



ADAMA Reports Third Quarter and First Nine Months 2022 Results

Q3 and 9M sales growth driven by continued price increases and volume growth led by Brazil

Third Quarter 2022 Highlights:

- Sales up 18% to \$1,359 million (**+25% in RMB terms**; +24% in CER¹ terms), driven by 18% higher prices and 6% volume growth
- Improvement of Opex/Sales ratio of 20.1% vs. 22.2% in Q3 2021
- Adjusted operating income up 70% to \$100 million (**RMB: +79%**), representing an improvement of operating income margin from 5.1% in Q3 2021 to 7.4% in Q3 2022
- Adjusted EBITDA up 40% to \$171 million (**RMB: +48%**) vs. Q3 2021, representing an improvement of EBITDA margin from 10.6% in Q3 2021 to 12.5% in Q3 2022
- Adjusted net income of \$8 million; Reported net income of \$5 million

First Nine Months 2022 Highlights

- Sales up 22% to a nine-month record-high of \$4,258 million (**+25% in RMB terms**; +26% in CER terms), driven by 19% higher prices and 7% volume growth
- Improvement of Opex/Sales ratio of 19.3% vs. 20.6% in the first nine months of 2021
- Adjusted operating income up 43% to \$403 million (**RMB: +45%**), representing an improvement of operating income margin from 8.1% in first nine months of 2021 to 9.5% in the first nine months of 2022
- Adjusted EBITDA up 32% to \$611 million (**RMB: +34%**), vs. the first nine months of 2021 representing an improvement of EBITDA margin from 13.4% in first nine months 2021 to 14.4% in the first nine months of 2022
- Adjusted net income up to \$159 million; Reported net income up to \$119 million

BEIJING, CHINA and TEL AVIV, ISRAEL, October 26, 2022 – ADAMA Ltd. (the “Company”) (SZSE 000553), today reported its financial results for the third quarter and nine-month period ended September 30, 2022.

Ignacio Dominguez, President and CEO of ADAMA, said, "ADAMA presents another quarter of strong sales, led by our business in Brazil, reflecting solid demand for crop protection products and positive farmer profitability. Crop commodity prices are expected to maintain historically elevated levels supported by underlying economic fundamentals, continuing to drive the demand for crop protection products.

"We are committed to serving farmers, wherever they may be, despite the many challenges we see in the market today. Food security is increasingly under pressure with extreme weather conditions and disruptions in the global trade of crop commodities. Especially in such times of uncertainty, crop protection remains an invaluable tool for farmers to maximize yields and ADAMA is consistently there to support farmers in feeding the world."

¹ CER: Constant Exchange Rates



Table 1. Financial Performance Summary

USD (m)	As Reported			Adjustments		Adjusted		
	Q3 2022	Q3 2021	% Change	Q3 2022	Q3 2021	Q3 2022	Q3 2021	% Change
Revenues	1,359	1,147	+18%	-	-	1,359	1,147	+18%
Gross profit	322	287	+12%	50	27	373	313	+19%
% of sales	23.7%	25.0%				27.4%	27.3%	
Operating income (EBIT)	96	26	+269%	4	33	100	59	+70%
% of sales	7.1%	2.3%				7.4%	5.1%	
Income before taxes	10	(27)		4	33	14	6	+142%
% of sales	0.7%	(2.4%)				1.0%	0.5%	
Net income	5	(57)		3	27	8	(30)	
% of sales	0.4%	(5.0%)				0.6%	(2.6%)	
EPS								
- USD	0.0023	(0.0246)				0.0036	(0.0130)	
- RMB	0.0155	(0.1592)				0.0245	(0.0839)	
EBITDA	177	103	+72%	(7)	19	171	122	+40%
% of sales	13.0%	9.0%				12.5%	10.6%	

USD (m)	As Reported			Adjustments		Adjusted		
	9M 2022	9M 2021	% Change	9M 2022	9M 2021	9M 2022	9M 2021	% Change
Revenues	4,258	3,476	+22%	-	-	4,258	3,476	+22%
Gross profit	1,068	932	+15%	156	68	1,224	1,000	+22%
% of sales	25.1%	26.8%				28.7%	28.8%	
Operating income (EBIT)	363	182	+100%	40	101	403	282	+43%
% of sales	8.5%	5.2%				9.5%	8.1%	
Income before taxes	139	38	+267%	44	101	182	139	+32%
% of sales	3.3%	1.1%				4.3%	4.0%	
Net income	119	(1)		41	86	159	85	+87%
% of sales	2.8%	0.0%				3.7%	2.5%	
EPS								
- USD	0.0510	(0.0003)				0.0684	0.0366	
- RMB	0.3297	(0.0017)				0.4442	0.2367	
EBITDA	605	405	+49%	7	59	611	464	+32%
% of sales	14.2%	11.6%				14.4%	13.4%	

Notes:

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

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

The number of shares used to calculate both basic and diluted earnings per share in both Q3 and 9M 2021 and 2022 is 2,329.8 million shares.

In this table and all tables in this release numbers may not sum due to rounding.



The general crop protection market environment²

Preliminary projections estimate **the global crop protection industry** to increase by 14.5% in 2022³. High crop prices incentivized another year of increases in **global planted areas**, which drove higher crop protection volumes as well as by higher pricing.

