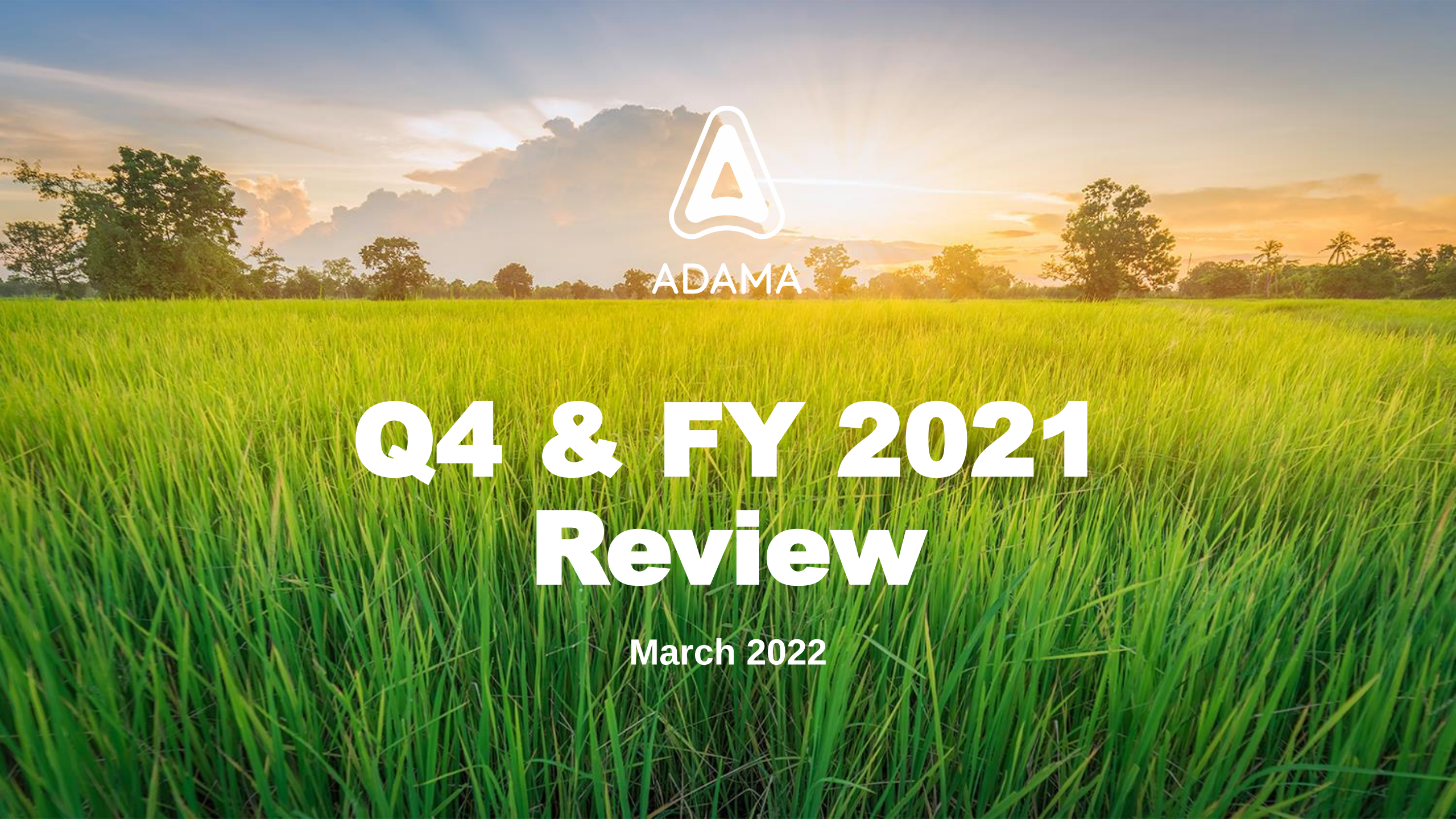

Q4 & FY 2021 Review

March 2022

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General Performance Overview

Q4 General Market Update

- **Continued strong demand for crop protection products in Q4 in most regions**, driven by high crop prices of most major commodity crops
  - Also supported by increase in planted area in South America
- **Farmer incomes are generally improving** as a result of high crop prices, but farmers are seeing inflationary pressures across most of their inputs (incl. seeds, fertilizers, crop protection, fuel and machinery)
- **Supply of intermediates and active ingredients** sourced from China **improved somewhat, yet prices remain high**
  - **China "Dual Control" restrictions and suspensions relaxed,** agrochemical production came back online
  - **COVID-19 restrictions and lockdowns continued to negatively impact** agrochemical production and logistics
  - Resulting in some shortages and **procurement costs remaining high**
- Global **energy costs remained high** during Q4
- Severe **shortage of shipping and transportation resources**, driven by:
  - Disruptions in port activity due to COVID-19
  - Frictions in domestic supply lines due to pandemic-related restrictions
- Global **freight and logistics costs remained significantly elevated and even continued to rise** in Dec 2021
- Actions taken by ADAMA to mitigate these impacts:
  - Continued **active management of procurement and supply chain activities**
  - **Increasing pricing wherever market conditions allow**, to compensate for higher costs

Q4: strong price increases and continued volume growth driving record quarter, margin recovery

Adj. $ million	Q4 2021	Q4 2020	%▲ USD
Sales	**1,337**	**1,141**	**+17%**
Gross Profit	412	335	**+23%**
% of Sales	*30.8%*	*29.4%*	
Operating Expenses	269	228	**+18%**
% of Sales	*20.1%*	*20.0%*	
EBITDA	**207**	**168**	**+23%**
% of Sales	*15.5%*	*14.7%*	
Adjusted Net Income	**54**	**52**	**+2%**
% of Sales	*4.0%*	*4.6%*	
Adjustments	(29)	(33)	
Reported Net Income	25	19	**+31%**
% of Sales	*1.9%*	*1.7%*	

Q4 Highlights

- **Sales**
  - Sales up 17% to all-time quarterly record-high $1.3bn
  - Prices +14%; volumes +5%
- **Gross Profit**
  - 23% above Q4 2020; margin up 1.4 p.p.
  - Driven by higher prices, continued volume growth
  - More than offsetting higher logistics, procurement and production costs, and impact of strong RMB and ILS
- **EBITDA**
  - 23% above Q4 2020; margin up 0.8 p.p.
  - Higher Opex accommodating strong business growth, newly acquired companies, significantly higher logistics and shipping costs
  - Ongoing expense discipline: Opex/Sales ratio of 20.1% vs. 20.0% in Q4 2020 (during pandemic shutdowns)
- **Net income**
  - Operating Income +33%
  - Higher financial expenses: IL CPI, put options, increased receivables securitization in Brazil
  - Higher taxes: growth in profit at selling units, BRL weakness

