%**
Gross Profit	687	607	**+13%**
% of Sales	*29.5%*	*30.2%*	
Operating Expenses	463	398	**+16%**
% of Sales	*19.9%*	*19.8%*	
EBITDA	343	323	**+6%**
% of Sales	*14.7%*	*16.1%*	
Adjusted Net Income	115	95	**+21%**
% of Sales	*5.0%*	*4.7%*	
Adjustments	(59)	(66)	
Reported Net Income	**57**	**29**	**+97%**
% of Sales	*2.4%*	*1.4%*	

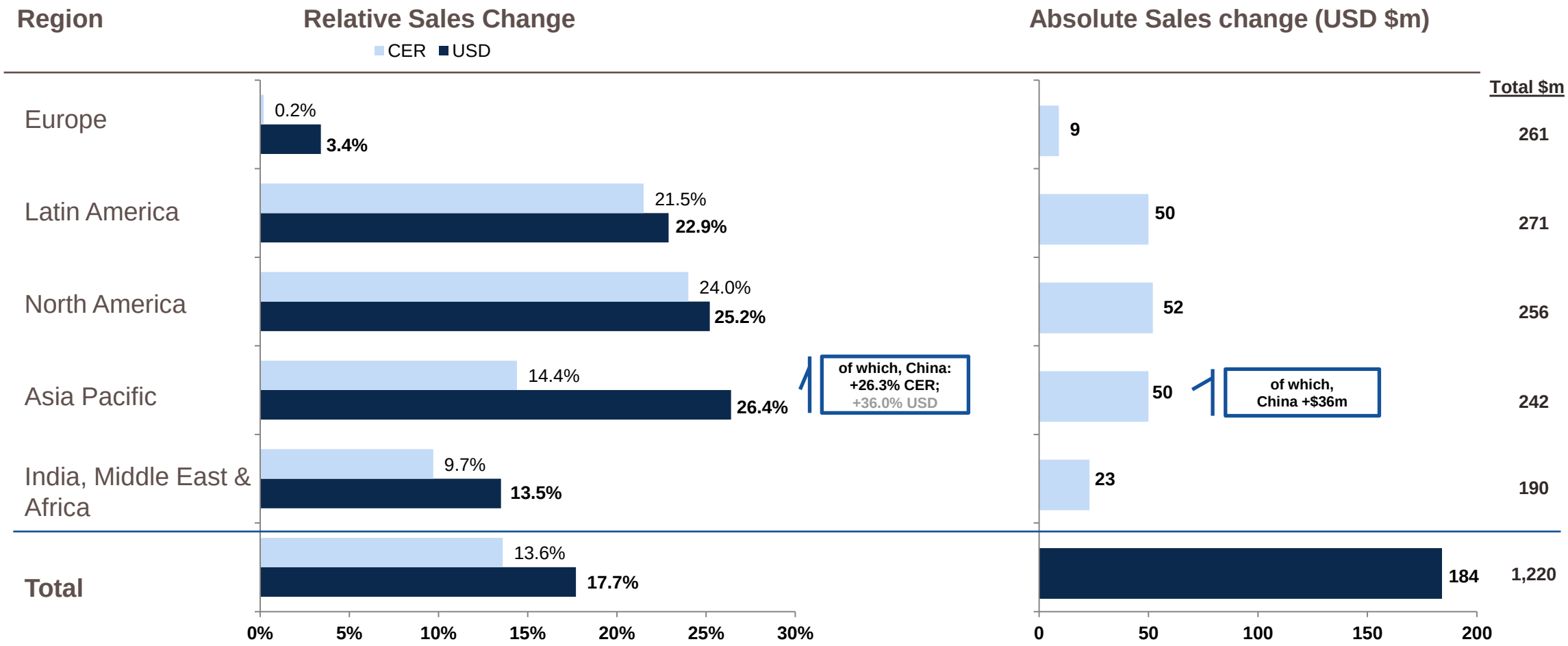
H1 Highlights

- **Sales**
  - Sales up 16% driven by 15% increase in volumes
  - Aided by favorable currencies
- **Gross Profit**
  - Volume growth alongside positive mix and impact of stronger currencies against the US dollar
  - More than offsetting tighter pricing environment and higher logistics and procurement costs
- **EBITDA**
  - 6% ahead of H1'20
  - Higher Opex accommodating higher sales and inclusion of recent acquisitions
  - Ongoing expense discipline: Opex/Sales ratio of 19.9% vs. 19.8% in H1 2020
- **Net income**
  - Marked 21% improvement in net income driven by higher operating income and lower taxes
  - More than offsetting higher financial expenses