Crop prices remain elevated above historic averages despite decreasing somewhat in the last two quarters, after reaching historically high levels in Q1 2022. Prices are expected to remain elevated into 2023, supported by key fundamentals including very low stocks, unfavorable weather conditions in the Americas and parts of Europe and continued supply disruptions exacerbated by the conflict in Ukraine as well as the energy crisis in Europe. However, weaker economic conditions and broad-based monetary tightening could weigh on consumer demand, softening prices further.

Farmer profitability continues to face pressures from high production costs, mainly from high fertilizer prices, driven by a surge in energy costs and the application of international economic sanctions to Russia and Belarus (both large fertilizer exporters), as well as supply disruption and tight availability caused by the conflict in Ukraine. Despite this, farming activities are nevertheless still very profitable in most regions.

Crude oil prices continued to decline in the third quarter of 2022 from the peak levels reached in the first quarter of 2022, mainly due to concerns regarding the global economic outlook. Prices are, however, expected to remain elevated into the fourth quarter of 2022 and beyond, due to low global inventory levels, uncertainty of Russia's oil exports as well as the OPEC+ decision to further limit oil production.

European **gas prices** and indirectly Asian spot LNG prices reached record highs in the third quarter of 2022 following the sharp decline in Russian gas flows to Europe and a tight energy market. Meanwhile, prices in the United States reached their highest summer levels since 2008.

Global container freight rates have dropped significantly in the third quarter of 2022, driven by a further weakening in demand in the light of high inflation and slower-than-expected economic growth, easing port congestion. A large amount of scheduled new deliveries of container vessel capacity, starting from the end of 2022, is expected to further soften port congestion and put container shipping rates under pressure.

Prices for raw materials, intermediates and active ingredients reached peak levels towards the end of 2021; however, since then there has been a general softening of prices in China and an increase in prices of such products in other geographies. With strong global crop protection demand, and supply shortages driven by the energy crisis in Europe and the ongoing conflict in Ukraine, as well as the ongoing "Zero COVID" policy in China, overall prices are expected to remain above levels in recent years. **In China**, an increase in production capacity and an ease in logistic disruptions led to softening of prices of many key raw materials, intermediates and active ingredients from China. **In other geographies** cost inflation, energy prices, supply shortages and logistic challenges are driving procurement prices upward and impacting availability of raw materials and intermediates.

Portfolio Development Update

During the third quarter of 2022 ADAMA continued to register and launch multiple new products in markets across the globe, adding on to its differentiated product portfolio. Differentiated products include a variety of product characteristics and may include products with (i) unique proprietary formulations, (ii) products with more than one mode of action, (iii) recently off-patented active

² Sources: Rabobank, Agri Commodity Markets Research, Sep 2022; AgbiolInvestor-Quarterly-Briefing-Service-PLUS_Q3-2022; JPM: Global Economic Research, Global Data Watch, September 2022; JPM: Agricultural Markets Weekly, Sep 2022

³ Source: AgbiolInvestor-Quarterly-Briefing-Service-PLUS_Q3-2022



ingredients (AI's) that have been classified as high commercial potential - "Core Leap" AI's and (iv) biologicals. Among these were:

- Launch in Brazil of APRESA[®], pre-emergent dual mode herbicide, powered by ADAMA's proprietary T.O.V. Formulation Technology, for use in a variety of crops.
- Launch of Nimitz[®] in South Africa, an innovative nematicide for potatoes containing proprietary AI Fluensulfone.

Financial Highlights

Revenues in the third quarter grew by 18% (+25% in RMB terms; +24% in CER terms) to \$1,359 million, driven by a significant 18% increase in prices, a trend which started in the third quarter of 2021. The markedly higher prices were complemented by continued volume growth (+6%), and achieved despite supply challenges in certain markets, and the adverse impact of exchange rate movements in many regions. The Company achieved growth in sales in constant exchange rates across most regions.

The accelerated growth in the quarter brought the first nine months sales to a record-high of \$4,258 million, an increase of 22% (+25% in RMB terms; +26% in CER terms) driven by a 19% increase in prices and an 7% growth in volume.

Table 2. Regional Sales Performance

	Q3 2022 \$m	Q3 2021 \$m	Change USD	Change CER	9M 2022 \$m	9M 2021 \$m	Change USD	Change CER
Europe	211	220	(4.0%)	8.2%	861	825	4.3%	11.2%
North America	174	183	(4.7%)	(4.2%)	736	628	17.2%	17.2%
Latin America	548	372	47.3%	47.1%	1,161	820	41.7%	39.7%
Asia Pacific	238	194	22.4%	27.9%	958	677	41.4%	45.5%
<i>Of which China</i>	<i>156</i>	<i>121</i>	<i>28.9%</i>	<i>34.4%</i>	<i>605</i>	<i>380</i>	<i>59.1%</i>	<i>61.0%</i>
India, Middle East & Africa	187	178	5.3%	18.1%	542	525	3.1%	16.4%
Total	1,359	1,147	18.4%	23.7%	4,258	3,476	22.5%	26.5%

Europe: Increase in sales in the third quarter in constant exchange rate terms attributed mainly to distributors securing inventory for the autumn season in the UK, Czech Republic, France, Romania, Benelux and Baltics. This growth in constant exchange rate terms was achieved despite drought conditions across European countries such as Spain, France, Italy and Germany impacting demand, as well as supply issues, high channel inventories in some countries and a loss of sales due to the Ukraine-Russia conflict.