FY: Sales +17% to record-high, driven by volume and prices; margin pressure amid elevated costs

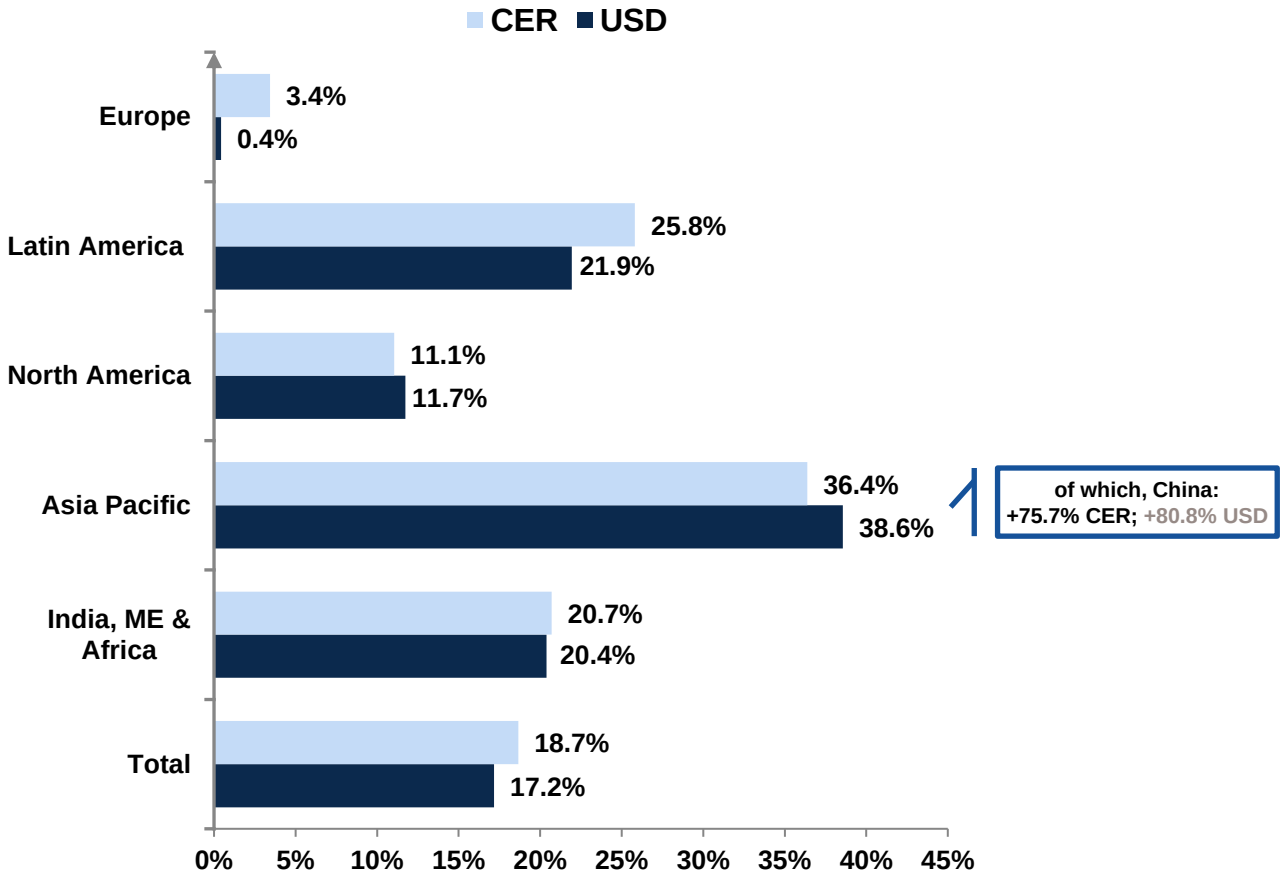
Adj. $ million	FY 2021	FY 2020	%▲ USD
Sales	**4,813**	**4,128**	**+17%**
Gross Profit	1,412	1,223	**+15%**
% of Sales	*29.3%*	*29.6%*	
Operating Expenses	986	829	**+19%**
% of Sales	*20.5%*	*20.1%*	
EBITDA	**671**	**628**	**+7%**
% of Sales	*13.9%*	*15.2%*	
Adjusted Net Income	**139**	**176**	**-21%**
% of Sales	*2.9%*	*4.3%*	
Adjustments	(114)	(125)	
Reported Net Income	25	51	**-52%**
% of Sales	*0.5%*	*1.2%*	

FY Highlights

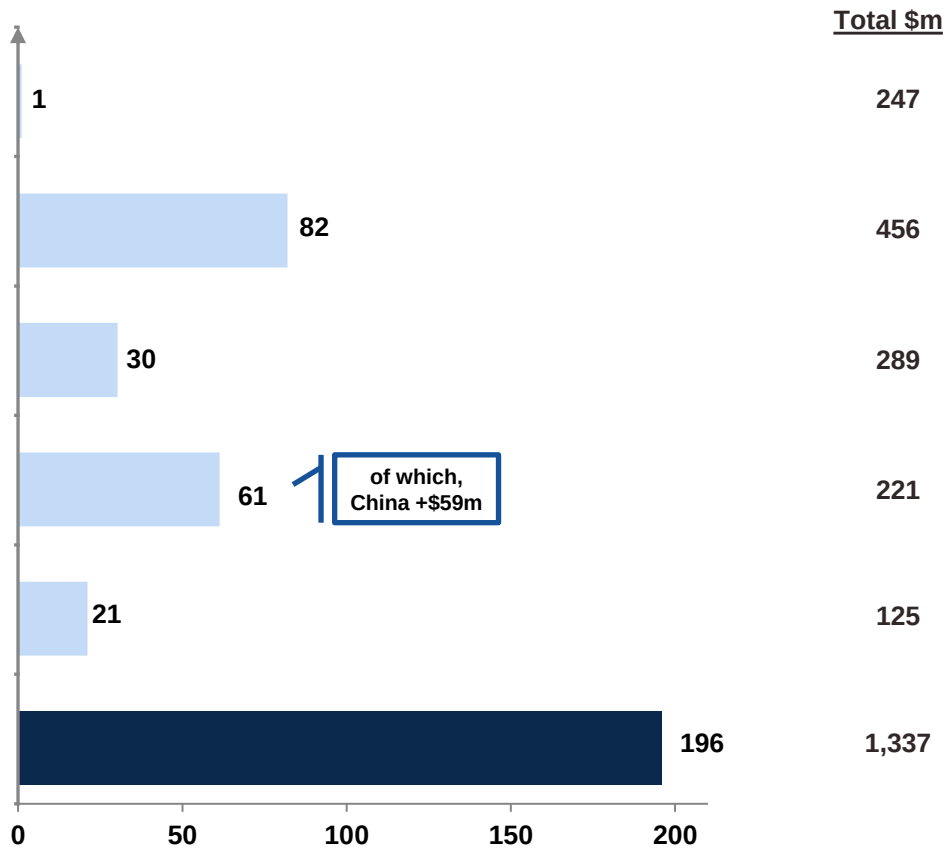
- **Sales**
  - Up 17% to a record $4.8bn
  - Driven by 12% volume growth, 4% higher prices; aided by favorable currencies
- **Gross Profit**
  - 15% above 2020
  - Driven by higher prices, volume growth, positive mix and stronger currencies
  - More than offsetting higher logistics, procurement costs
- **EBITDA**
  - 7% above 2020
  - Higher Opex accommodating strong business growth, newly acquired companies, significantly higher logistics and shipping costs, stronger currencies
  - Ongoing expense discipline: Opex/Sales ratio of 20.5% vs. 20.1% in FY 2020 (during pandemic shutdowns)
- **Net income**
  - Operating Income +8%
  - Higher financial expenses: IL CPI, put options, BRL hedges
  - Higher taxes: strong growth in profit at selling units