Accelerating sales growth in Q2 (+18%), driving 16% increase over H1

Robust volume growth in all key regions

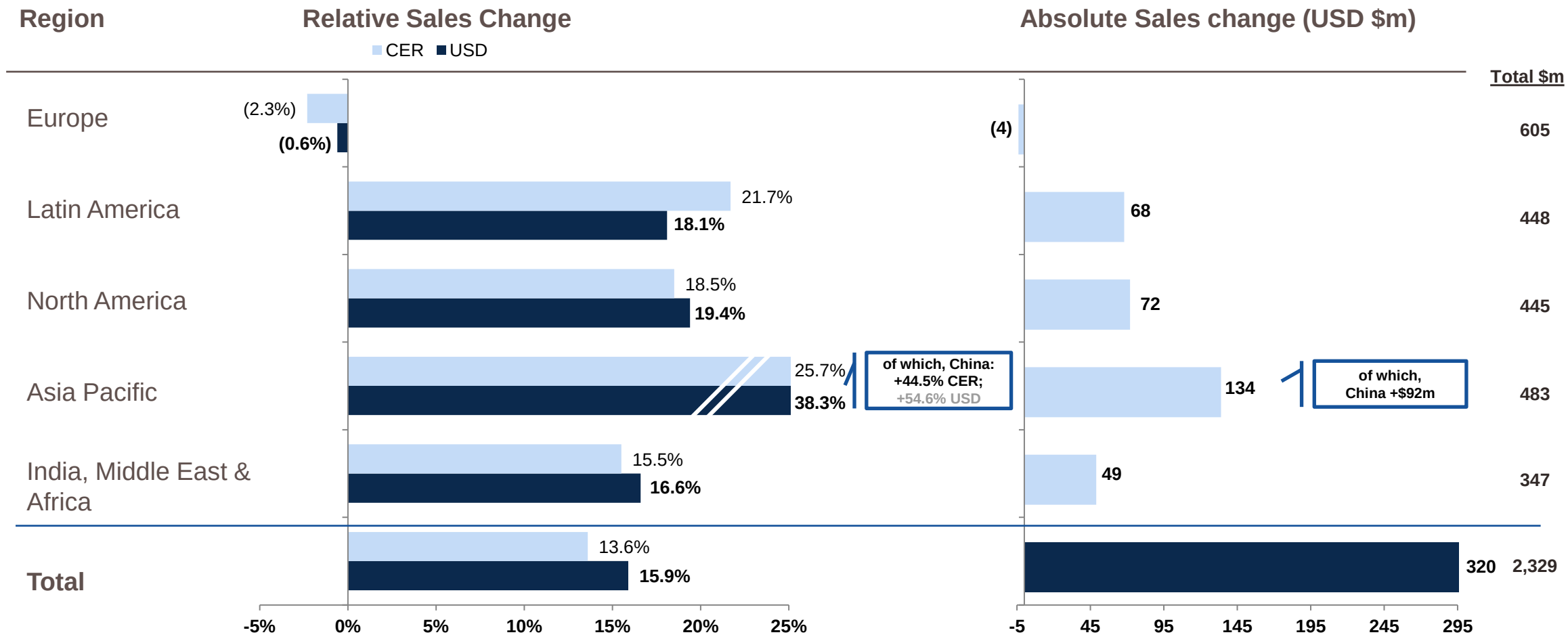
Sales change by region – Q2 2021 vs. Q2 2020



Note: China sales include sales from newly acquired businesses; Organic growth in China was 7.8%

Robust volume growth in most regions

Sales change by region – H1 2021 vs. H1 2020



Note: China sales include sales from newly acquired businesses; Organic growth in China was 27.4%

Q2 & H1 2021 Regional Highlights (USD)

North America

+25% Q2 | +19% H1

- **US CP:** Solid Q2 performance driven by robust demand, recovering from Q1 headwinds
- Noteworthy performance in **Canada**
- Consumer & Professional business: Continued robust performance driven by strong demand, supportive pricing environment
- Market share gains in key products

Europe

+3% Q2 | -1% H1

- Q2 growth aided by region-wide heatwave, causing higher disease and insect pressure
- Noteworthy performances in eastern Europe supported by favorable conditions in key crops
- Good results in **Italy** and **Greece**, offsetting softer performance in parts of western Europe

APAC (incl. China)

+26% Q2 | +38% H1

- Continued growth, most notably in **Australia**, **Korea** and **Japan**
- More than offsetting challenging seasonal conditions in South-East Asia
- Lingering effects of COVID-19 continues to challenge local farmers throughout region
- **China:**
  - Ag: strong sales of branded, formulated portfolio, bolstered by new product launches and Huifeng acquisitions
  - Non-Ag: strong sales growth, driven by robust demand and higher prices

Latin America

+23% Q2 | +18% H1

- Pleasing performance driven by solid volume growth throughout region
- This strong growth achieved despite ongoing pandemic-related frictions, and macro-economic instability in some countries
- **Brazil:** Solid growth supported by strong crop prices, despite ongoing drought
- Continued FX volatility

