



## ADAMA Reports First Quarter 2021 Results

### *Robust business growth yields increased profits in the first quarter*

- Sales grew by 14% to a Q1 record-high of \$1,109 million, driven by continued robust 15% volume growth
- Adjusted EBITDA higher by 2%, reaching \$157 million
- Reported net income of \$23 million (Q1 2020: loss of \$2 million)
- Adjusted net income up 25% to \$52 million

**BEIJING, CHINA and TEL AVIV, ISRAEL, April 28, 2021** – ADAMA Ltd. (the “Company”) (SZSE 000553), today reported its financial results for the first quarter ended March 31, 2021.

**Ignacio Dominguez, President and CEO of ADAMA**, said, “In the first quarter, we continued our strong growth to achieve another Q1 record high sales performance, with robust demand for our crop protection products supported by generally higher crop prices. Although our growth was somewhat mitigated by a softer pricing environment in many regions, and further offset by higher procurement costs and a growth-driven increase in operating expenses, we nevertheless were able to deliver a pleasing improvement in our bottom line. Our strong Q1 performance reflects our continued ability to weather the ongoing pandemic-related challenges, and to provide much needed crop protection solutions to growers around the world.”

### Financial Performance Summary

USD (m)	As Reported			Adjustments		Adjusted		
	Q1 2021	Q1 2020	% Change	Q1 2021	Q1 2020	Q1 2021	Q1 2020	% Change
<b>Revenues</b>	<b>1,109</b>	<b>973</b>	<b>+14%</b>	-	-	<b>1,109</b>	<b>973</b>	<b>+14%</b>
Gross profit	305	277	+10%	17	19	322	296	+9%
% of sales	27.5%	28.5%				29.0%	30.5%	
Operating income (EBIT)	65	51	+29%	33	47	98	97	+1%
% of sales	5.9%	5.2%				8.9%	10.0%	
Income before taxes	29	20	+47%	33	47	62	66	-7%
% of sales	2.6%	2.0%				5.6%	6.8%	
<b>Net income attributable to the shareholders of the company</b>	<b>23</b>	<b>-2</b>		<b>29</b>	<b>44</b>	<b>52</b>	<b>42</b>	<b>+25%</b>
% of sales	2.1%	-0.2%				4.7%	4.3%	
<b>EPS</b>								
- USD	0.0098	-0.0010				0.0223	0.0170	+31%
- RMB	0.0639	-0.0068				0.1447	0.1182	+22%
<b>EBITDA</b>	<b>138</b>	<b>133</b>	<b>+3%</b>	<b>19</b>	<b>20</b>	<b>157</b>	<b>153</b>	<b>+2%</b>
% of sales	12.4%	13.7%				14.2%	15.8%	

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”). 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 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. A detailed summary of these adjustments appears in the appendix below.



*The Q1 2020 Adjusted Income Statement has been amended from that presented at the time to include additional adjustments in order to consistently reflect largely the treatment of China Relocation & Upgrade Program-related costs amongst other adjustments that the Company has deemed non-operational and one-time in nature, as well as to reflect a change in allocation of certain costs between those impacting Operating Expenses and those impacting Gross Profit.*

*The number of shares used to calculate both basic and diluted earnings per share in 2020 is 2,446.6 million shares. The number of shares used to calculate both basic and diluted earnings per share in 2021 is 2,329.8 million shares, reflecting the buyback and cancellation of 102.4 million shares from CNAC in July 2020 and repurchase of 14.3 million B shares during the second half of 2020.*

## **The general crop protection market environment**

In the first quarter of 2021, commodity crop prices continued to increase as global demand remained strong, fueled by pandemic-related food security concerns, a recovery in biofuel demand and higher feed demand, especially from China. Weather-related agricultural supply challenges also contributed to the high crop prices, which are expected to remain elevated throughout the rest of the year. The positive crop price environment, along with associated expectations of higher planted areas, are combining to drive global demand for crop protection products.

During the quarter, prices of intermediates and active ingredients sourced from China increased compared to the same period last year, due in part to the recovery of oil prices alongside higher raw material costs and stronger demand.

As global economies start to reopen following pandemic-related shutdowns over the past year, global trade markets are experiencing scarcity of transportation resources leading to higher freight costs, a situation that has been exacerbated by the recent Suez Canal incident and other port congestions all over the globe.

The Company actively manages its procurement and supply chain activities in order to mitigate these higher procurement and logistics costs, and endeavors to adjust its pricing wherever possible to compensate.

## **Financial Highlights**

**Revenues** grew 14% (+6% in RMB terms) to hit a first quarter record-high of \$1,109 million, driven by a robust 15% increase in volumes. This strong volume-driven growth was somewhat mitigated by a softer pricing environment in a number of key regions.