North America: In the **US Ag** market, sales decreased in the third quarter as the Company was negatively impacted by the record low harvest of cotton as farmers abandoned non-irrigated fields due to extreme drought conditions across Texas and other southwest regions. Drought in California continued to impact demand. With the North American market in the midst of harvest season, renewed demand for crop protection is expected in anticipation of the upcoming Q1 2023 planting season.

Very strong growth in sales in **Canada** enabled by the in-house production of cereal herbicide which supported the cereal season before harvest.

The **Consumer & Professional** business presented slower sales in the quarter. On the



professional side, initial market price reductions, high levels of inventory in the channel and anticipation of decreases in costs of goods led to a slowdown in the market. On the consumer side, inflationary pressures are softening overall market demand.

Latin America: Strong growth in sales in **Brazil**, driven by prices and volume supporting the anticipated soybean, corn, sugarcane and cotton fourth quarter crop seasons; sales which in 2021 were also included in the fourth quarter.

In other **LATAM countries** the higher sales reflect the strong demand across the region and were achieved despite some adverse weather conditions and inventory in the channel.

Asia-Pacific: The Company's strong growth in Asia Pacific was led by the sales of raw material, intermediates and fine chemicals in **China**, driven by continued strong demand, in light of the strong global demand for crop protection and achieved despite an ease in fine chemical prices. The sales in China of ADAMA's branded portfolio also continued to grow nicely, despite the strong competition in the market.

In the wider APAC region, growth in sales in the quarter was also achieved led by strong sales in **Asian countries** such as Thailand, Korea and Indonesia due to favorable seasonal conditions and with the return of face-to-face business post-COVID. In the **Pacific region** fungicide sales grew nicely following favorable seasonal conditions. This growth was achieved despite high channel inventories in parts of Asia.

India, Middle East & Africa: Sales in the third quarter were led by India and represent the peak season for sales in this country due to the monsoon season. Despite this, heavy rainfall negatively impacted insecticide and fungicide sales in certain crops and overall sales were also impacted by some supply constraints.

Gross Profit reported in the third quarter was up 12% to \$322 million (gross margin of 23.7%) compared to \$287 million (gross margin of 25.0%) in the same quarter last year and was up 15% to \$1,068 million (gross margin of 25.1%) in the first nine month period compared to \$932 million (gross margin of 26.8%) last year⁴.

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

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

Additionally, certain extraordinary charges related largely to a temporary disruption of the production of certain products, were adjusted in the third quarter and first nine months in 2021. These charges have significantly declined since the first quarter of 2022, as the relocation and upgrade of the manufacturing Jingzhou site in China has been completed and is now at a high level of operation.

Excluding the impact of the abovementioned extraordinary items, **adjusted gross profit** in the third quarter was up 19% to \$373 million (gross margin of 27.4%) compared to \$313 million (gross margin of 27.3%) in the same quarter last year and was up 22% to \$1,224 million (gross margin of 28.7%) in the first nine month period compared to \$1,000 million (gross margin of 28.8%) last year.

⁴ In the reported results, as of Q4 2021, following recent changes in the guidelines in China, the aforementioned transportations costs and OPEX idleness have been reclassified from operating expenses to costs of goods.



In the quarter and nine month period, the higher gross profit was mainly driven by the markedly higher prices, complemented by continued volume growth, which offset the higher logistic, procurement and production costs, as well as the negative impact of exchange rates.

Due to seasonality, the Company's third quarter is generally characterized by lower profitability.

Operating expenses reported in the third quarter were \$226 million (16.7% of sales) and \$705 million (16.6% of sales) in the first nine month period, compared to \$261 million (22.7% of sales) and \$750million (21.6% of sales) in the corresponding periods last year, respectively⁵.

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

Additionally, the Company recorded certain non-operational charges within its reported operating expenses amounting to \$3 million in Q3 2022 in comparison to \$6 million in Q3 2021 and \$31 million in the first nine months of 2022 in comparison to \$32 million in first nine months of 2021. These charges include mainly (i) non-cash amortization charges in respect of Transfer assets received from Syngenta related to the 2017 ChemChina-Syngenta acquisition, (ii) charges related 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 and (iii) incentive plans - share-based compensation. 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 nine month period were \$273 million (20.1% of sales) and \$821 million (19.3% of sales), compared to \$254 million (22.2% of sales) and \$718 million (20.6% of sales) in the corresponding periods last year, respectively.

The higher operating expenses in the quarter and first nine month period reflect the strong growth of the business, higher transportation and logistics costs driven by both an increase in freight costs and volumes transported, an increase in expenses attributed to company success-based employee compensation, the inclusion of a recent acquisition (in the nine month period) and moderated by the positive impact of exchange rates.

In addition, in the first quarter of 2022 the Company recorded a doubtful debt provision for trade receivables in Ukraine.

Operating income reported in the third quarter was up 269% to \$96 million (7.1% of sales) compared to \$26 million (2.3% of sales) in the same quarter last year and was up 100% to \$363 million (8.5% of sales) in the first nine month period compared to \$182 million (5.2% of sales) last year.

