



ADAMA Reports Second Quarter and First Half Year 2023 Results

Sales & profit impacted by channel destocking while the Company is exercising inventory management through selective procurement of high margin products

Second Quarter 2023 Highlights:

- Sales down 17% to \$1,233 million (**-12% in RMB terms**; -15% in CER¹ terms), mainly reflecting 10% decrease in volume and 5% decrease in prices
- Adjusted EBITDA amounted to \$112 million vs. \$240 million in Q2 2022
- Adjusted net loss of \$41 million; Reported net loss of \$46 million

First Half Year 2023 Highlights:

- Sales down 14% to \$2,492 million (**-8% in RMB terms**; -11% in CER terms), mainly reflecting 9% decrease in volume and 2% decrease in prices
- Adjusted EBITDA amounted to \$277 million vs. \$441 million in H1 2022
- Adjusted net loss of \$20 million; Reported net loss of \$34 million

BEIJING, CHINA and TEL AVIV, ISRAEL, August 30, 2023 – ADAMA Ltd. (the “Company”) (SZSE 000553), today reported its financial results for the second quarter and six-month period ended June 30, 2023.

Steve Hawkins, President and CEO of ADAMA, said, "Agricultural markets are cyclical in nature and the market we are seeing in 2023 is an adjustment to the market overstocking in 2022, leading ADAMA's performance to be impacted in the quarter both by lower volumes as well as softer pricing. In response the Company has implemented a cross-company turnaround plan to improve cashflow and profit. In the second quarter the Company has already begun to clear out its high-cost inventory while being selective regarding new procurement, focusing on high margin products, in line with the Company's goal to improve the quality of business and its portfolio mix. Additional steps have also been taken to ensure OPEX is well managed. While the consumption of high-cost inventory impacts the results in the short term, we already see the positive impact of the reduction of procurement reaching positive cashflow in the quarter. We believe these steps will support ADAMA, positioning it better to capture opportunities in the current market cycle."

¹ CER – Constant Exchange Rates



Table 1. Financial Performance Summary

USD (m)	As Reported			Adjustments		Adjusted		
	Q2 2023	Q2 2022	% Change	Q2 2023	Q2 2022	Q2 2023	Q2 2022	% Change
Revenues	1,233	1,479	(17%)	-	-	1,233	1,479	(17%)
Gross profit	253	399	(36%)	24	38	277	437	(37%)
% of sales	20.6%	27.0%				22.5%	29.6%	
Operating income (EBIT)	40	143	(72%)	6	27	46	170	(73%)
% of sales	3.3%	9.6%				3.8%	11.5%	
Income before taxes	(56)	57		6	31	(50)	88	
% of sales	(4.5%)	3.9%				(4.0%)	6.0%	
Net income	(46)	46		5	30	(41)	76	
% of sales	(3.8%)	3.1%				(3.3%)	5.1%	
EPS								
- USD	(0.0199)	0.0198				(0.0177)	0.0326	
- RMB	(0.1397)	0.1307				(0.1238)	0.2152	
EBITDA	115	224	(49%)	(3)	16	112	240	(53%)
% of sales	9.3%	15.1%				9.1%	16.2%	

USD (m)	As Reported			Adjustments		Adjusted		
	H1 2023	H1 2022	% Change	H1 2023	H1 2022	H1 2023	H1 2022	% Change
Revenues	2,492	2,899	(14%)	-	-	2,492	2,899	(14%)
Gross profit	563	767	(27%)	54	85	617	852	(28%)
% of sales	22.6%	26.4%				24.8%	29.4%	
Operating income (EBIT)	132	267	(51%)	16	36	148	303	(51%)
% of sales	5.3%	9.2%				5.9%	10.4%	
Income before taxes	(45)	129		16	40	(29)	168	
% of sales	(1.8%)	4.4%				(1.2%)	5.8%	
Net income	(34)	113		15	37	(20)	151	
% of sales	(1.4%)	3.9%				(0.8%)	5.2%	
EPS								
- USD	(0.0147)	0.0487				(0.0084)	0.0648	
- RMB	(0.1039)	0.3142				(0.0604)	0.4197	
EBITDA	281	427	(34%)	(4)	14	277	441	(37%)
% of sales	11.3%	14.7%				11.1%	15.2%	

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, according to the ASBE guidelines [IAS 37], certain items (specifically certain transportation costs and certain idleness charges) are classified under 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 Q2 & H1 2023 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

Over Q2 2023 the price trend of crop commodities was mixed, with corn, wheat and soybean prices continuing to decline while sugar and rice prices increased. Overall, crop commodity prices remain above the 10-yr average and global planted area remains high compared to previous years, supporting healthy input demand from farmers.