Regional Sales Performance
Q4 2021 vs. Q4 2020

% Sales growth by region



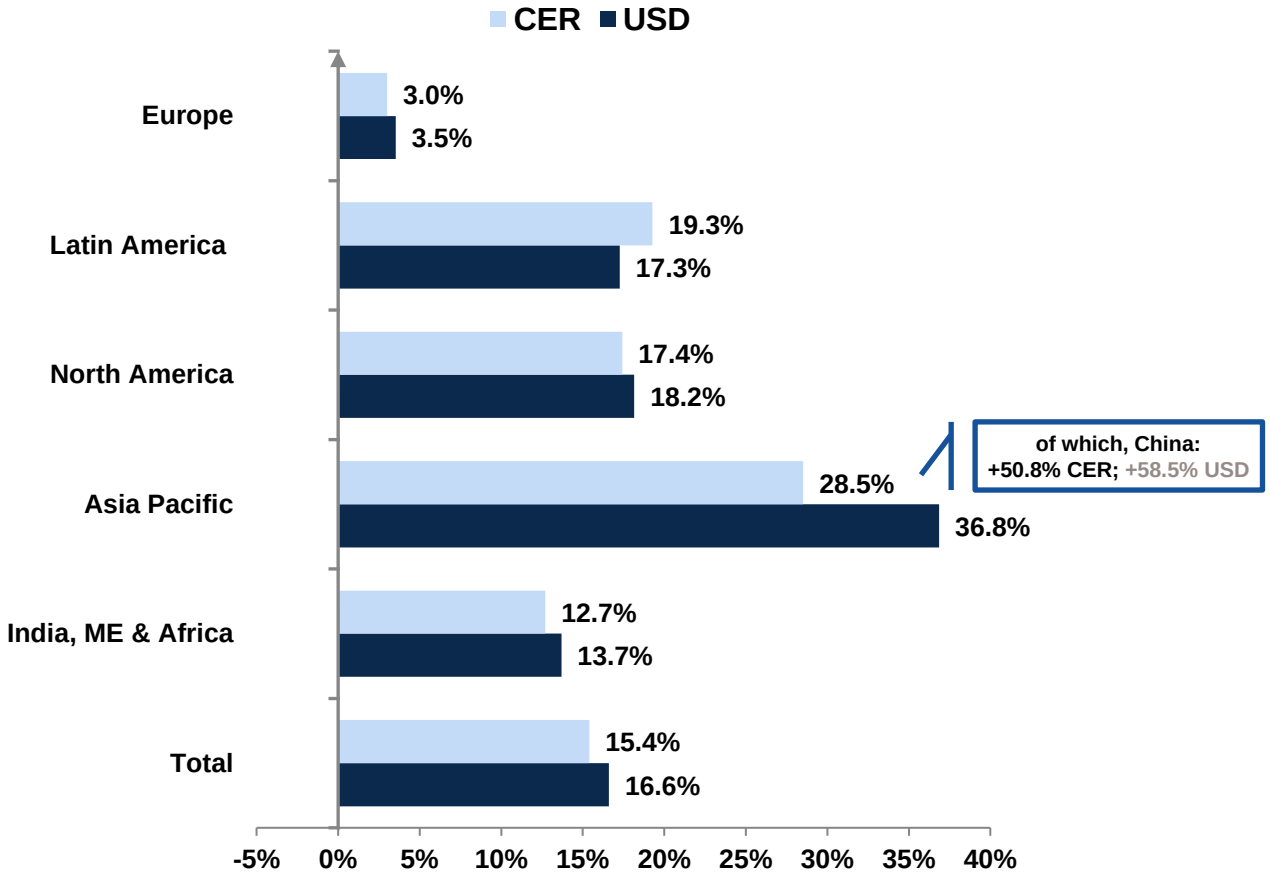
Absolute Sales change (USD $m)