Excluding the impact of the abovementioned non-operational items, **adjusted operating income** in the third quarter amounted to \$100 million (7.4% of sales) compared to \$59 million (5.1% of sales) in the same quarter last year and was up 43% to \$403 million (9.5% of sales) in the first nine month period compared to \$282 million (8.1% of sales) in the same period last year.

EBITDA reported in the third quarter was up 72% to \$177 million (13.0% of sales) compared to \$103 million (9.0% of sales) in the same quarter last year and was up 49% to \$605 million (14.2% of sales) in the first nine month period compared to \$405 million (11.6% of sales) last year.

Excluding the impact of the abovementioned non-operational items, **adjusted EBITDA** in the third quarter was up 40% to \$171 million (12.5% of sales) compared to \$122 million (10.6% of sales) in the same quarter last year and was up 32% to \$611 million (14.4% of sales) in the first nine month period compared to \$464 million (13.4% of sales) last year.

⁵ In the reported results, as of Q4 2021, following recent changes in the guidelines in China, the aforementioned transportations costs and OPEX idleness have been reclassified from operating expenses to costs of goods.



Financial expenses and investment income were \$86 million in the third quarter and \$220 million in the first nine month period, compared to \$53 million and \$144 million in the corresponding periods last year, respectively. The higher financial expenses were mainly driven by the net effect of the high Israeli CPI on the ILS-denominated, CPI-linked bonds and higher hedging costs on exchange rates. In the nine month period in 2022, these expenses also included the valuation of put options attributed to minority stakes of a subsidiary fully consolidated from Q3 2021.

Taxes on income in the third quarter were \$6 million and \$23 million in the first nine month period, compared to \$36 million and \$52 million in the corresponding periods last year, respectively.

In 2022, the company recognized a higher deferred tax asset, related to inter-group sales, that led to a decline in the tax on income.

The significantly higher tax expenses in the third quarter of 2021 reflected the high growth in end-market sales, which incur higher tax rates, as well as the impact of a significantly weaker BRL on non-monetary tax assets.

Net income attributable to the shareholders of the Company reported in the third quarter was \$5 million (0.4% of sales) and \$119 million (2.8% of sales) in the first nine month period, compared to a net loss of \$57 million and a loss of \$1 million in the corresponding periods last year, respectively.

Excluding the impact of the abovementioned extraordinary and non-operational charges, **adjusted net income** in the third quarter was \$8 million (0.6% of sales) and \$159 million (3.7% of sales) in the first nine month period, compared to a loss of \$30 million and an income of \$85 million in the corresponding periods last year, respectively.

Trade working capital as of September 30, 2022, was \$2,832 million compared to \$2,489 million at the same point last year. The increase in working capital was due to an increase in the value and levels of inventory held by the Company to support expected future sales, in light of anticipated supply shortages, logistic challenges and inventory costs increases. This increase in inventory levels was moderated by higher trade payables. Trade receivables reflect good collections across the board.

The trade capital/last twelve months sales ratio of 51% as of September 30, 2022, in comparison to 54%, as of September 30, 2021, demonstrates the improved efficiency in the Company's management of its working capital.

Cash Flow: Operating cash flow of \$31 million was consumed in the quarter and \$246 million consumed in the first nine month period, compared to \$107 million and \$338 million generated in the corresponding periods last year, respectively. The cash flow consumed in the quarter and nine month period was primarily due to an increase in payments for goods procured in previous quarters supporting the increase in inventory levels.

Net cash used in investing activities was \$102 million in the quarter and \$299 million in the first nine month period, compared to \$96 million and \$388 million in the corresponding periods last year, respectively. The cash used in investing activities in the third quarter of 2022 is largely related to investments in "Core Leap" manufacturing capabilities in Israel, investments in intangible assets relating to ADAMA's global registrations as well as the new production facilities in ADAMA Anpon. In the first nine month period in 2022, cash was also used for investing in manufacturing capabilities in Brazil.

In the third quarter of 2021, investments were attributed to Israel and China based manufacturing sites. In the nine month period in 2021, cash was also used for the completion of the payment and acquisition of Huifeng's domestic commercial crop protection business and manufacturing site, as well as for the relocation and upgrade of the manufacturing Sanonda Jingzhou site, both completed towards the end of the second quarter of 2021.

Free cash flow of \$154 million was consumed in the third quarter and \$623 million consumed in the first nine month period compared to \$1 million generated and \$115 million consumed in the



corresponding periods last year, respectively, reflecting the aforementioned operating and investing cash flow dynamics.