Despite relatively healthy farmer consumption, crop protection sales into the distribution channel have slowed down significantly due to high channel inventory levels, following channel loading in 2022. In addition, the distribution channel across all geographies is opting to buy crop inputs on a "just in time" basis and striving to carry minimal inventory given wide high interest rate environment outside China and abundant supply of CP products. This trend, coupled with the ongoing decline in Active Ingredients prices coming out of China, is putting pressure on crop protection prices.

Portfolio Development Update

Product Launches, Registrations & Formulation Mastery Update:

During the second quarter of 2023 ADAMA continued to register and launch multiple new products in markets across the globe, adding on to its differentiated product portfolio. New Product Introductions (NPI) percentage out of the full year sales of 2022 reached 22%, referring to products launched over the past 5 years. Differentiated products include products that are based on recently off-patented active ingredients (AI's) that have been classified as high commercial potential - "Core Leap" AI's, and products that are based on unique proprietary formulations, products with more than one mode of action, and biologicals.

Select launches of differentiated products during the second quarter of 2023 in select countries include:

- Launch in the USA of **Fullscript™**, a dual mode herbicide for rice, part of the **FullPage®** rice cropping solution, in collaboration with Rice Tech.

Fullscript™ is the first product to be launched based on **Sesgama™** ADAMA's proprietary formulation technology platform for high-load and other challenging formulations, enabling less use of co-formulants, transport and packaging materials per acre treated with a resulting improved product sustainability profile.

Select registrations of differentiated products during second quarter of 2023 in select countries include:

- Registration in Poland for **Mastercop ACT®**, a natural copper-based fungicide, based on **ADAMA's proprietary Formulation Mastery technology for low dose** products minimizing environmental load (enabling over 50% reduction in copper usage per hectare compared to conventional copper fungicides) and while maintaining its efficacy through optimization of delivery mechanisms **Mastercop ACT®** is intended to control a range of fungal and bacterial diseases on a wide range of crops including grapes, pome fruits, stone fruits, fruiting vegetables and tuber crops. According to EU regulations, once a registration is achieved in one of the countries in a regulatory zone, registration can be expediated in other countries within the same regulatory zone. Poland is part of the Central Zone, which also includes Germany.

² Sources: Rabobank, Agri Commodity Markets Research, March 2023; AgbiInvestor-Quarterly-Briefing-Service-PLUS_Q1-2023; JPM: Agricultural Markets Weekly, March 2023



- In Q2 2023, the Company continued with the roll out of products based on the active ingredient Prothioconazole and ADAMA's **Asorbital**[®] formulation mastery technology platform, for optimized penetration and enhanced long-lasting protection. These include the registration of **Avastel**[®] in Sweden and Turkey, **Soratel**[®] in Lithuania and registration of **Maganic**[®] in Sweden and Turkey.
- Registration in Greece of **Timeline**[®] **FX**, a unique three-way spring foliar herbicide mixture providing cross-spectrum protection for cereals against broadleaf and grass weeds.

Select patents granted during second quarter of 2023 in select countries include:

- Patent granted in Australia for **Sesgama**[™].
- First patent granted for **Soratel**[®] in Morocco. Soratel[®] is based on ADAMA's proprietary Formulation Mastery technology platform **Asorbital**[®]
- Patent granted for ADAMA's proprietary **T.O.V.** formulation technology in China and Ukraine.

Financial Highlights

Revenues in the second quarter declined by approximately 17% (-12% in RMB terms; -15% in CER terms) to \$1,233 million, reflecting a decrease of 10% in volumes and a decrease of 5% in prices. The lower sales reflect market dynamics of channel destocking in light of high interest rates and a "wait and see" approach, given the market overstocking in 2022 and declining active ingredient and raw material costs impacting the crop protection market pricing. Additionally, sales were also impacted by negative weather conditions in certain geographies.