CER: Constant Exchange Rates

Regional Sales Performance
FY 2021 vs. FY 2020

% Sales growth by region



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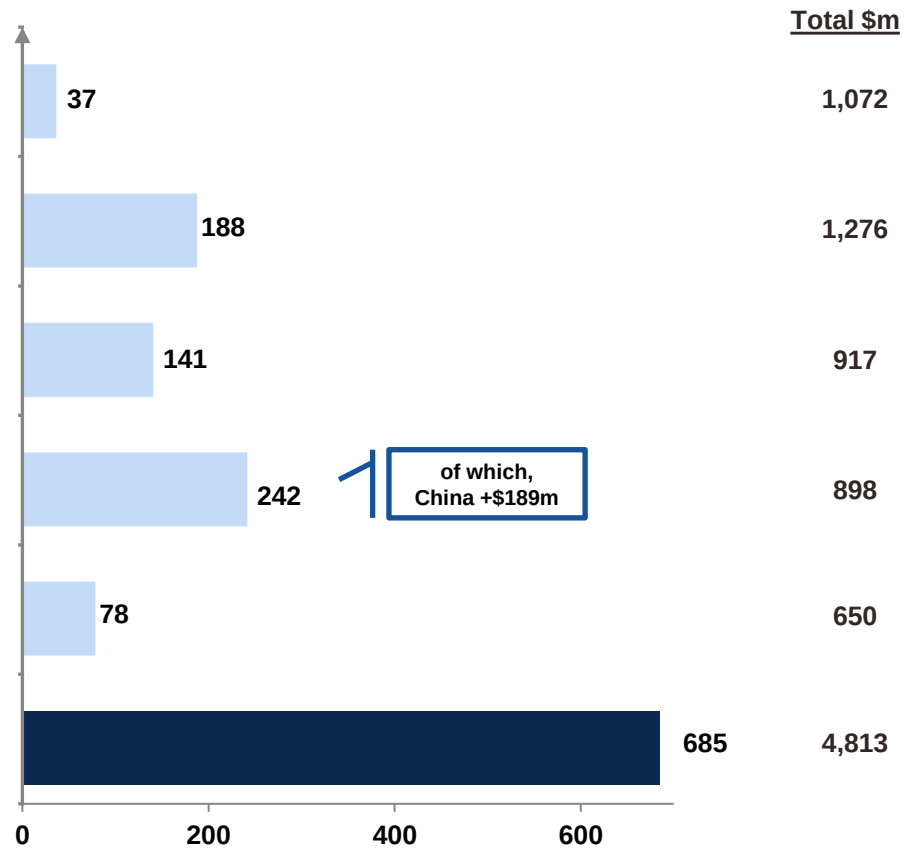

CER: Constant Exchange Rates

Q4 & FY 2021 Regional Highlights (USD)

North America

+12% Q4 | +18% FY

- Robust pre-season demand in both **US and Canadian** ag markets
- Farmers ordering early in light of continued industry-wide concerns around availability later in the season

Europe

+0% Q4 | +4% FY

- Growth across most of the region partially offset by supply challenges, mainly felt in France and Germany
- Moderate growth achieved despite the impact of the COVID-19 Omicron wave hampering regular commercial activities

China

+81% Q4 | +59% FY

- **Non-Ag:** sales of raw materials and intermediates continue to see strong demand, benefiting from higher pricing environment resulting from general supply constraints
- **Ag:** continued growth of branded, formulated portfolio, also bolstered by acquisition of Huifeng during the year

Latin America

+22% Q4 | +17% FY

- Strong growth in Brazil and across LatAm
- **Brazil:** good soybean planting season; strong demand supporting higher prices
  - Started local sales of ARMERO™ (Prothioconazole + Mancozeb), using new in-house production of Prothio
- **Other LatAm:** Pleasing growth in Central America and many other countries in the wider region, including Paraguay following an acquisition there in Q4 2020

IMA

+20% Q4 | +14% FY

- Growth in the quarter was led by a strong performance in **India**, driven by new product launches in the country
  - Including BARROZ®, a leading mixture (Cartap + Emamectin) for control of stem borer in rice
- Noteworthy performance in **South Africa**, benefiting from favorable cropping conditions and new product launches

APAC (ex-China)

+2% Q4 | +16% FY

- Moderate growth in the quarter:
  - Growth in the **Pacific** region
  - Balanced by somewhat softer performances in some **east Asian markets**, where commercial activities continued to be hampered by COVID-related restrictions and supply constraints

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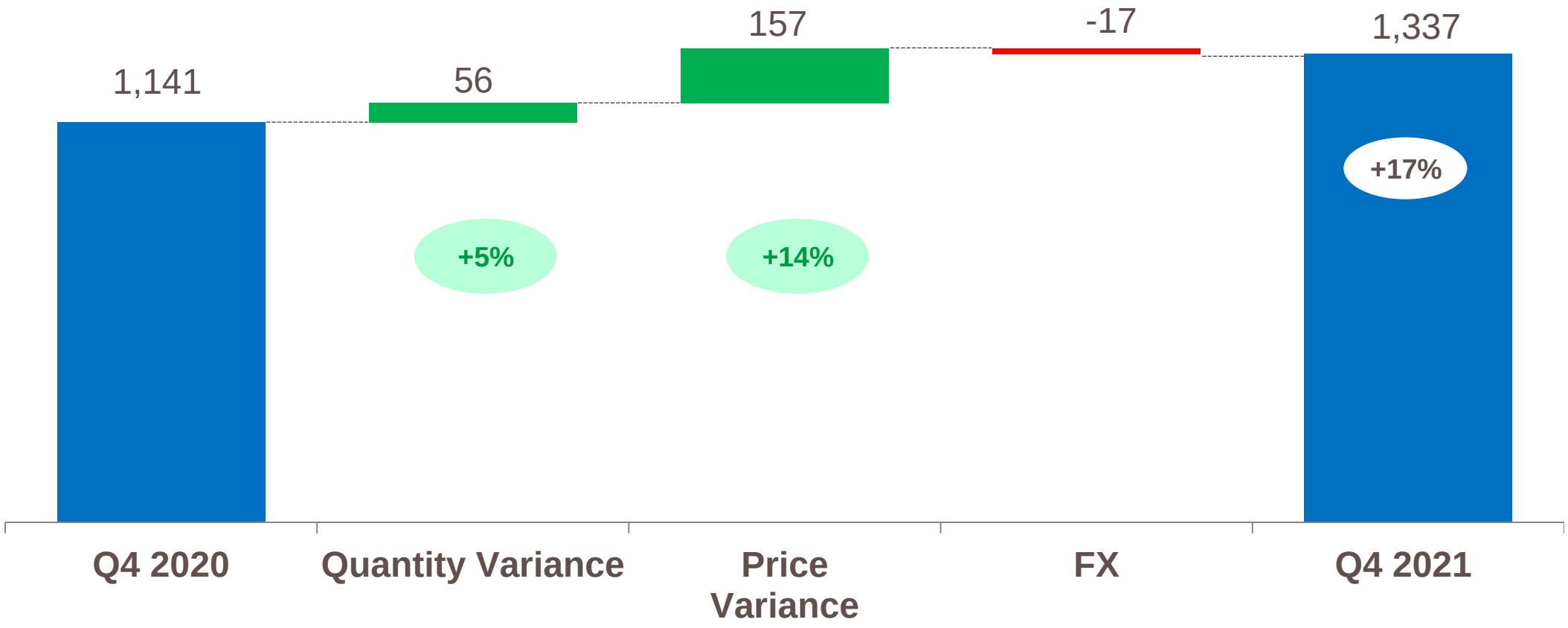
Detailed Financial Review