IMA

+14% Q2 | +17% H1

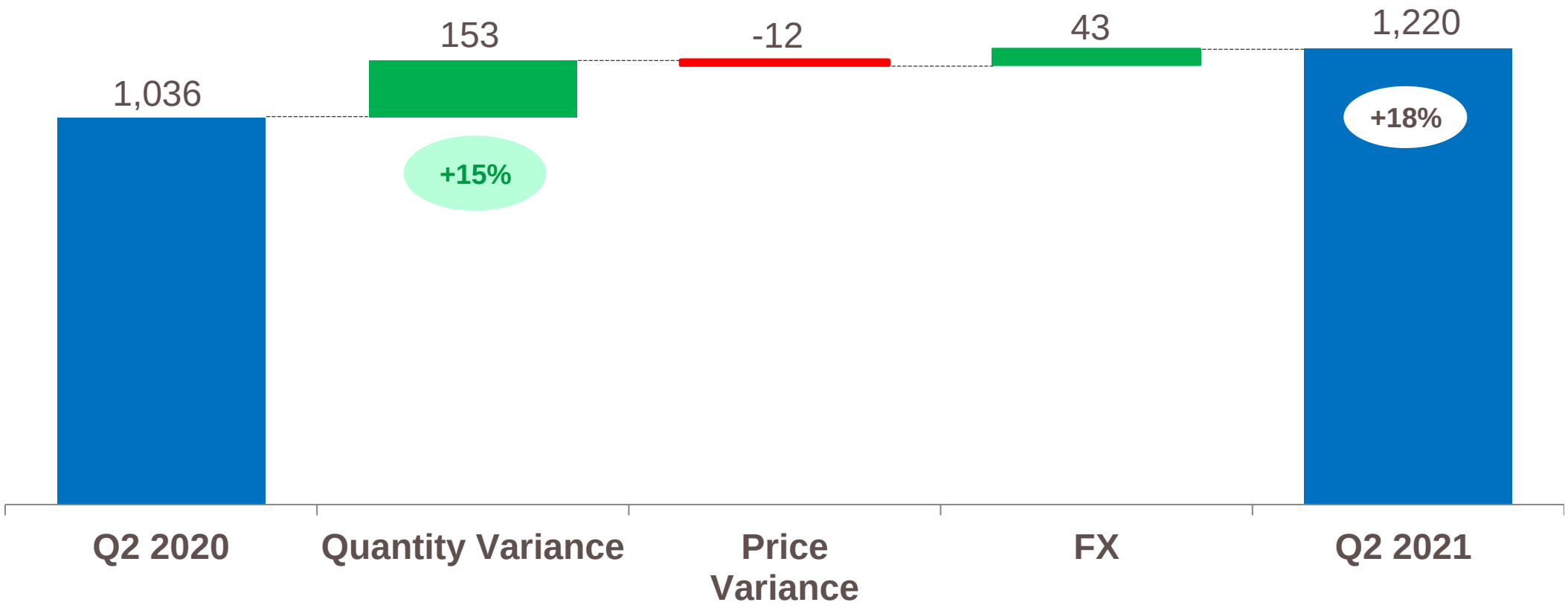
- Solid performance driven by strong volume growth supported by continued positive weather conditions
- Noteworthy growth in **India**, enjoying good cropping conditions with a strong start to the monsoon season