These results brought the revenues in the first half of 2023 to \$2,492 million, a decline of approximately 14% (-8% in RMB terms; -11% in CER terms), reflecting a decrease of 9% in volumes and a decrease of 2% in prices. This is in comparison to the record sales the Company achieved in 2022, which reflected the high demand due to supply uncertainty in the market.

Table 2. Regional Sales Performance

	Q2 2023 \$m	Q2 2022 \$m	Change USD	Change CER	H1 2023 \$m	H1 2022 \$m	Change USD	Change CER
Europe, Africa & Middle East (EAME)*	334	365	(8.4%)	(5.4%)	765	794	(3.7%)	2.5%
North America	225	278	(19.1%)	(18.6%)	436	562	(22.4%)	(21.9%)
Latin America	329	379	(13.1%)	(14.7%)	562	613	(8.3%)	(10.1%)
Asia Pacific*	345	458	(24.6%)	(20.7%)	729	930	(21.6%)	(16.3%)
<i>Of which China</i>	<i>141</i>	<i>213</i>	<i>(33.6%)</i>	<i>(30.8%)</i>	<i>323</i>	<i>449</i>	<i>(28.1%)</i>	<i>(23.0%)</i>
Total	1,233	1,479	(16.6%)	(15.0%)	2,492	2,899	(14.0%)	(10.9%)

CER: Constant Exchange Rates

* 2022 denote proforma sales. As of 2023, the India, Middle East & Africa (IMA) region has been reorganized such that the countries formerly included in this region are now included in the Europe region (renamed EAME) or in the Asia Pacific region.

Europe, Africa & Middle East (EAME): Sales in EAME in constant exchange rates were lower in the quarter due to a decrease in volumes exacerbated by negative weather conditions and high



inventory levels in the market, and higher in the half year period, reflecting generally higher prices in comparison to the same periods in 2022. While prices were higher on a year-to-year basis, market prices are currently presenting a downward trend. The fungicide **Soratel**[®] based on ADAMA's **Asorbital**[®] formulation mastery technology, continues to be well received in the UK.

North America: Consumer & Professional Solutions – Sales were impacted by lower demand following inflationary pressures and high channel inventories.

In the **US Ag** market the channel is lowering inventory levels due to high interest rates with demand focusing on "just-in-time" supply from producers. Sales were also impacted by drought in the Mid-West and pressure on prices following channel destocking.

Sales in **Canada** increased as the Company expanded its product portfolio during 2022, while pricing in the market was more insulated with overall market inventories better controlled.

Latin America: Brazil – strong competition and channel destocking put pressure on prices led to a decline in sales, while the Company is successfully consuming the high-cost inventory accumulated.

In **LATAM**, sales are supported by the strong performance of the biologicals portfolio. Looking forward, El Niño is expected to have a positive effect on rainfall in the South of LATAM.

Asia-Pacific (APAC):

In China, the market is experiencing oversupply and pricing pressure impacting both the **branded and industrial sales**, while the branded portfolio was significantly supported by the sales of differentiated products.

Sales in the wider **APAC & Pacific** region were negatively impacted by strong competition from China and by the commencement and negative impact of El Niño.

In **India** sales were impacted by the delayed Monsoon season.

Gross Profit reported in the second quarter reached \$253 million (gross margin of 20.6%) compared to \$399 million (gross margin of 27.0%) in the same quarter last year and reached \$563 million (gross margin of 22.6%) in the half year period compared to \$767 million (gross margin of 26.4%) last year.

Adjustments to reported results: The adjusted gross profit includes reclassification of all inventory impairment, taxes and surcharge and excludes certain transportation costs (classified under operating expenses).

Excluding the impact of the abovementioned adjusted items, **adjusted gross profit** in the second quarter reached \$277 million (gross margin of 22.5%) compared to \$437 million (gross margin of 29.6%) in the same quarter last year and reached \$617 million (gross margin of 24.8%) in the half year period compared to \$852 million (gross margin of 29.4%) last year.

The decline in gross profit in the second quarter and half year period was due to the decline in sales, as described above, high-cost inventory and exchange rates. These impacts were slightly moderated by the improvement in the Company's sales mix of higher margin products.