Q4 Sales +17%, driven by markedly higher prices

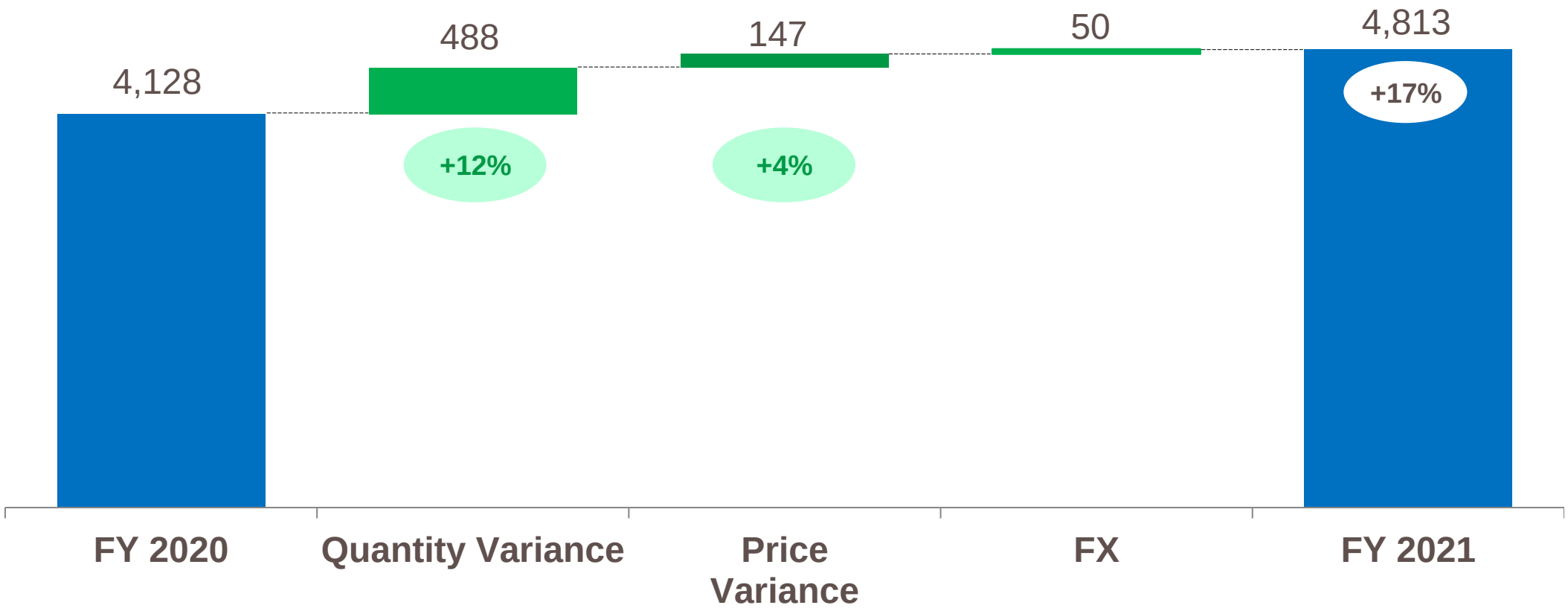
Sales bridge analysis



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

FY Sales +17%, driven by robust volume growth, higher prices

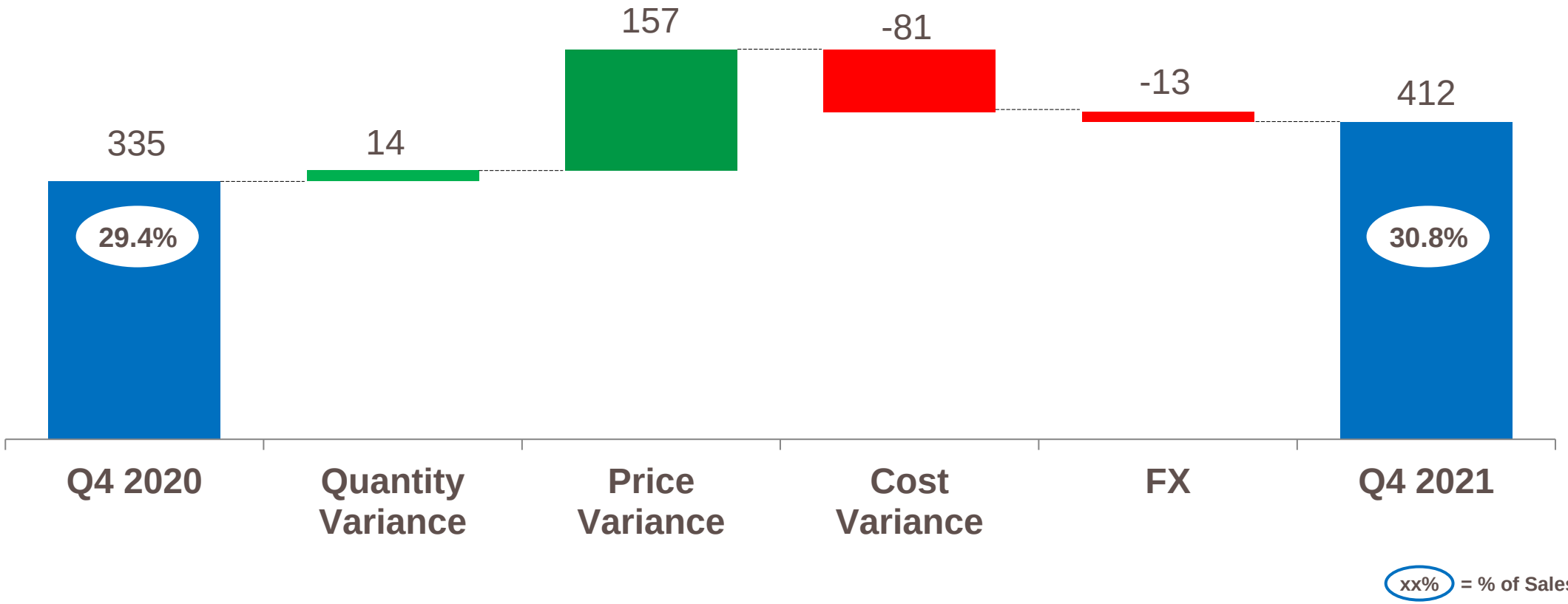
Sales bridge analysis



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

Q4 GP +23%: margin increase – higher prices more than offset logistics, procurement cost pressures

