

## ADAMA Ltd.

### Asset Impairment Announcement

The Company and all members of its Board of Directors confirm that all the information disclosed herein is true, accurate, and complete with no false or misleading statement or material omission.

In accordance with the Accounting Standards for Business Enterprises, ADAMA Ltd. (hereinafter referred to as the "Company"), is expected to record a total of RMB 417 million (approximately \$62 million) for the year of 2022 in provisions for asset and credit impairments. These provisions are mainly related to a credit loss provision for trade and other receivables in Ukraine, impairment of inventories made during the ordinary course of the Company's business and one-time impairment of some assets that are no longer operational, as provided herein.

#### Overview and Financial Impact of Provision for the Assets Impairment

During the year, the Company is expected to record provisions for asset and credit impairments based on principles of prudent accounting and according to the "Accounting Standards for Business Enterprises" and the Company's own applicable accounting policies.

These provisions, charged to the total profits of the Company during the year, are expected to amount to RMB 417 million (approximately \$62 million).

Further details of the impairments are as follows:

Unit: '000 RMB

Item	Amount
Credit losses	91,668
Inventories	156,392
Fixed assets and Construction in progress	158,592
Intangible assets	10,467
<b>Total Asset impairments</b>	<b>417,119</b>

#### Basis and Explanation for Credit Impairment Losses

The Company recognizes an impairment provision, which reflects its assessment regarding the credit risk of accounts and other receivables on a lifetime expected credit loss basis. The examination for expected credit losses is performed using a model including aging analysis and historical loss experience, and is adjusted taking into account observable factors reflecting current and expected future economic conditions.

The credit impairment losses recognized during the year was mainly related to the accounts and other receivables in Ukraine. As the Announcement on Assets Impairment published by the Company on April 28, 2022 (Announcement No. 2022-20) stated, in order to cover the estimated risk due to the events in Ukraine, the Company has made a such impairment.

#### Basis and Explanation for Impairment of Inventories

Inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes.

During 2022, an amount of RMB 156 million (approximately \$23.2 million) in inventory impairment is expected to be provided in the ordinary course of the Company's business mainly due to inventory expiration and decline in the market price of certain products.

#### Basis and Explanation for Impairment of Fixed Assets and Construction in Progress

The Company assesses at each balance sheet date whether there are any indications that the fixed assets and construction in progress may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets (recoverable amount is the higher between the assets' fair value less costs to sell and the present value of the future cash flow estimated to be derived from the asset). If the recoverable amount is below the assets' net cost recorded in the balance sheet, a provision for impairment is made.

Due to changes in the markets and regulatory developments, as well as upgrade in technology and evolving priorities of the Company, non-recurring impairment is expected to be made to assets that are no longer operational.

#### Basis and Explanation for Impairment of Intangible Assets

The Company assesses at each balance sheet date whether there is any indication that the intangible assets with a finite useful life may be impaired, and if such indication exists, the Company calculates the recoverable amount of the asset. When the recoverable amount of an asset is less than its carrying amount, an impairment loss is expected to be recognized to reduce the carrying amount to the recoverable amount.

#### **Explanation on the Reasonableness of Asset Impairments**

The aforementioned provisions resulted from non-cash charges due mainly to the credit loss provision related to trade receivables in Ukraine, impairments of inventories accrued during the ordinary course of the Company's business and one-time impairment of certain assets that are no longer operational.

Based on the current status of these assets, these non-cash and some of which non-recurring impairments serve to correctly present the balance sheet of the Company, truly and fairly reflects the company's financial situation, asset value and operating results, while meeting requirements of accounting standards and related policies.

### **Other Explanations**

The expected provision for asset impairment is the result of the preliminary calculation of the financial department of the Company, without the audit of the accounting firm. Please refer to the audited 2022 Annual Report of the Company for final financial data. Investors are kindly reminded to pay attention to investment risks.

It's hereby announced.

Board of Directors  
**ADAMA LTD.**  
January 31, 2023