Operating expenses reported in the second quarter and half year period of 2023 were \$213 million (17.3% of sales) and \$431 million (17.3% of sales), compared to \$256 million (17.3% of sales) and \$500 million (17.2% of sales) in the corresponding periods last year, respectively.

Adjustments to reported results: please refer to the explanation regarding adjustments to the gross profit in respect to certain transportation costs, taxes and surcharges and inventory impairment.

Additionally, the Company recorded certain non-operational items within its reported operating expenses amounting to \$6 million in Q2 2023 in comparison to \$22 million in Q2 2022 and \$15 in H1 2023 in comparison to \$28 in H1 2022. These 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 items, please see the appendix to this release.

Excluding the impact of the abovementioned non-operational items, **adjusted operating expenses** in the second quarter and half year period were \$231 million (18.7% of sales) and \$469 million (18.8% of sales), compared to \$268 million (18.1% of sales) and \$549 million (18.9% of sales) in the corresponding periods last year, respectively.

The operating expenses were lower in the second quarter and half year period of 2023 mainly due to Company OPEX management measures, lower transportation and logistics costs, an adjustment of a provision for success-based compensation, and the positive impact of exchange rates. Additionally, in the first half year of 2023 the company did not increase the doubtful debt provision that was recorded for trade receivables in Ukraine during the first half year of 2022.

Operating income reported in the second quarter amounted to \$40 million (3.3% of sales) compared to \$143 million (9.6% of sales) in the same quarter last year and amounted to \$132 million (5.3% of sales) in the half year period compared to \$267 million (9.2% of sales) last year.

Excluding the impact of the abovementioned non-operational items, **adjusted operating income** in the second quarter amounted to \$46 million (3.8% of sales) compared to \$170 million (11.5% of sales) in the same quarter last year and amounted to \$148 million (5.9% of sales) in the half year period compared to \$303 million (10.4% of sales) in the same period last year.

EBITDA reported in the second quarter amounted to \$115 million (9.3% of sales) compared to \$224 million (15.1% of sales) in the same quarter last year and amounted to \$281 million (11.3% of sales) in the half year period compared to \$427 million (14.7% of sales) last year.

Excluding the impact of the abovementioned non-operational items, **adjusted EBITDA** in the second quarter amounted to \$112 million (9.1% of sales) compared to \$240 million (16.2% of sales) in the same quarter last year and amounted to \$277 million (11.1% of sales) in the half year period compared to \$441 million (15.2% of sales) last year.

Adjusted Financial expenses amounted to \$96 million in the second quarter and \$177 million in the half year period, compared to \$82 million and \$134 million in the corresponding periods last year, respectively. The higher financial expenses were mainly driven by higher bank interest expenses due to the sharp increase in interest rates and an increase in short-term loans as well as higher hedging costs on exchange rates. These financial expenses were moderated by the net effect of lower Israeli CPI on the ILS-denominated, CPI-linked bonds.

Adjusted taxes on income in the second quarter amounted to an income of \$8 million and an income of \$10 million in the half year period, compared to tax expenses of \$12 million and \$18 million in the corresponding periods last year. The tax income in the second quarter and half year period of 2023 was mainly due to losses before tax, in addition to a tax income due to the non-cash impact of the stronger BRL on the value of non-monetary tax assets and the method of calculation of tax assets related to unrealized profits.

Net loss attributable to the shareholders of the Company reported in the second quarter was \$46 million and \$34 million in the half-year period, compared to net income of \$46 million (3.1% of sales) and \$113 million (3.9% of sales) in the corresponding periods last year, respectively.

Excluding the impact of the abovementioned extraordinary and non-operational charges, **adjusted net loss** in the second quarter was \$41 million, and \$20 million in the half-year period, compared to



net income of \$76 million (5.1% of sales), and \$151 million (5.2% of sales) in the corresponding periods last year, respectively.

Trade working capital as of June 30, 2023, was \$2,844 million compared to \$2,664 million as of June 2022, and compared to \$2,634 million as of December 31, 2022. Following the Company's implementation of strict procurement practices, inventory held by the Company reached \$2,307 million as of June 30, 2023, in comparison to \$2,430 million as of December 31, 2022. The increase in working capital compared to the end of 2022 was following the Company's implementation of strict procurement practices, as mentioned, which led to lower trade payables and a decrease in the level of inventory held by the company.