Table 3. Revenues by operating segment

Sales by segment

	Q3 2022 USD (m)	%	Q3 2021 USD (m)	%	9M 2022 USD (m)	%	9M 2021 USD (m)	%
Crop Protection	1,228	90.4%	1,041	90.7%	3,825	89.8%	3,152	90.7%
Intermediates and Ingredients	131	9.6%	106	9.3%	432	10.2%	324	9.3%
Total	1,359	100%	1,147	100%	4,258	100%	3,476	100%

Sales by product category

	Q3 2022 USD (m)	%	Q3 2021 USD (m)	%	9M 2022 USD (m)	%	9M 2021 USD (m)	%
Herbicides	571	42.0%	441	38.4%	1,933	45.4%	1,390	40.0%
Insecticides	381	28.0%	360	31.4%	1,124	26.4%	1,066	30.7%
Fungicides	276	20.3%	241	21.0%	769	18.1%	696	20.0%
Intermediates and Ingredients	131	9.6%	106	9.3%	432	10.2%	324	9.3%
Total	1,359	100.0%	1,147	100.0%	4,258	100.0%	3,476	100.0%

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, 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 Third Quarter

<i>Adjusted⁶</i>	Q3 2022 USD (m)	Q3 2021 USD (m)	Q3 2022 RMB (m)	Q3 2021 RMB (m)
Revenues	1,359	1,147	9,282	7,425
Cost of Sales	966	829	6,594	5,366
Other costs	21	5	143	32
Gross profit	373	313	2,545	2,027
<i>% of revenue</i>	<i>27.4%</i>	<i>27.3%</i>	<i>27.4%</i>	<i>27.3%</i>
<i>Selling & Distribution expenses</i>	199	181	1,361	1,174
<i>General & Administrative expenses</i>	52	54	356	352
<i>Research & Development expenses</i>	21	18	142	114
<i>Other operating expenses</i>	0	1	2	5
Total operating expenses	273	254	1,862	1,645
<i>% of revenue</i>	<i>20.1%</i>	<i>22.2%</i>	<i>20.1%</i>	<i>22.2%</i>
Operating income (EBIT)	100	59	683	382
<i>% of revenue</i>	<i>7.4%</i>	<i>5.1%</i>	<i>7.4%</i>	<i>5.1%</i>
Financial expenses and investment income	86	53	587	344
Income before taxes	14	6	96	38
Taxes on Income	6	36	38	233
Net Income	8	(30)	57	(195)
Attributable to:				
Non-controlling interest	0	-	0	0
Shareholders of the Company	8	(30)	57	(195)
<i>% of revenue</i>	<i>0.6%</i>	<i>(2.6%)</i>	<i>0.6%</i>	<i>(2.6%)</i>
Adjustments	3	27	21	175
Reported Net income attributable to the shareholders of the Company	5	(57)	36	(371)
<i>% of revenue</i>	<i>0.4%</i>	<i>(5.0%)</i>	<i>0.4%</i>	<i>(5.0%)</i>
Adjusted EBITDA	171	122	1,165	788
<i>% of revenue</i>	<i>12.5%</i>	<i>10.6%</i>	<i>12.5%</i>	<i>10.6%</i>
Adjusted EPS⁷				
– Basic	0.0036	(0.0130)	0.0245	(0.0839)
– Diluted	0.0036	(0.0130)	0.0245	(0.0839)
Reported EPS²				
– Basic	0.0023	(0.0246)	0.0155	(0.1592)
– Diluted	0.0023	(0.0246)	0.0155	(0.1592)

⁶ 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”.

⁷ The number of shares used to calculate both basic and diluted earnings per share in both Q3 and 9M 2021 and 2022 is 2,329.8 million shares.



Abridged Consolidated Income Statement for the First Nine Months

<i>Adjusted⁸</i>	9M 2022 USD (m)	9M 2021 USD (m)	9M 2022 RMB (m)	9M 2021 RMB (m)
Revenues	4,258	3,476	28,078	22,488
Cost of Sales	2,967	2,459	19,569	15,909
Other costs	67	17	442	110
Gross profit	1,224	1,000	8,067	6,469
<i>% of revenue</i>	<i>28.7%</i>	<i>28.8%</i>	<i>28.7%</i>	<i>28.8%</i>
<i>Selling & Distribution expenses</i>	607	545	4,007	3,528
<i>General & Administrative expenses</i>	146	125	962	811
<i>Research & Development expenses</i>	63	53	416	341
<i>Other operating expenses</i>	5	(6)	32	(37)
Total operating expenses	821	718	5,417	4,643
<i>% of revenue</i>	<i>19.3%</i>	<i>20.6%</i>	<i>19.3%</i>	<i>20.6%</i>
Operating income (EBIT)	403	282	2,650	1,827
<i>% of revenue</i>	<i>9.5%</i>	<i>8.1%</i>	<i>9.4%</i>	<i>8.1%</i>
Financial expenses and investment income	220	144	1,462	930
Income before taxes	182	139	1,188	897
Taxes on Income	23	52	153	338
Net Income	159	86	1,035	559
Attributable to:				
Non-controlling interest	0	1	0	7
Shareholders of the Company	159	85	1,035	552
<i>% of revenue</i>	<i>3.7%</i>	<i>2.5%</i>	<i>3.7%</i>	<i>2.5%</i>
Adjustments	41	86	267	555
Reported Net income attributable to the shareholders of the Company	119	(1)	768	(4)
<i>% of revenue</i>	<i>2.8%</i>	<i>0.0%</i>	<i>2.7%</i>	<i>0.0%</i>
Adjusted EBITDA	611	464	4,027	3,004
<i>% of revenue</i>	<i>14.4%</i>	<i>13.4%</i>	<i>14.3%</i>	<i>13.4%</i>
Adjusted EPS⁹				
– Basic	0.0684	0.0366	0.4442	0.2367
– Diluted	0.0684	0.0366	0.4442	0.2367
Reported EPS²				
– Basic	0.0510	(0.0003)	0.3297	(0.0017)
– Diluted	0.0510	(0.0003)	0.3297	(0.0017)

⁸ 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”.