GP bridge analysis



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

FY GP +15%: Volume growth, higher prices more than offset logistics, procurement pressures

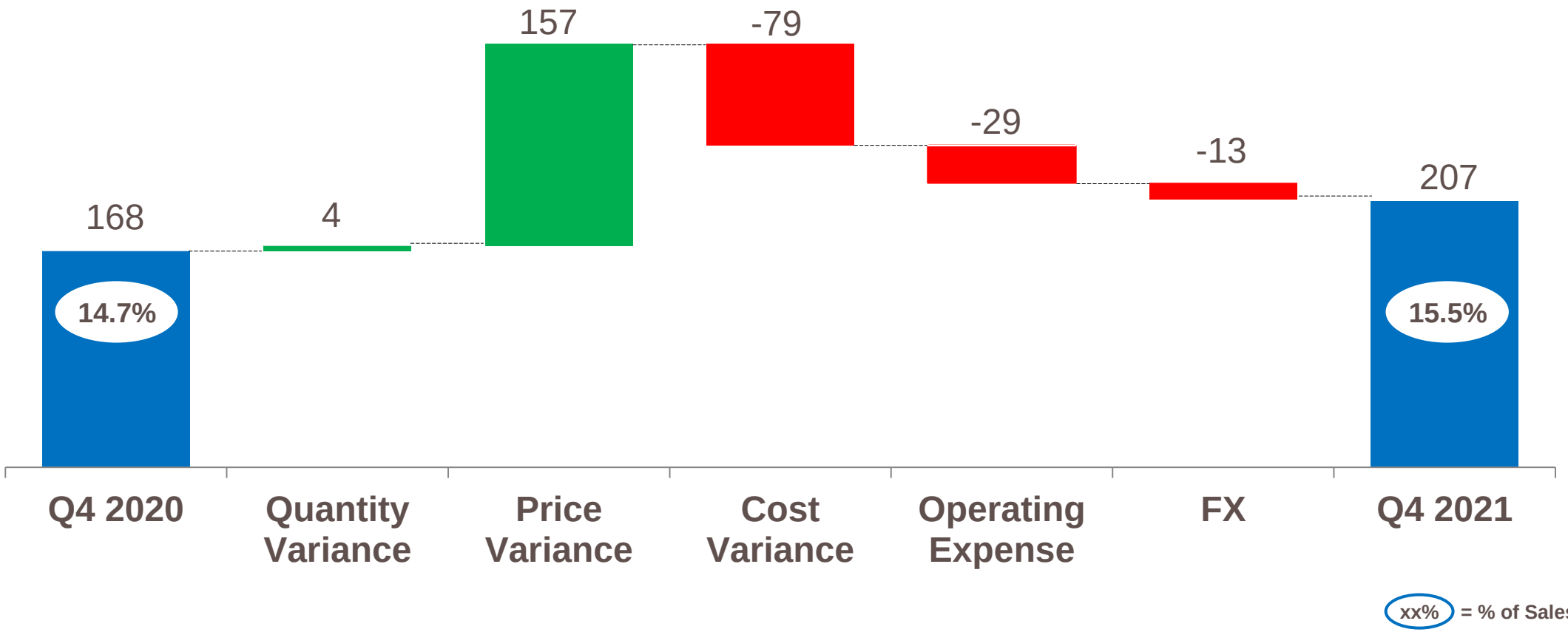
GP bridge analysis



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

Q4 EBITDA +23%: higher pricing more than offset logistics & procurement pressures, FX

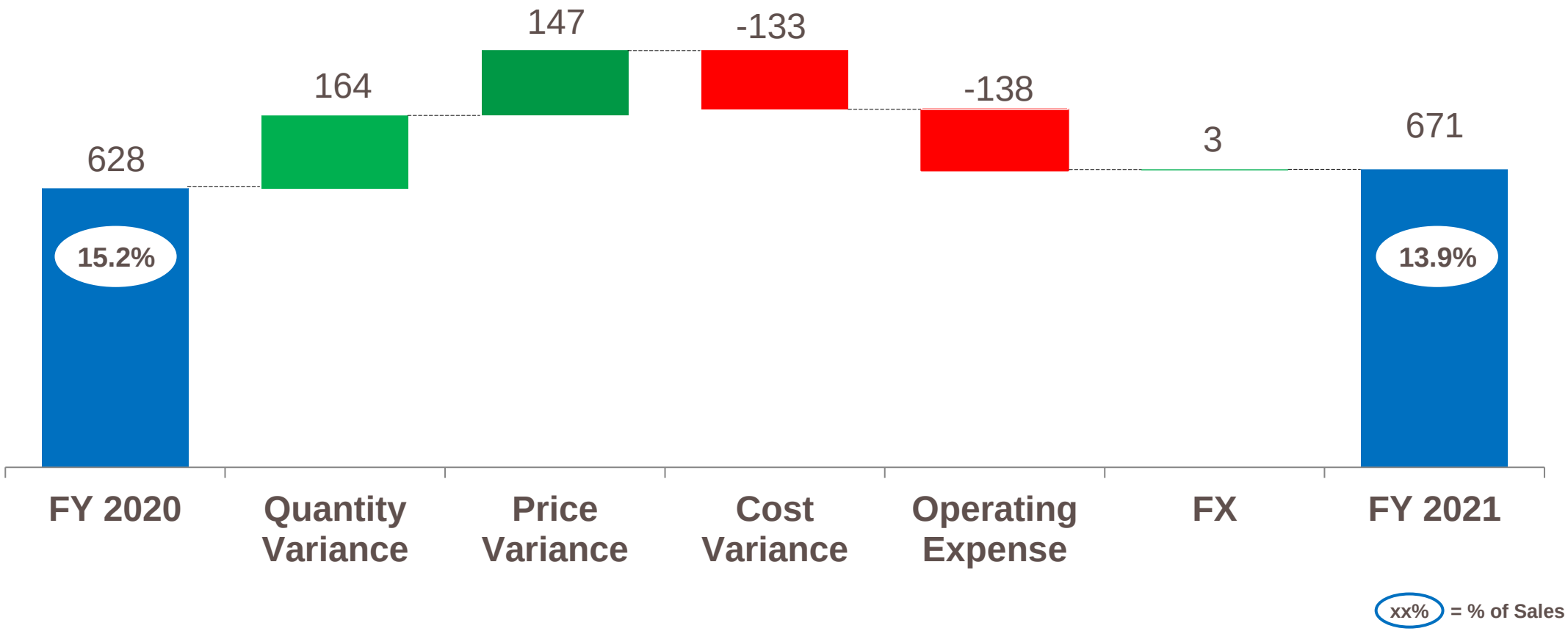
EBITDA Bridge analysis



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

FY EBITDA +7%: Volume growth, higher prices more than offset logistics, procurement pressures