Cash Flow: Operating cash flow of \$405 million was generated in the second quarter and \$19 million consumed in the half year period in 2023, compared to \$71 million generated in the second quarter and \$215 million consumed in the half year period in 2022. The higher cash flow generated in the quarter was primarily due to a decrease in the procurement of goods.

Net cash used in investing activities was \$69 million in the second quarter and \$162 million in the first half period in 2023, compared to \$107 million and \$197 million in the corresponding periods last year, respectively. The cash used in investing activities in the second quarter and first half period of 2023 included investments in new production facilities in ADAMA Anpon, investments in manufacturing capabilities in Israel and investments in intangible assets relating to ADAMA's global registrations as well as the acquisition of AgriNova New Zealand in Q1 2023.

Free cash flow of \$288 million was generated in the second quarter and \$254 million consumed in the half-year period compared to \$83 million consumed in the second quarter and \$469 million consumed in the corresponding periods last year, respectively, reflecting the aforementioned operating and investing cash flow dynamics as well as the prioritization of investments.



Table 3. Revenues by operating segment

Sales by segment

	Q2 2023 USD (m)	%	Q2 2022 USD (m)	%	H1 2023 USD (m)	%	H1 2022 USD (m)	%
Crop Protection	1,145	93%	1,327	90%	2,291	92%	2,598	90%
Intermediates and Ingredients	89	7%	152	10%	201	8%	301	10%
Total	1,233	100%	1,479	100%	2,492	100%	2,899	100%

Sales by product category

	Q2 2023 USD (m)	%	Q2 2022 USD (m)	%	H1 2023 USD (m)	%	H1 2022 USD (m)	%
Herbicides	528	43%	702	47%	1,104	44%	1,361	47%
Insecticides	352	29%	393	27%	686	28%	744	26%
Fungicides	264	21%	232	16%	502	20%	493	17%
Intermediates and Ingredients	89	7%	152	10%	201	8%	301	10%
Total	1,233	100%	1,479	100%	2,492	100%	2,899	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. Numbers may not sum due to rounding.

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 Second Quarter

<i>Adjusted³</i>	Q2 2023 USD (m)	Q2 2022 USD (m)	Q2 2023 RMB (m)	Q2 2022 RMB (m)
Revenues	1,233	1,479	8,643	9,780
Cost of Sales	943	1,029	6,609	6,800
Other costs	13	13	89	87
Gross profit	277	437	1,945	2,893
<i>% of revenue</i>	<i>22.5%</i>	<i>29.6%</i>	<i>22.5%</i>	<i>29.6%</i>
<i>Selling & Distribution expenses</i>	185	209	1,297	1,383
<i>General & Administrative expenses</i>	30	47	208	309
<i>Research & Development expenses</i>	18	22	128	143
<i>Other operating expenses</i>	(2)	(10)	(13)	(66)
Total operating expenses	231	268	1,620	1,770
<i>% of revenue</i>	<i>18.7%</i>	<i>18.1%</i>	<i>18.7%</i>	<i>18.1%</i>
Operating income (EBIT)	46	170	325	1,123
<i>% of revenue</i>	<i>3.8%</i>	<i>11.5%</i>	<i>3.8%</i>	<i>11.5%</i>
Financial expenses	96	82	673	540
Income before taxes	(50)	88	(348)	583
Taxes on Income	(8)	12	(59)	82
Net Income	(41)	76	(288)	501
<i>% of revenue</i>	<i>(3.3%)</i>	<i>5.1%</i>	<i>(3.3%)</i>	<i>5.1%</i>
Adjustments	5	30	37	197
Reported Net income	(46)	46	(325)	304
<i>% of revenue</i>	<i>(3.8%)</i>	<i>3.1%</i>	<i>(3.8%)</i>	<i>3.1%</i>
Adjusted EBITDA	112	240	783	1,585
<i>% of revenue</i>	<i>9.1%</i>	<i>16.2%</i>	<i>9.1%</i>	<i>16.2%</i>
Adjusted EPS⁴				
– Basic	(0.0177)	0.0326	(0.1238)	0.2152
– Diluted	(0.0177)	0.0326	(0.1238)	0.2152
Reported EPS²				
– Basic	(0.0199)	0.0198	(0.1397)	0.1307
– Diluted	(0.0199)	0.0198	(0.1397)	0.1307

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 both Q2 2023 and 2022 is 2,329.8 million shares.