⁹ The number of shares used to calculate both basic and diluted earnings per share in both Q3 and 9M 2021 and 2022 is 2,329.8 million shares.



Abridged Consolidated Balance Sheet

	September 30 2022 USD (m)	September 30 2021 USD (m)	September 30 2022 RMB (m)	September 30 2021 RMB (m)
Assets				
Current assets:				
Cash at bank and on hand	524	764	3,720	4,956
Bills and accounts receivable	1,547	1,553	10,985	10,071
Inventories	2,448	1,749	17,381	11,345
Other current assets, receivables and prepaid expenses	318	266	2,256	1,723
Total current assets	4,836	4,332	34,343	28,095
Non-current assets:				
Fixed assets, net	1,666	1,504	11,829	9,755
Rights of use assets	82	73	582	472
Intangible assets, net	1,462	1,498	10,393	9,713
Deferred tax assets	185	129	1,314	839
Other non-current assets	105	99	746	640
Total non-current assets	3,501	3,303	24,864	21,419
Total assets	8,337	7,635	59,206	49,514
Liabilities				
Current liabilities:				
Loans and credit from banks and other lenders	704	446	4,997	2,893
Bills and accounts payable	1,172	822	8,322	5,331
Other current liabilities	892	809	6,330	5,247
Total current liabilities	2,768	2,077	19,650	13,471
Long-term liabilities:				
Loans and credit from banks and other lenders	591	556	4,193	3,609
Debentures	1,120	1,259	7,952	8,167
Deferred tax liabilities	53	52	379	335
Employee benefits	117	116	827	751
Other long-term liabilities	371	312	2,636	2,026
Total long-term liabilities	2,252	2,296	15,986	14,889
Total liabilities	5,019	4,373	35,636	28,359
Equity				
Total equity	3,318	3,262	23,570	21,154
Total liabilities and equity	8,337	7,635	59,206	49,514



Abridged Consolidated Cash Flow Statement for the Third Quarter

	Q3 2022 USD (m)	Q3 2021 USD (m)	Q3 2022 RMB (m)	Q3 2021 RMB (m)
Cash flow from operating activities:				
Cash flow from operating activities	(31)	107	(213)	691
Cash flow from operating activities	(31)	107	(213)	691
Investing activities:				
Acquisitions of fixed and intangible assets	(99)	(96)	(677)	(624)
Proceeds from disposal of fixed and intangible assets	0	0	2	0
Acquisition of subsidiaries	0	0	-	-
Other investing activities	(3)	1	(22)	5
Cash flow used for investing activities	(102)	(96)	(697)	(619)
Financing activities:				
Receipt of loans from banks and other lenders	216	92	1,474	593
Repayment of loans from banks and other lenders	(24)	(50)	(161)	(326)
Interest payment and other	(20)	(10)	(140)	(65)
Dividends to shareholders	-	(6)	-	(37)
Other financing activities	4	11	28	73
Cash flow from (used for) financing activities	176	37	1,201	237
Effects of exchange rate movement on cash and cash equivalents	(5)	0	161	17
Net change in cash and cash equivalents	38	47	452	325
Cash and cash equivalents at the beginning of the period	475	714	3,191	4,615
Cash and cash equivalents at the end of the period	513	762	3,643	4,940
Free Cash Flow	(154)	1	(1,050)	6



Abridged Consolidated Cash Flow Statement for the First Nine Months

	9M 2022 USD (m)	9M 2021 USD (m)	9M 2022 RMB (m)	9M 2021 RMB (m)
Cash flow from operating activities:				
Cash flow from operating activities	(246)	338	(1,559)	2,182
Cash flow from operating activities	(246)	338	(1,559)	2,182
Investing activities:				
Acquisitions of fixed and intangible assets	(298)	(279)	(1,969)	(1,803)
Proceeds from disposal of fixed and intangible assets	11	3	72	20
Acquisition of subsidiaries	0	(101)	-	(655)
Other investing activities	(12)	(11)	(80)	(73)
Cash flow used for investing activities	(299)	(388)	(1,976)	(2,511)
Financing activities:				
Receipt of loans from banks and other lenders	590	675	3,909	4,370
Repayment of loans from banks and other lenders	(201)	(411)	(1,324)	(2,655)
Interest payment and other	(83)	(70)	(553)	(453)
Dividends to shareholders	(3)	(6)	(19)	(37)
Other financing activities	(140)	35	(906)	222
Cash flow from (used for) financing activities	164	223	1,107	1,446
Effects of exchange rate movement on cash and cash equivalents	(9)	1	311	(11)
Net change in cash and cash equivalents	(390)	174	(2,117)	1,105
Cash and cash equivalents at the beginning of the period	903	588	5,759	3,835
Cash and cash equivalents at the end of the period	513	762	3,643	4,940
Free Cash Flow	(623)	(115)	(4,049)	(745)



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 September 30, 2022 and 2021 incorporate the financial statements of ADAMA Ltd. and of all of its subsidiaries (the “Company”), including Adama Agricultural Solutions Ltd. (“Solutions”) and its subsidiaries.