ADAMA

Detailed Financial Review

Q2 Sales +18% driven by robust volume growth

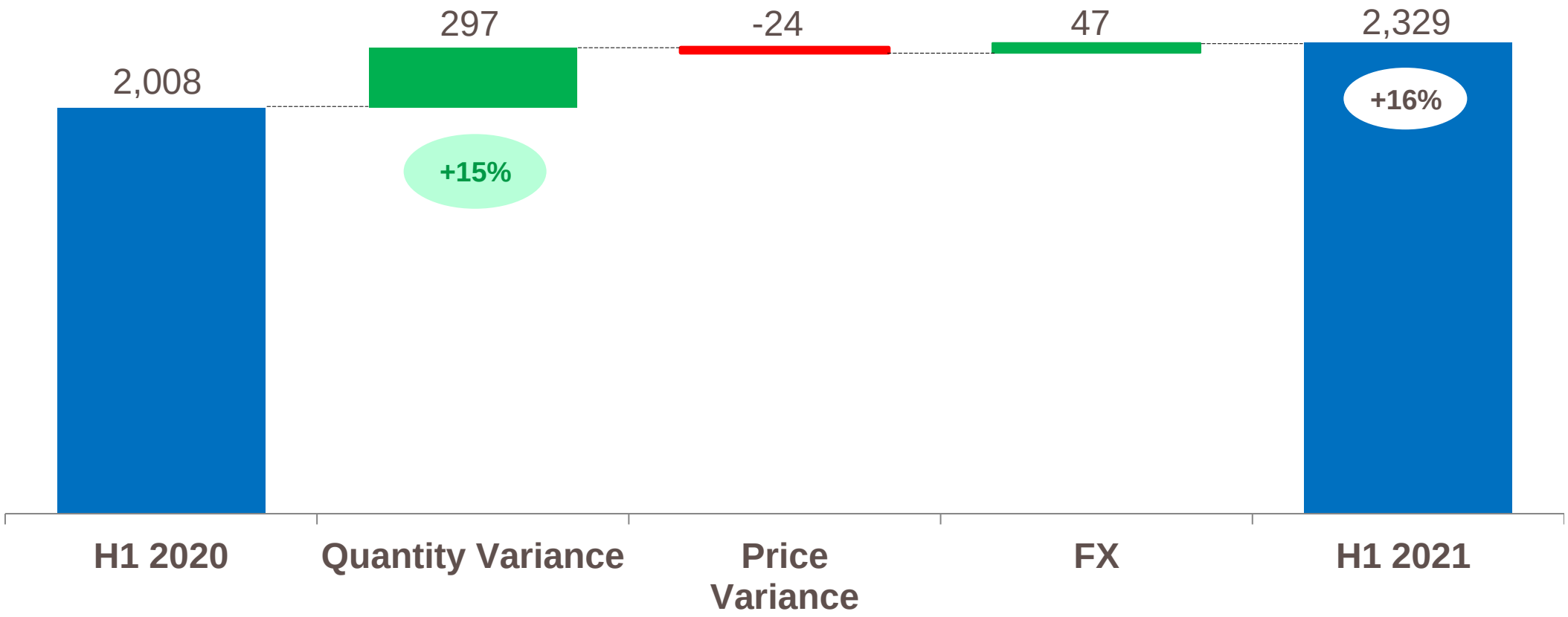
Sales bridge analysis



NOTE: FX includes currency effect on sales, net of hedging

H1 Sales +16% driven by robust volume growth

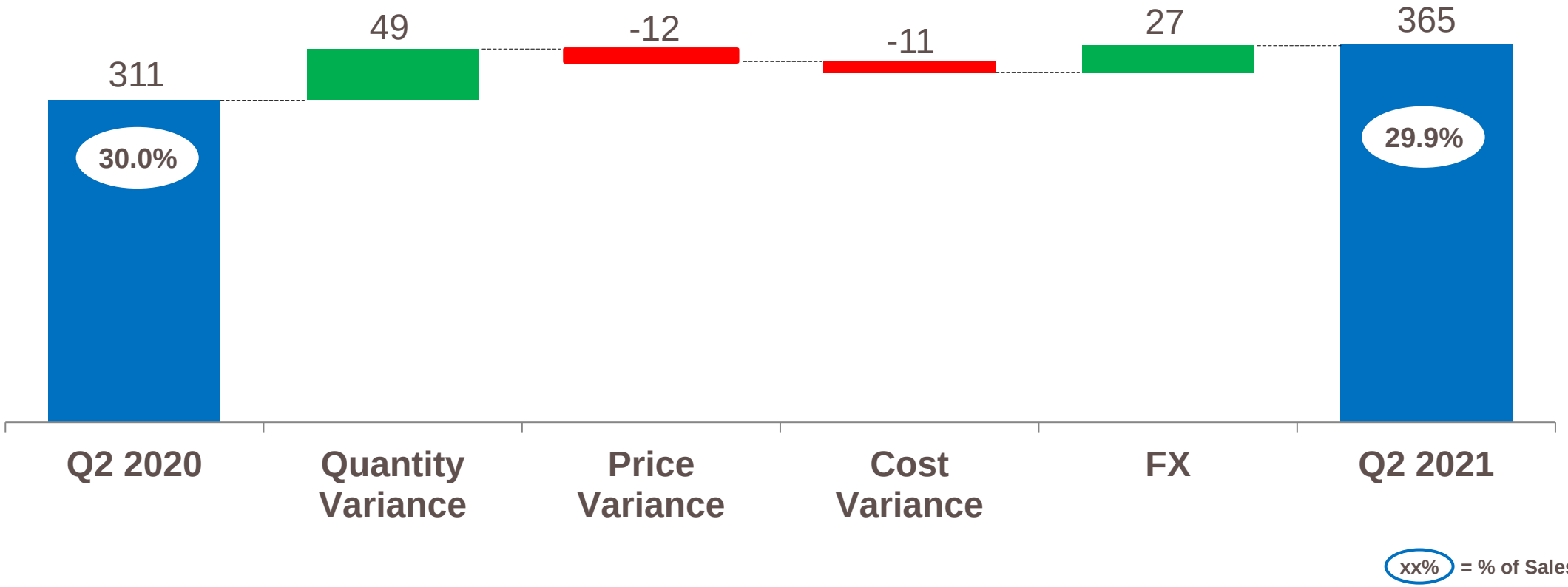
Sales bridge analysis



NOTE: FX includes currency effect on sales, net of hedging

Q2 Gross Profit: Volume growth and FX more than offsetting pricing, logistics & procurement pressures

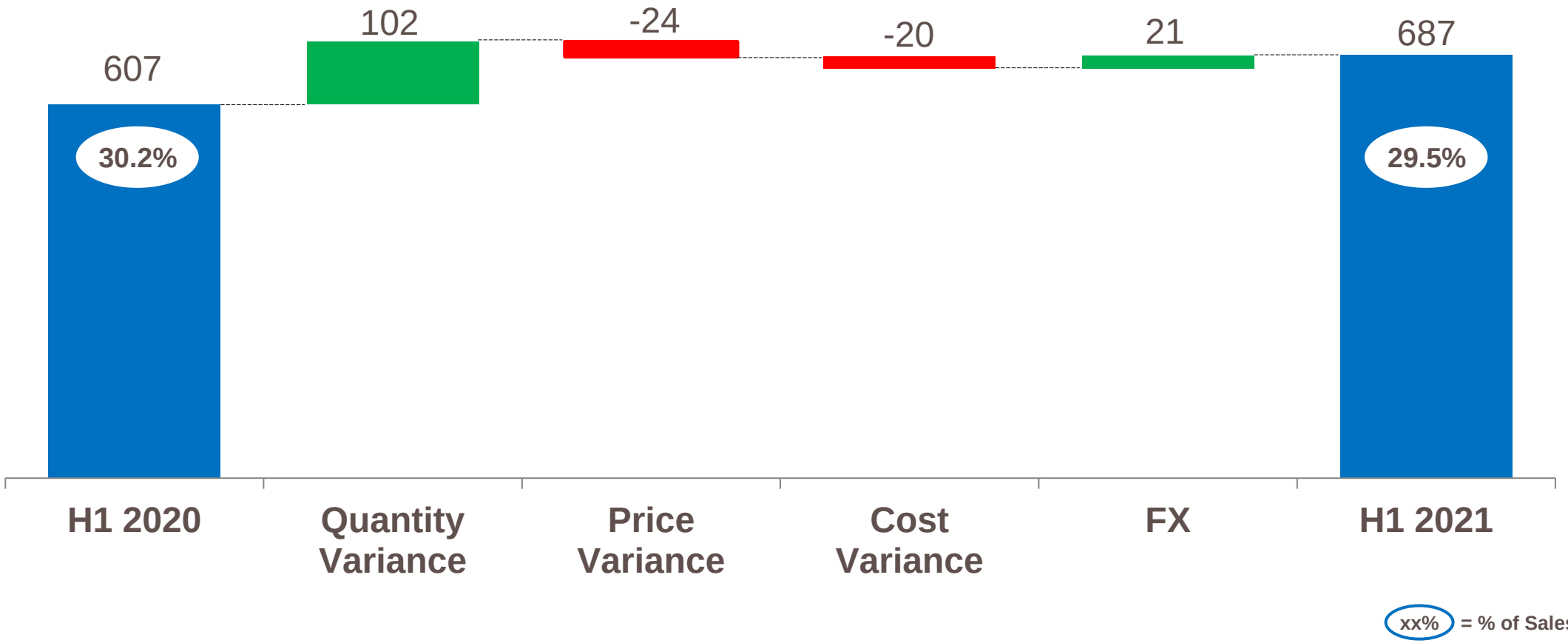
GP bridge analysis



NOTE: Quantity variance includes mix effect; FX includes currency effect on sales and costs, net of hedging