Abridged Consolidated Income Statement for the First Half

<i>Adjusted^f</i>	H1 2023 USD (m)	H1 2022 USD (m)	H1 2023 RMB (m)	H1 2022 RMB (m)
Revenues	2,492	2,899	17,253	18,796
Cost of Sales	1,852	2,027	12,827	13,138
Other costs	22	21	157	135
Gross profit	617	852	4,270	5,522
<i>% of revenue</i>	<i>24.8%</i>	<i>29.4%</i>	<i>24.7%</i>	<i>29.4%</i>
<i>Selling & Distribution expenses</i>	371	408	2,568	2,646
<i>General & Administrative expenses</i>	69	93	475	606
<i>Research & Development expenses</i>	38	42	263	274
<i>Other operating expenses</i>	(8)	5	(56)	29
Total operating expenses	469	549	3,249	3,555
<i>% of revenue</i>	<i>18.8%</i>	<i>18.9%</i>	<i>18.8%</i>	<i>18.9%</i>
Operating income (EBIT)	148	303	1,021	1,967
<i>% of revenue</i>	<i>5.9%</i>	<i>10.4%</i>	<i>5.9%</i>	<i>10.5%</i>
Financial expenses	177	134	1,228	875
Income before taxes	(29)	168	(207)	1,092
Taxes on Income	(10)	18	(67)	115
Net Income	(20)	151	(141)	978
<i>% of revenue</i>	<i>(0.8%)</i>	<i>5.2%</i>	<i>(0.8%)</i>	<i>5.2%</i>
Adjustments	15	37	101	246
Reported Net income	(34)	113	(242)	732
<i>% of revenue</i>	<i>(1.4%)</i>	<i>3.9%</i>	<i>(1.4%)</i>	<i>3.9%</i>
Adjusted EBITDA	277	441	1,914	2,862
<i>% of revenue</i>	<i>11.1%</i>	<i>15.2%</i>	<i>11.1%</i>	<i>15.2%</i>
Adjusted EPS⁶				
– Basic	(0.0084)	0.0648	(0.0604)	0.4197
– Diluted	(0.0084)	0.0648	(0.0604)	0.4197
Reported EPS²				
– Basic	(0.0147)	0.0487	(0.1039)	0.3142
– Diluted	(0.0147)	0.0487	(0.1039)	0.3142

⁵ 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”.

⁶ The number of shares used to calculate both basic and diluted earnings per share in H1 2023 and 2022 is 2,329.8 million shares.



Abridged Consolidated Balance Sheet

	June 30 2023 USD (m)	June 30 2022 USD (m)	June 30 2023 RMB (m)	June 30 2022 RMB (m)
Assets				
Current assets:				
Cash at bank and on hand	637	491	4,605	3,297
Bills and accounts receivable	1,421	1,606	10,264	10,780
Inventories	2,307	2,320	16,668	15,569
Other current assets, receivables and prepaid expenses	269	351	1,941	2,358
Total current assets	4,633	4,768	33,478	32,003
Non-current assets:				
Fixed assets, net	1,747	1,674	12,624	11,234
Rights of use assets	89	72	641	486
Intangible assets, net	1,472	1,488	10,634	9,984
Deferred tax assets	244	160	1,760	1,073
Other non-current assets	106	109	766	730
Total non-current assets	3,657	3,503	26,424	23,507
Total assets	8,290	8,271	59,902	55,510
Liabilities				
Current liabilities:				
Loans and credit from banks and other lenders	1,236	488	8,934	3,273
Bills and accounts payable	892	1,271	6,442	8,528
Other current liabilities	948	855	6,853	5,739
Total current liabilities	3,076	2,614	22,228	17,540
Long-term liabilities:				
Loans and credit from banks and other lenders	453	640	3,276	4,292
Debentures	1,029	1,120	7,433	7,517
Deferred tax liabilities	46	58	333	392
Employee benefits	106	115	763	769
Other long-term liabilities	308	367	2,224	2,461
Total long-term liabilities	1,942	2,299	14,029	15,433
Total liabilities	5,018	4,913	36,257	32,973
Equity				
Total equity	3,272	3,358	23,645	22,537
Total liabilities and equity	8,290	8,271	59,902	55,510