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	Q4’21 USD	Q4’20 USD	FY’21 USD	FY’20 USD
Net Income (Reported)	**25.8**	**19.3**	**25.5**	**51.1**
Amortization of Legacy PPA of 2011 acquisition of Solutions, net (non-cash)	0.3	10.2	1.0	44.6
Syngenta Divestments & Transfers (D&T) amortization (non-cash)	4.3	7.7	23.1	30.6
Upgrade & Relocation-related costs	29.6	21.4	96.5	52.8
Incentive plans (non-cash)	(6.0)	(4.7)	(4.5)	(12.4)
Others	(0.2)	(1.4)	(1.5)	9.7
Total adjustments to net income	28.0	33.2	114.6	125.3
Net Income (Adjusted)	**53.7**	**52.5**	**140.1**	**176.4**

Note: “Others” include: amortization of acquisition-related PPA (non-cash) and other acquisition-related costs, provisions in respect of prior years’ tax-related costs, employee early retirement expenses in Q4 2020 periods, capital gain on acquisition of control of an equity investee, and non-core assets impairment in Q4 2020. Please see appendix to Q4 & FY press release for more details

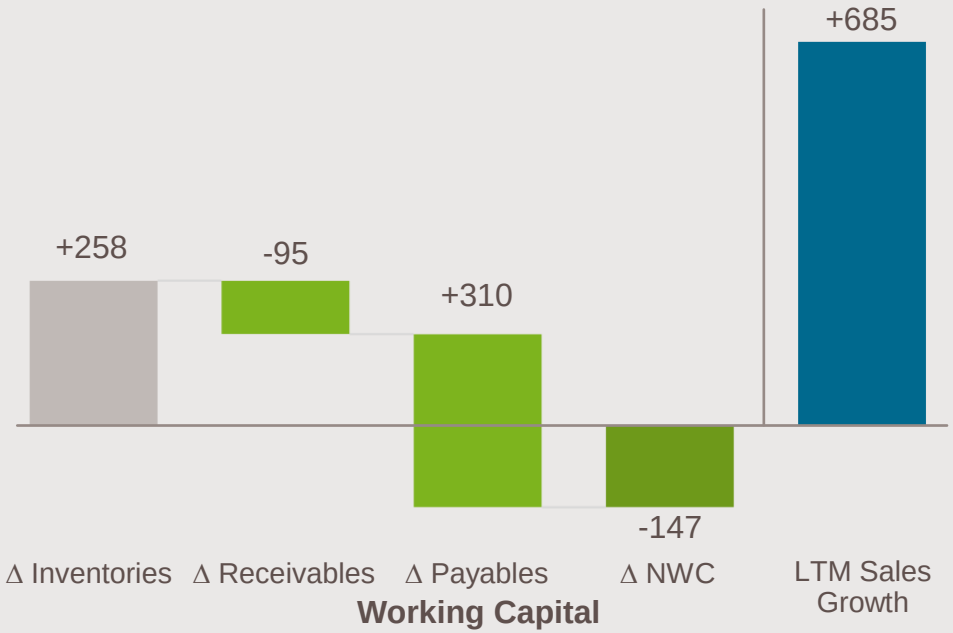
Strong cash flow improvement aided by marked working capital reduction

Reduction in working capital levels despite strong sales growth

Inventory up in anticipation of further volume growth and potential supply shortages

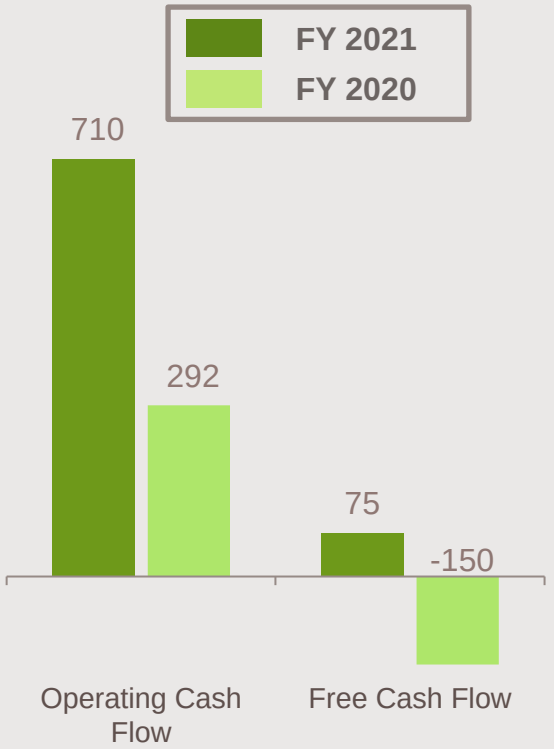
Lower receivables reflecting improved collections

Higher payables due to advancement of purchases in light of uncertain supply conditions and price increases



Working Capital

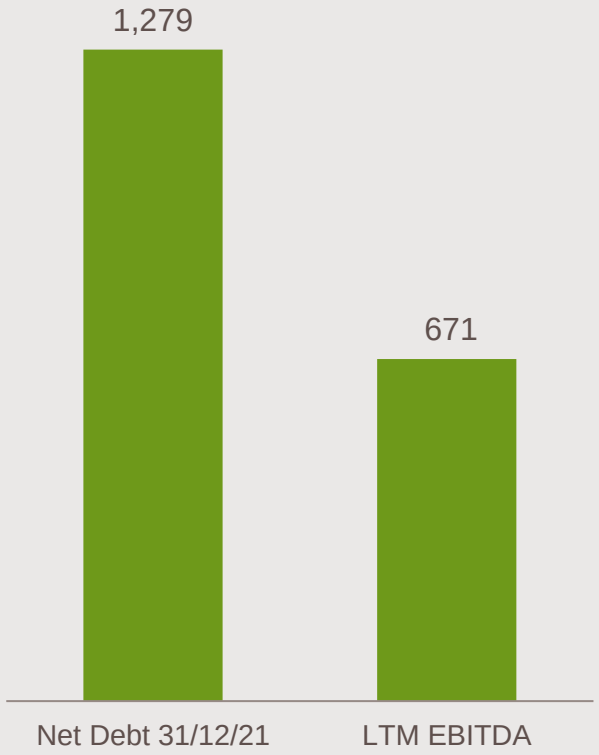
Cash Flow



Cash Flow
($mm)