H1 Gross Profit: Volume growth and FX more than offsetting pricing, logistics & procurement pressures

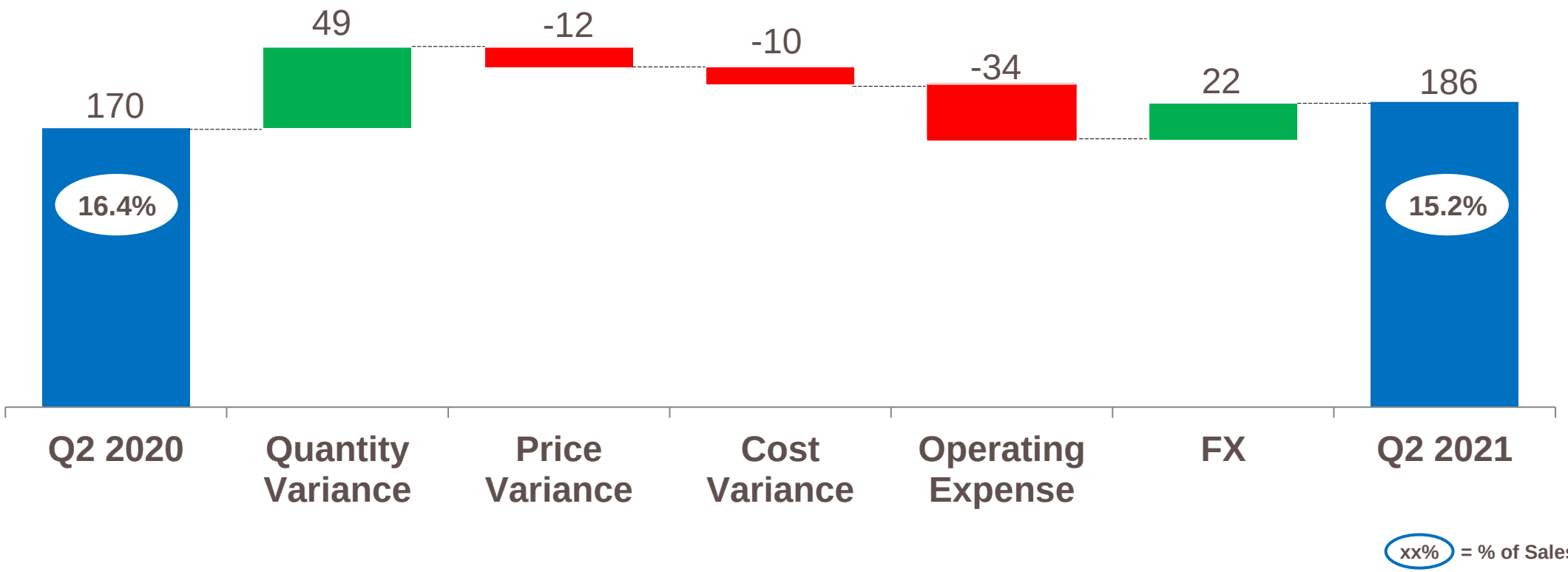
GP bridge analysis



NOTE: Quantity variance includes mix effect; FX includes currency effect on sales and costs, net of hedging