Abridged Consolidated Cash Flow Statement for the Second Quarter

	Q2 2023 USD (m)	Q2 2022 USD (m)	Q2 2023 RMB (m)	Q2 2022 RMB (m)
Cash flow from operating activities:				
Cash flow from operating activities	405	71	2,840	468
Cash flow from operating activities	405	71	2,840	468
Investing activities:				
Acquisitions of fixed and intangible assets	(85)	(107)	(598)	(707)
Net cash received from disposal of fixed assets, intangible assets and others	1	10	5	67
Acquisition of subsidiaries	0	0	-	-
Other investing activities	16	(10)	112	(65)
Cash flow used for investing activities	(69)	(107)	(482)	(705)
Financing activities:				
Receipt of loans from banks and other lenders	73	222	510	1,466
Repayment of loans from banks and other lenders	(200)	(150)	(1,400)	(992)
Interest payment and other	(49)	(53)	(342)	(353)
Dividends to shareholders	(9)	(3)	(63)	(19)
Other financing activities	(22)	(79)	(155)	(523)
Cash flow from (used for) financing activities	(207)	(64)	(1,450)	(421)
Effects of exchange rate movement on cash and cash equivalents	(3)	(4)	183	174
Net change in cash and cash equivalents	126	(103)	1,092	(484)
Cash and cash equivalents at the beginning of the period	506	579	3,479	3,674
Cash and cash equivalents at the end of the period	633	475	4,571	3,191
Free Cash Flow	288	(83)	2,021	(551)



Abridged Consolidated Cash Flow Statement for the First Half

	H1 2023 USD (m)	H1 2022 USD (m)	H1 2023 RMB (m)	H1 2022 RMB (m)
Cash flow from operating activities:				
Cash flow from operating activities	(19)	(215)	(65)	(1,346)
Cash flow from operating activities	(19)	(215)	(65)	(1,346)
Investing activities:				
Acquisitions of fixed and intangible assets	(170)	(199)	(1,178)	(1,292)
Net cash received from disposal of fixed assets, intangible assets and others	4	11	31	70
Acquisition of subsidiaries	(22)	0	(148)	-
Other investing activities	25	(9)	175	(57)
Cash flow used for investing activities	(162)	(197)	(1,121)	(1,279)
Financing activities:				
Receipt of loans from banks and other lenders	598	374	4,105	2,435
Repayment of loans from banks and other lenders	(229)	(177)	(1,599)	(1,164)
Interest payment and other	(75)	(63)	(522)	(413)
Dividends to shareholders	(9)	(3)	(63)	(19)
Other financing activities	(75)	(144)	(520)	(934)
Cash flow from (used for) financing activities	210	(12)	1,401	(94)
Effects of exchange rate movement on cash and cash equivalents	(2)	(4)	130	150
Net change in cash and cash equivalents	26	(428)	345	(2,569)
Cash and cash equivalents at the beginning of the period	607	903	4,255	5,759
Cash and cash equivalents at the end of the period	633	475	4,571	3,191
Free Cash Flow	(254)	(469)	(1,689)	(2,999)



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, 2023 and 2022 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 certain transportation costs have been reclassified from COGS to Operating Expenses.
- “Financial expenses” includes net financing expenses and gains/losses from changes in fair value.

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 2023 USD (m)	Q2 2022 USD (m)	Q2 2023 RMB (m)	Q2 2022 RMB (m)
Net Income (loss) (Reported)	(46)	46	(325)	304
<u>Adjustments to COGS & Operating Expenses:</u>				
1. Amortization of acquisition-related PPA and other acquisition related costs	4	5	29	35
2. Amortization of Transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash)	5	6	33	38
3. Upgrade & Relocation related costs	1	2	5	13
4. Incentive plans	(4)	14	(25)	94
5. ASBEs classifications COGS impact	(24)	(33)	(165)	(221)
6. ASBEs classifications OPEX impact	24	33	165	221
Total Adjustments to Operating Income (EBIT)	6	27	42	180
Total Adjustments to EBITDA	(3)	16	(23)	105
Adjustments to Financing Expenses	-	4	-	24
<u>Adjustments to Taxes</u>				
1. Taxes impact	1	1	5	7
Total adjustments to Net Income	5	30	37	197
Net Income (Adjusted)	(41)	76	(288)	501