Strong Balance Sheet

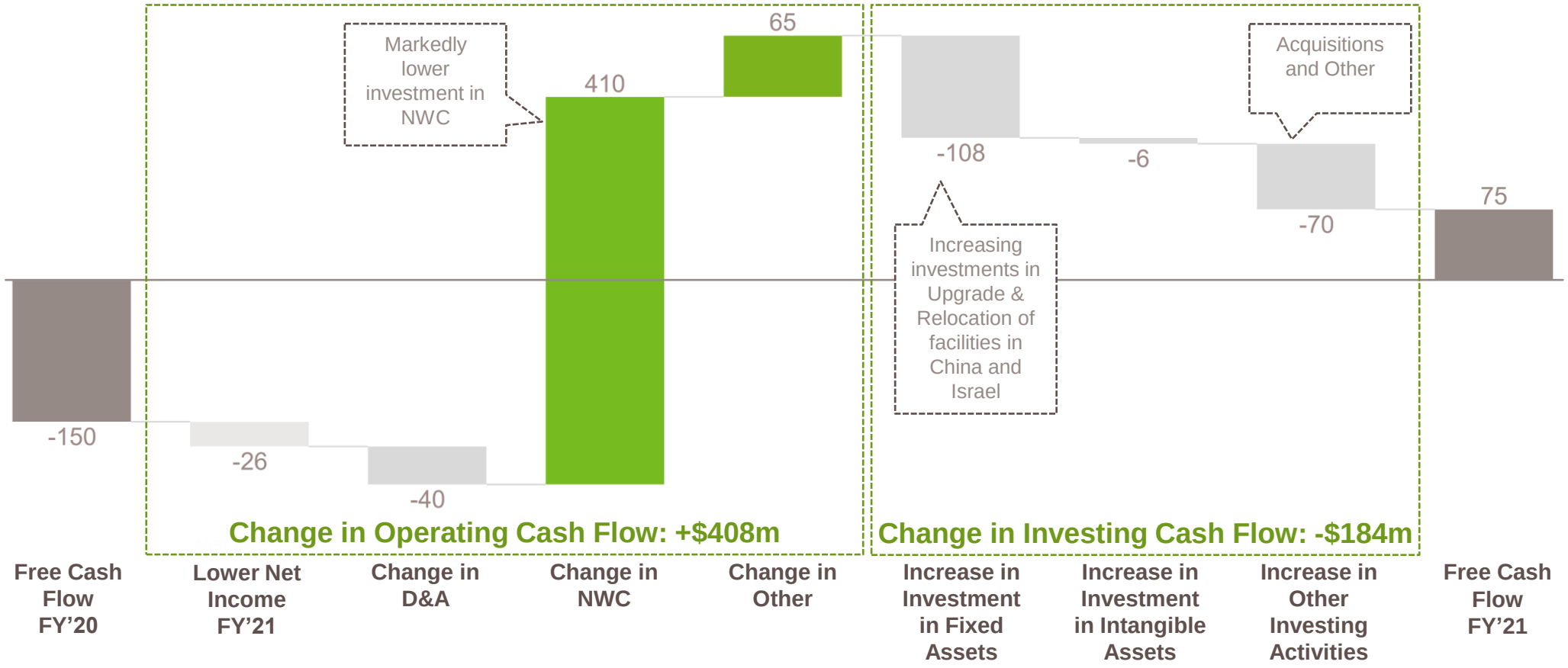
Net debt / EBITDA ratio of 1.9x



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

Note: Operating Cash Flow excluding cash interest paid

FY2021 Free Cash Flow: $225m improvement over 2020



Strong turnaround in Free Cash Flow generation reflects significant improvement in working capital partially mitigated by growth-related investments in acquisitions and Relocation & Upgrade projects

Note: Operating Cash Flow includes $10 million increase in cash interest paid; Increase in Other Investing Activities includes an increase of $60m paid for acquisitions

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Outlook

2022 Outlook

- War in Ukraine, related East-European geopolitical uncertainty
  - ADAMA is continuing to support farmers in Ukraine, yet business in the country is being impacted to a certain extent
  - At this stage, we anticipate that our overall results for Q1 2022 will not be materially impacted, due to promising performance in other geographies
  - We are continuously reviewing the situation on the ground and assessing the potential risks involved, and will provide a further update in the Q1 release
- Crop prices expected to remain elevated, driving robust demand/consumption, although high fertilizer prices may dampen demand to some extent
- We continue to increase prices; however highly competitive market environment persists, limiting breadth and scope of price increases
- Weaker global FX rates impacting USD sales
- Pressure on margins expected to continue:
  - Significant increase in price of oil and energy costs to exert upward pressure on raw material and intermediate prices
  - Procurement costs expected to generally remain relatively high amid continued strong demand
  - Logistics and transportation costs expected to remain markedly elevated:
    - Ongoing supply and logistics constraints continue to restrict availability of shipping resources
    - Sharp increase in oil price to further impact global transportation costs
  - Continued strength of RMB to impact China production costs; recent softening of ILS may mitigate

ADAMA

Thank You

Adjusted vs. Reported P&L

$ million	Q4 2021 Adjusted	Q4 2020 Adjusted	%▲	Q4 2021 Reported	Q4 2020 Reported	%▲	FY 2021 Adjusted	FY 2020 Adjusted	%▲	FY 2021 Reported	FY 2020 Reported	%▲
Sales	1,337	1,141	**+17%**	1,337	1,141	**+17%**	4,813	4,128	**+17%**	4,813	4,128	**+17%**
Gross Profit	412	335	**+23%**	379	330	**+15%**	1,412	1,223	**+15%**	1,311	1,173	**+12%**
% of Sales	30.8%	29.4%		28.4%	28.9%		29.3%	29.6%		27.2%	28.4%	
EBITDA	207	168	**+23%**	188	154	**+22%**	671	628	**+7%**	593	592	**+0.1%**
% of Sales	15.5%	14.7%		14.1%	13.5%		13.9%	15.2%		12.3%	14.4%	
Net Income	54	52	**+2%**	25	19	**+31%**	139	176	**-21%**	25	51	**-52%**
% of Sales	4.0%	4.6%		1.9%	1.7%		2.9%	4.3%		0.5%	1.2%	

Q4 & FY21 performance trends largely similar between Adjusted and Reported, financing and tax expenses impacted the Net Income