Q2 EBITDA: Up 9% despite margin pressure

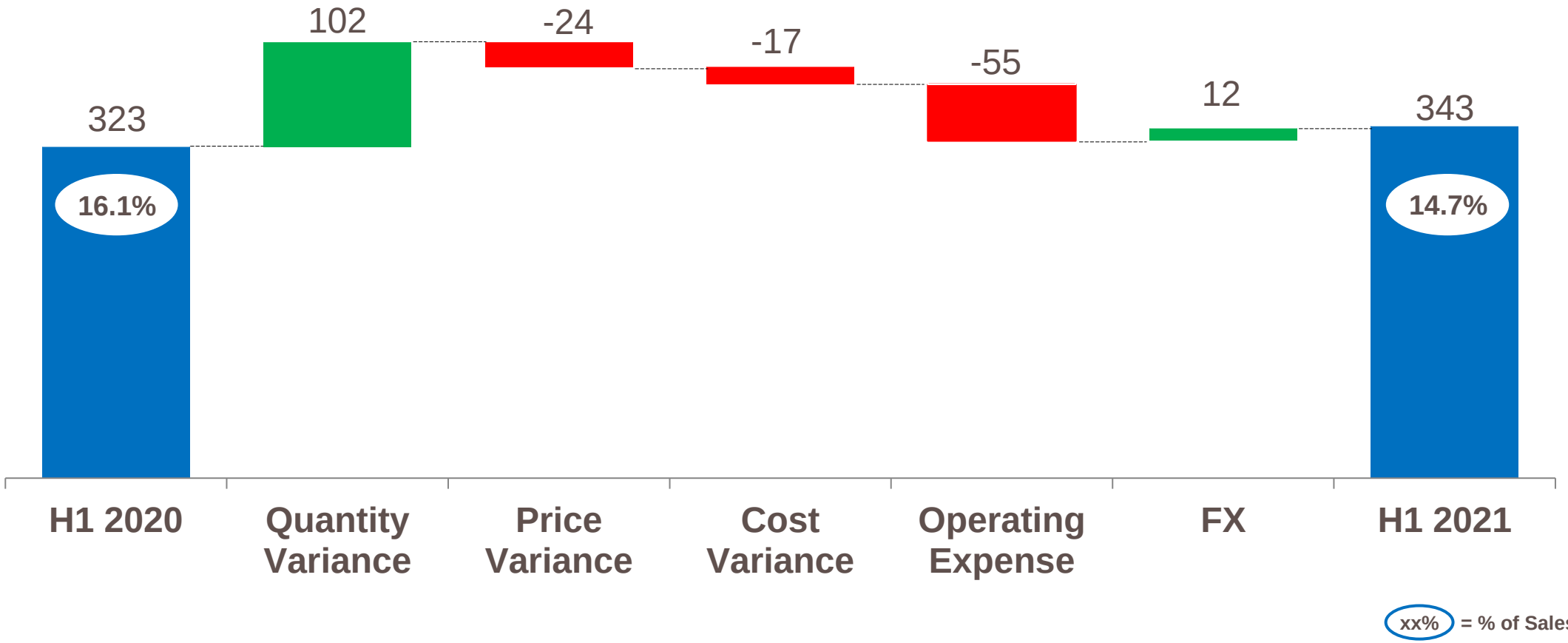
EBITDA Bridge analysis



NOTE: Quantity variance includes mix effect; FX includes currency effect on sales, costs and opex, net of hedging

H1 EBITDA: Up 6% despite margin pressure

EBITDA Bridge analysis



NOTE: Quantity variance includes mix effect; FX includes currency effect on sales, costs and opex, net of hedging

Adjusted vs. Reported Financial Results

The financial results in this presentation are presented on an “Adjusted” basis, and differ to some extent from the “Reported” financials contained in the formal financial statements of the Company.

ADAMA’s approach on the use of adjustments:

- Adjusted results:
  - Exclude **items that are of a one-time or non-cash/non-operational nature that do not impact the ongoing performance of the business**
  - 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**

$ million	Q2’21 USD	Q2’20 USD	H1’21 USD	H1’20 USD
Net Income (Reported)	**33.8**	**31.2**	**56.7**	**28.8**
Amortization of Legacy PPA of 2011 acquisition of Solutions, net (non-cash)	0.3	11.5	0.5	22.9
Syngenta Divestments & Transfers (D&T) amortization (non-cash)	6.7	7.5	14.5	15.4
Upgrade & Relocation-related costs	24.8	8.1	40.2	23.5
Incentive plans (non-cash)	-0.6	-5.9	3.5	-5.2
Others	-1.5	1.4	-	9.8
Total adjustments to net income	29.7	22.6	58.7	66.4
Net Income (Adjusted)	**63.5**	**53.8**	**115.5**	**95.3**

Note: “Others” include: amortization of acquisition-related PPA (non-cash) and other acquisition-related costs, provisions in tax expenses related to prior years’ activities. Please see appendix to Q2 & H1 press release for more details

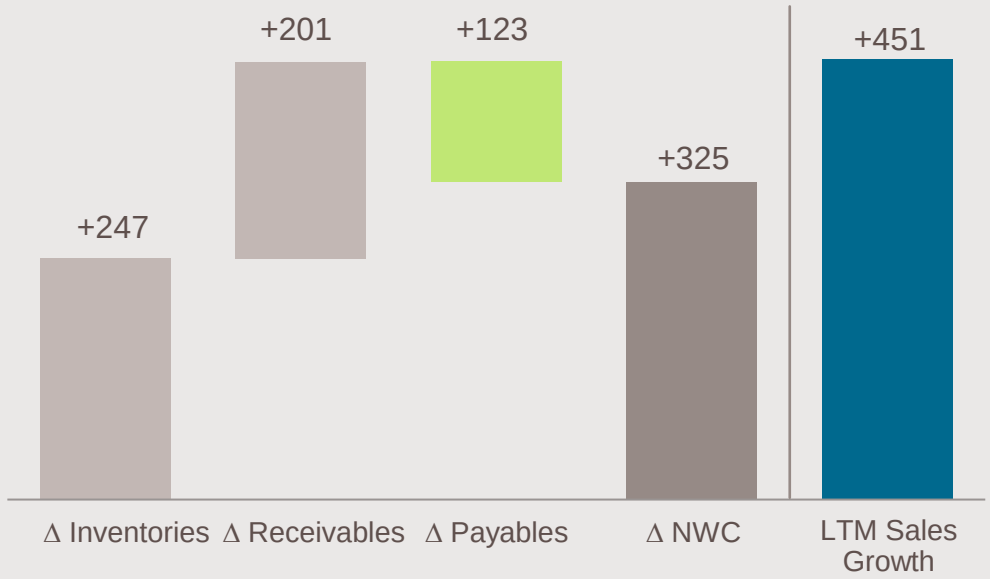
Working capital build-up driven by strong growth momentum

Continued growth, especially in emerging markets, putting pressure on working capital

Inventory up due to anticipation of significant further volume growth in coming quarters