	H1 2023 USD (m)	H1 2022 USD (m)	H1 2023 RMB (m)	H1 2022 RMB (m)
Net Income (loss) (Reported)	(34)	113	(242)	732
<u>Adjustments to COGS & Operating Expenses:</u>				
1. Amortization of acquisition-related PPA and other acquisition related costs	8	11	58	69
2. Amortization of Transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash)	11	11	74	73
3. Upgrade & Relocation related costs	1	4	10	25
4. Incentive plans	(4)	10	(31)	68
5. ASBEs classifications COGS impact	(53)	(77)	(368)	(496)
6. ASBEs classifications OPEX impact	53	77	368	496
Total Adjustments to Operating Income (EBIT)	16	36	111	235
Total Adjustments to EBITDA	(4)	14	(27)	90
Adjustments to Financing Expenses	-	4	-	24
<u>Adjustments to Taxes</u>				
1. Taxes impact	1	2	10	13
Total adjustments to Net Income	15	37	101	246
Net Income (Adjusted)	(20)	151	(141)	978

Notes:

- Amortization of acquisition-related PPA and other acquisition related costs:**
 - Amortization of Legacy PPA of 2011 acquisition of Solutions (non-cash):** Under ASBE, since the second 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.
 - 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.
- 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 second 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. **ASBEs classifications COGS impact** – according to the ASBE guidelines [IAS 37], certain items (specifically certain transportation costs) are classified under COGS.
6. **ASBEs classifications OPEX impact** – according to the ASBE guidelines [IAS 37], certain items (specifically certain transportation costs) are classified under COGS.



Exchange Rate Data for the Company's Principal Functional Currencies

	June 30			Q2 Average			H1 Average		
	2023	2022	Change	2023	2022	Change	2023	2022	Change
EUR/USD	1.086	1.040	4.48%	1.089	1.07	2.12%	1.081	1.094	(1.18%)
USD/BRL	4.819	5.238	8.00%	4.951	4.92	(0.62%)	5.073	5.077	0.08%
USD/PLN	4.107	4.483	8.39%	4.178	4.36	4.15%	4.285	4.239	(1.07%)
USD/ZAR	18.657	16.103	(15.86%)	18.649	15.57	(19.78%)	18.192	15.409	(18.06%)
AUD/USD	0.663	0.687	(3.59%)	0.669	0.72	(6.53%)	0.676	0.720	(6.01%)
GBP/USD	1.262	1.211	4.27%	1.262	1.21	4.27%	1.233	1.299	(5.06%)
USD/ILS	3.700	3.500	(5.71%)	3.700	3.50	(5.71%)	3.592	3.270	(9.84%)
USD L 3M	3.40%	2.29%	1.11 bp	3.08%	1.53%	1.55 bp	2.65%	1.03%	1.62 bp

	June 30			Q2 Average			H1 Average		
	2023	2022	Change	2023	2022	Change	2023	2022	Change
USD/RMB	7.226	6.711	7.66%	7.009	6.611	6.01%	6.925	6.481	6.85%
EUR/RMB	7.848	6.977	12.49%	7.633	7.051	8.25%	7.484	7.088	5.59%
RMB/BRL	0.667	0.780	14.55%	0.706	0.744	5.08%	0.733	0.783	6.49%
RMB/PLN	0.568	0.668	14.91%	0.596	0.659	9.58%	0.619	0.654	5.41%
RMB/ZAR	0.387	0.417	7.07%	0.376	0.425	11.50%	0.381	0.421	9.49%
AUD/RMB	4.788	4.613	3.80%	4.688	4.731	(0.91%)	4.683	4.663	0.43%
GBP/RMB	9.121	8.125	12.26%	8.776	8.318	5.50%	8.538	8.416	1.44%
RMB/ILS	0.512	0.522	1.81%	0.520	0.505	(2.90%)	0.519	0.505	(2.79%)
RMB Shibor 3M	2.168%	2.00%	0.168 bp	2.292%	2.139%	0.153 bp	2.352%	2.276%	0.076 bp