The Company has adopted the Accounting Standards for Business Enterprises (ASBE) issued by the Ministry of Finance (the “MoF”) and the implementation guidance, interpretations and other relevant provisions issued or revised subsequently by the MoF (collectively referred to as “ASBE”). Note that in the reported financial statements, as a result of recent changes in the ASBE guidelines (IAS 37), certain items as of Q4 2021 (specifically certain transportation costs and certain idleness charges) have been reclassified from Operating Expenses to COGS. See the notes to the financial statements for more details in this regard.

The abridged consolidated financial statements contained in this release are presented in both Chinese Renminbi (RMB), as the Company’s shares are traded on the Shenzhen Stock Exchange, as well as in United States dollars (\$) as this is the major currency in which the Company’s business is conducted. For the purposes of this release, a customary convenience translation has been used for the translation from RMB to US dollars, with Income Statement and Cash Flow items being translated using the quarterly average exchange rate, and Balance Sheet items being translated using the exchange rate at the end of the period.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Note 2: Abridged Financial Statements

For ease of use, the financial statements shown in this release have been abridged as follows:

Abridged Consolidated Income Statement:

- “Gross profit” in this release is revenue less costs of goods sold, taxes and surcharges, inventory impairment and other idleness charges (in addition to those already included in costs of goods sold); part of the idleness charges is removed in the Adjusted financial statements
- “Other operating expenses” includes impairment losses (not including inventory impairment); gain (loss) from disposal of assets and non-operating income and expenses
- “Operating expenses” in this release differ from those in the formally reported financial statements in that in the reported financial statements, as a result of recent changes in the ASBE guidelines (IAS 37), certain items as of Q4 2021 (specifically certain transportation costs and certain idleness charges) have been reclassified from Operating Expenses to COGS.
- “Financial expenses and investment income” includes net financing expenses; gains from changes in fair value; and investment income (including share of income of equity accounted investees)

Abridged Consolidated Balance Sheet:

- “Other current assets, receivables and prepaid expenses” includes financial assets held for trading; financial assets in respect of derivatives; prepayments; other receivables; and other current assets
- “Fixed assets, net” includes fixed assets and construction in progress
- “Intangible assets, net” includes intangible assets and goodwill
- “Other non-current assets” includes other equity investments; long-term equity investments; long-term receivables; investment property; and other non-current assets
- “Loans and credit from banks and other lenders” includes short-term loans and non-current liabilities due within one year
- “Other current liabilities” includes financial liabilities in respect of derivatives; payables for employee benefits, taxes, interest, dividends and others; advances from customers and other current liabilities
- “Other long-term liabilities” includes long-term payables, provisions, deferred income and other non-current liabilities



Income Statement Adjustments

	Q3 2022 USD (m)	Q3 2021 USD (m)	Q3 2022 RMB (m)	Q3 2021 RMB (m)
Net Income (Reported)	5.3	(57.3)	36.0	(371.0)
Adjustments to COGS & Operating Expenses:				
1. Amortization of Legacy PPA of 2011 acquisition of Solutions (non-cash)	0.3	0.3	1.7	1.6
2. Amortization of Transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash)	5.8	4.3	39.5	27.8
3. Upgrade & Relocation related costs	1.6	26.7	10.7	172.5
4. Incentive plans	(8.4)	(2.0)	(57.7)	(13.1)
5. Amortization of acquisition-related PPA (non-cash), other acquisition-related costs	4.9	3.8	33.6	24.6
6. Transportation classification COGS impact	(49.2)	-	(335.9)	-
7. Transportation classification OPEX impact	49.2	-	335.9	-
Total Adjustments to Operating Income (EBIT)	4.1	33.0	27.8	213.3
Total Adjustments to EBITDA	(6.8)	18.7	(46.6)	120.8
Adjustments to Financing Expenses				
Revaluation of non-cash adjustment related to non-controlling interest	-	-	-	-
Adjustments to Taxes				
1. Tax shield on Legacy PPA of 2011 acquisition of Solutions	0.0	0.0	0.3	0.3
3. Taxes related to Upgrade & Relocation related costs	0.1	5.2	0.5	33.7
5. Deferred tax on amortization of acquisition-related PPA, other acquisition-related costs	0.9	0.6	6.0	3.9
Total adjustments to Net Income	3.1	27.1	21.1	175.5
Net Income (Adjusted)	8.4	(30.2)	57.1	(195.5)
Total adjustments to Net Income attributable to the shareholders of the Company	3.1	27.1	21.1	175.5
	9M 2022 USD (m)	9M 2021 USD (m)	9M 2022 RMB (m)	9M 2021 RMB (m)
Net Income (Reported)	118.7	(0.3)	768.1	-1.7
Adjustments to COGS & Operating Expenses:				
1. Amortization of Legacy PPA of 2011 acquisition of Solutions (non-cash)	0.8	0.8	4.9	4.9
2. Amortization of Transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash)	17.1	18.8	112.6	121.7
3. Upgrade & Relocation related costs	5.5	66.9	35.9	432.5
4. Incentive plans	1.7	1.5	10.4	9.8
5. Amortization of acquisition-related PPA (non-cash), other acquisition-related costs	15.0	11.3	99.2	73.3
6. Transportation classification COGS impact	(146.7)	-	967.3	-
7. Transportation classification OPEX impact	146.7	-	(967.3)	-
8. Provisions in respect of prior years' legal- and tax-related costs	-	1.6	-	10.3
Total Adjustments to Operating Income (EBIT)	40.0	100.8	263.1	652.5
Total Adjustments to EBITDA	6.7	59.4	43.4	384.7
Adjustments to Financing Expenses				
Revaluation of non-cash adjustment related to non-controlling interest	3.6	-	23.8	-
Adjustments to Taxes				
1. Tax shield on Legacy PPA of 2011 acquisition of Solutions	0.1	0.1	0.8	0.8
3. Taxes related to Upgrade & Relocation related costs	0.2	11.9	1.3	77.0
5. Deferred tax on amortization of acquisition-related PPA, other acquisition-related costs	2.7	1.8	17.9	11.6
8. Provisions in tax expenses in respect of prior years' legal- and tax-related costs	-	0.4	-	2.5
Total adjustments to Net Income	40.6	86.6	266.8	560.6
Net Income (Adjusted)	159.3	86.4	1,034.9	558.9
Total adjustments to Net Income attributable to the shareholders of the Company	40.6	85.9	266.8	555.5