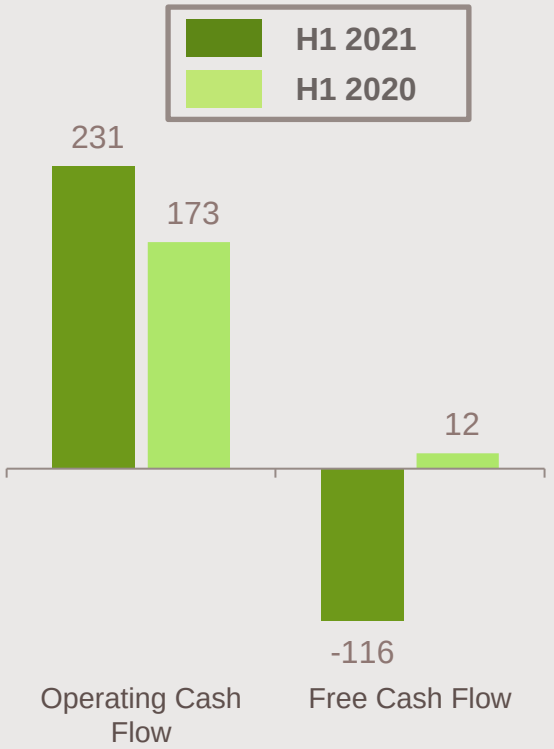
Receivables up reflecting general growth, especially in emerging markets

Partially mitigated by extended payables



Working Capital

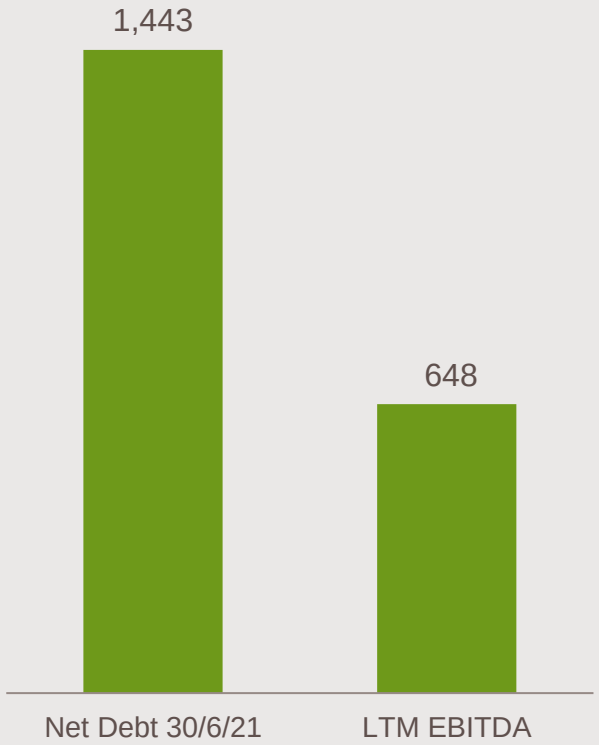
Cash Flow



Cash Flow
($mm)

Strong Balance Sheet

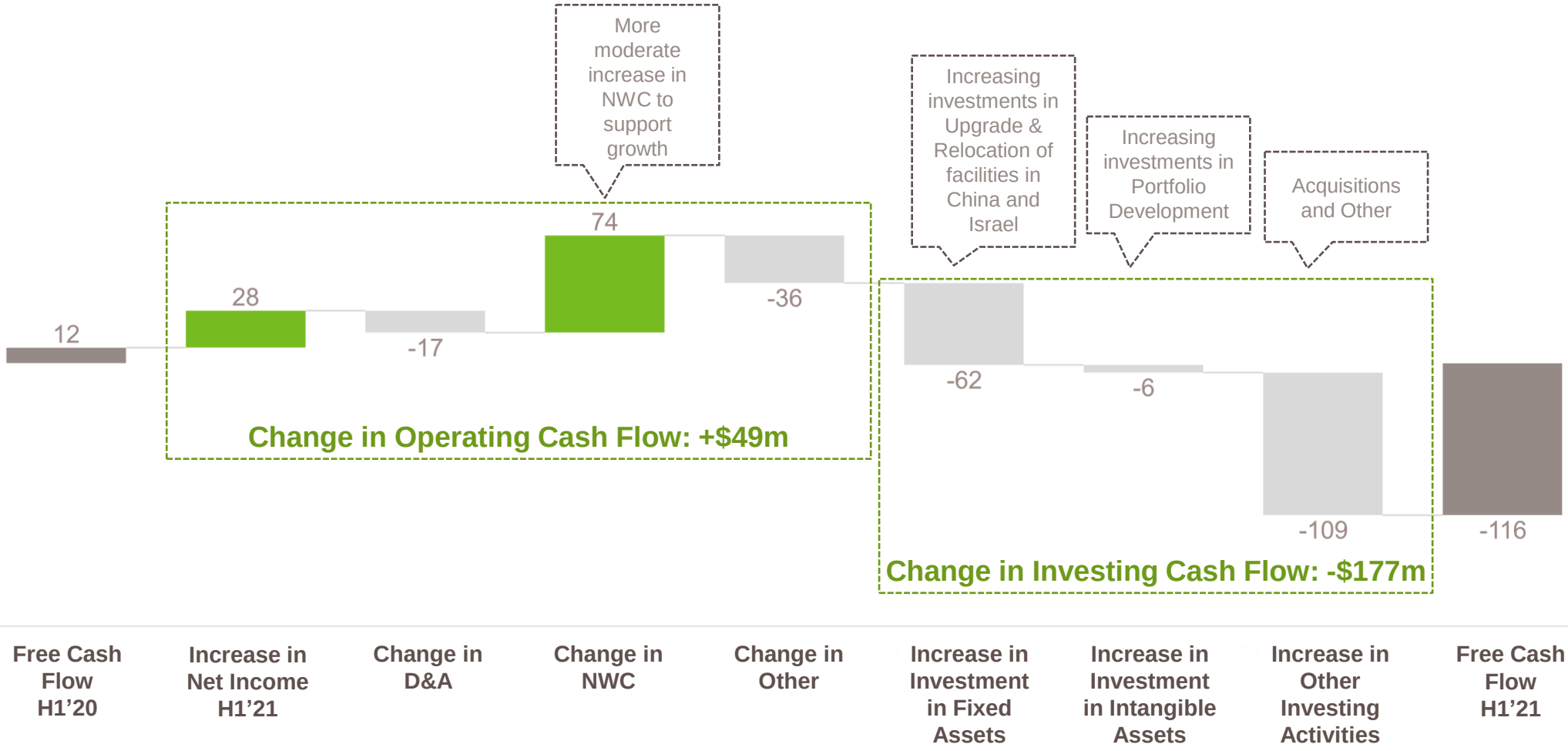
Net debt / EBITDA ratio of 2.2x



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

Note: Operating Cash Flow excluding cash interest paid

H1 Free Cash Flow: funding growth



Higher consumption of Free Cash Flow reflects mainly growth-related investments in acquisitions and Relocation & Upgrade projects, partially mitigated by the more moderate increase in working capital

Note: Operating Cash Flow includes $9 million increase in cash interest paid; Increase in Other Investing Activities includes $101m paid for acquisitions

ADAMA

Portfolio & Operations Update

Brazil: ARMERO™ named best fungicide by the EMBRAPA Consortium



ARMERO™, soon-to-be launched in Brazil, is ADAMA's new **dual-mode fungicide** containing **Prothioconazole**, one of the world's leading broad-spectrum systemic fungicides, and **Mancozeb**

Benefiting from ADAMA's new **in-house production of Prothioconazole**

ARMERO's™ **innovative liquid formulation**, with ADAMA's **proprietary T.O.V. technology**, prevents spray nozzles from clogging, providing a **simple, easy-to-use solution for farmers**

EMBRAPA (Empresa Brasileira de Pesquisa Agropecuária) is the Brazilian Agricultural Research Corporation, a research corporation affiliated with the Brazilian Ministry of Agriculture

ESG report published for the first time

ADAMA receives a “Platinum+” ranking for the first time in the Ma’ala index



Environmental

Invested >$50 million in protecting the environment

Lowered energy consumption in **by 13%**, despite a sharp increase in production

Reduced emissions of hazardous air pollutants by >60%



Social

Donated **~$3 million** to organizations active in a variety of different spheres (health, welfare, environment and sustainability, the sciences and others), >40% increase vs. 2019

More than **1,200 volunteer hours were invested** in the community in Israel alone

We adapted our routines in our production sites, encouraged our employees, where possible, to work from home, and took significant steps to **protect the safety** of our people

Employee turnover rate was just 12.8%



Governance

92% of employees underwent training on our **Code of conduct**

We maintained transparency in extending the term in office and appointment of directors

Ma’ala’s ESG Index is an assessment tool, benchmarking Israeli companies on their Corporate Social Responsibility performance.
For further information, click here.

Sanonda Relocation

- Production has recently resumed at the 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
- Return to production will:
  - Progressively reduce the need for incurring additional procurement costs endured while the plant was suspended, and
  - Is expected to reduce idleness charges as production and utilization levels rise over the coming months

DMPAT production at new site: first batch



Formulation at new site: Acephate WDG



2021 Outlook

- Crop prices expected to remain elevated, driving robust demand/consumption
- However, pressure on margins expected to intensify:
  - Ongoing supply and logistics constraints continue to reduce availability of shipping resources and significantly increase their cost: logistics costs expected to continue to increase
  - Procurement costs expected to generally remain relatively high amid continued strong demand
  - Highly competitive market environment persists, limiting potential for price increases to offset cost increases
- Continuing COVID impact in many key Ag markets
- Brazil FX volatility expected to continue

ADAMA

Thank You

Adjusted vs. Reported P&L

$ million	Q2 2021 Adjusted	Q2 2020 Adjusted	%▲	Q2 2021 Reported	Q2 2020 Reported	%▲	H1 2021 Adjusted	H1 2020 Adjusted	%▲	H1 2021 Reported	H1 2020 Reported	%▲
Sales	1,220	1,036	**+18%**	1,220	1,036	**+18%**	2,329	2,008	**+16%**	2,329	2,008	**+16%**
Gross Profit	365	311	**+17%**	340	300	**+13%**	687	607	**+13%**	645	577	**+12%**
% of Sales	29.9%	30.0%		27.9%	29.0%		29.5%	30.2%		27.7%	28.7%	
EBITDA	186	170	**+9%**	164	168	**-2%**	343	323	**+6%**	302	301	**0%**
% of Sales	15.2%	16.4%		13.5%	16.2%		14.7%	16.1%		13.0%	15.0%	
Net Income	63	54	**+18%**	34	31	**+8%**	115	95	**+21%**	57	29	**+97%**
% of Sales	5.2%	5.2%		2.8%	3.0%		5.0%	4.7%		2.4%	1.4%	

Q2 & H1 performance trends largely similar between Adjusted and Reported