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 & manufacturing facilities 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 were relocated to new sites in 2020, 2021 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. These charges have significantly declined since the first quarter of 2022, as the relocation and upgrade of the manufacturing Jingzhou site in China has been completed and is now at a high level of operation.
4. **Incentive plans:** ADAMA granted certain of its employees, a long-term incentive (LTI) in the form of 'phantom' awards linked to the Company's share price. As such, the Company records an expense, or recognizes income, depending on the fluctuation in the Company's share price, regardless of award exercises. 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 awards, in the Company's adjusted financial performance, the LTI is presented on an equity-settled basis in accordance with the value of the existing plan at the grant date.
5. **Amortization of acquisition-related PPA (non-cash) and other acquisition-related costs:** Related mainly to the non-cash amortization of intangible assets created as part of the Purchase Price Allocation (PPA) on acquisitions, with no impact on the ongoing performance of the companies acquired, as well as other M&A-related costs.
6. **Transportation classification COGS impact** – as a result of recent changes in the ASBE guidelines [IAS 37], certain items as of Q4 2021 (specifically certain transportation costs and certain idleness charges) have been reclassified from Operating Expenses to COGS.
7. **Transportation classification OPEX impact** – as a result of recent changes in the ASBE guidelines [IAS 37], certain items as of Q4 2021 (specifically certain transportation costs and certain idleness charges) have been reclassified from Operating Expenses to COGS.
8. **Provisions in tax expenses related to prior years' activities:** Provisions in respect of tax expenses related to activities of prior years.



Exchange Rate Data for the Company's Principal Functional Currencies

	September 30			Q3 Average			9M Average		
	2022	2021	Change	2022	2021	Change	2022	2021	Change
EUR/USD	0.984	1.157	(14.97%)	1.008	1.179	(14.50%)	1.064	1.198	(11.24%)
USD/BRL	5.407	5.439	0.60%	5.249	5.229	(0.38%)	5.134	5.323	3.54%
USD/PLN	4.953	3.993	(24.07%)	4.706	3.873	(21.53%)	4.395	3.793	(15.89%)
USD/ZAR	17.953	15.060	(19.21%)	17.030	14.63	(16.42%)	15.950	14.460	(10.30%)
USD/AUD	0.652	0.719	(9.39%)	0.684	0.735	(6.93%)	0.707	0.761	(7.09%)
GBP/USD	1.118	1.344	(16.79%)	1.179	1.379	(14.50%)	1.256	1.388	(9.51%)
USD/RMB	7.100	6.485	9.47%	6.830	6.470	5.55%	6.597	6.470	1.97%
USD/ILS	3.543	3.229	(9.72%)	3.400	3.234	(5.13%)	3.313	3.259	(1.67%)
USD LIBOR 3M	3.75%	0.13%	362 bp	2.99%	0.13%	287 bp	1.69%	0.16%	153 bp

	September 30			Q3 Average			9M Average		
	2022	2021	Change	2022	2021	Change	2022	2021	Change
USD/RMB	7.100	6.485	9.47%	6.830	6.470	5.55%	6.597	6.470	1.97%
EUR/RMB	6.985	7.504	(6.91%)	6.886	7.630	(9.75%)	7.017	7.740	(9.35%)
RMB/BRL	0.762	0.839	9.20%	0.769	0.808	4.90%	0.778	0.824	5.57%
RMB/PLN	0.658	0.616	(6.96%)	0.649	0.599	(8.39%)	0.649	0.588	(10.39%)
RMB/ZAR	2.529	2.322	(8.89%)	2.494	2.261	(10.30%)	2.418	2.252	(7.34%)
AUD/RMB	4.627	4.664	(0.81%)	4.671	4.755	(1.76%)	4.666	4.909	(4.95%)
GBP/RMB	7.939	8.716	(8.91%)	8.051	8.921	(9.75%)	8.286	8.961	(7.53%)
RMB/ILS	0.499	0.498	(0.23%)	0.498	0.500	0.40%	0.502	0.503	0.22%
RMB LIBOR 3M	1.67%	2.43%	(76) bp	1.73%	2.39%	(65) bp	2.09%	2.54%	(45) bp