ADAMA delivered particularly strong performances in the Asia Pacific and India, Middle-East & Africa regions, benefiting from strong demand and favorable seasonal conditions. The Company also grew strongly in North America, driven by its Consumer and Professional business, as well as in Latin America. Sales in Europe were somewhat lower due to a slow start to the season in the northern and eastern parts of the region.

**Gross Profit** in the first quarter was \$305 million (27.5% of sales), up 10% compared to \$277 million (28.5% of sales) reported in the corresponding period last year.

The Company recorded certain extraordinary charges within its reported cost of goods sold, totaling approximately \$17 million in the first quarter (Q1 2020: \$19 million). These charges were largely related to its Relocation & Upgrade program, and 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, and (ii) elevated idleness charges largely related to suspensions at the facilities being relocated as well as to the temporary suspension of the Jingzhou site in Q1 2020 at the outbreak of COVID-19 in Hubei Province. For further details on these extraordinary charges, please see the appendix to this release.

Excluding the impact of the abovementioned extraordinary items, adjusted gross profit in the quarter was \$322 million (29.0% of sales), up 9% compared to \$296 million (30.5% of sales) in the



corresponding period last year. The higher gross profit was driven by the strong volume growth alongside positive seasonal changes in product offering, more than offsetting the impacts of the generally softer prices and higher procurement and logistics costs.

**Operating expenses** in the first quarter were \$239 million (21.6% of sales), compared to \$226 million (23.3% of sales) reported in the corresponding period last year.

The Company recorded certain non-operational, mostly non-cash, charges within its reported operating expenses, totaling approximately \$16 million in the first quarter (Q1 2020: \$27 million). These charges include mainly (i) \$8 million in Q1 2021 (Q1 2020: \$8 million) in non-cash amortization charges in respect of Transfer assets received from Syngenta related to the 2017 ChemChina-Syngenta acquisition, (ii) \$4 million in Q1 2021 (Q1 2020: \$1 million) in non-cash charges related to incentive plans, and (iii) \$4 million in Q1 2021 (Q1 2020: \$3 million) in charges 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. The higher aggregate amount of non-operational charges in Q1 2020 also included \$11 million in non-cash amortization charges related to the legacy PPA of the 2011 acquisition of Adama Agricultural Solutions, which have now largely finished, and \$9 million in respect of early retirement expenses. 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 were \$223 million (20.1% of sales), compared to \$199 million (20.5% of sales) in the corresponding period last year.

The higher operating expenses reflect primarily an increase in sales and marketing teams in growing geographies to drive and support the strong sales growth, higher transportation and logistics costs driven by both an increase in freight costs and the increased volumes being moved, as well as the inclusion of recent acquisitions in Greece, Paraguay and China. Despite the higher operating expenses in absolute terms, the Company continued to improve its expense-to-sales ratio.

**Operating income** in the first quarter was \$65 million (5.9% of sales), compared to \$51 million (5.2% of sales) reported in the corresponding period last year. Excluding the impact of the abovementioned extraordinary and non-operational charges, adjusted operating income in the quarter was \$98 million (8.9% of sales), compared to \$97 million (10.0% of sales) in the corresponding period last year. The slightly higher operating income in the quarter was driven by the higher gross profit, but reflects also the growth-driven increase in operating expenses.

**EBITDA** in the first quarter was \$138 million (12.4% of sales), up 3.5% compared to \$133 million (13.7% of sales) reported in the corresponding period last year. Excluding the impact of the abovementioned extraordinary and non-operational charges, adjusted EBITDA in the quarter was \$157 million (14.2% of sales), up 2.4% compared to \$153 million (15.8% of sales) in the first quarter of 2020.

**Financial expenses and investment income** in the first quarter were \$36 million, compared to \$31 million in the corresponding period last year. The higher financial expenses were mainly due to an increase in financing costs on the NIS-denominated, CPI-linked bonds due to a higher CPI in Israel.

**Taxes on income** reported in the first quarter were \$6 million, compared to \$22 million reported in the corresponding period last year. The first quarter is generally characterized by a low effective tax rate compared to the effective tax rate of the Company over the full year. This is mainly due to the generation of profits by subsidiary companies within ADAMA whose tax rates are lower relative to the Company's aggregate effective tax rate, as well as to the method of calculation of tax assets related to unrealized profits. However, in Q1 2020, the Company recorded higher tax expenses largely due to the impact of the significant weakening of currencies in that quarter against the US dollar, most



notably that of the Brazilian Real, driving higher non-cash tax expenses due to differences between the functional (US dollar) and tax (local) currencies regarding the value of non-monetary assets.

**Net income attributable to the shareholders of the company** in the first quarter was \$23 million (2.1% of sales), compared to a loss of \$2 million reported in the corresponding period last year. Excluding the impact of the abovementioned extraordinary and non-operational charges, adjusted net income in the quarter was \$52 million (4.7% of sales), up 25% compared to \$42 million (4.3% of sales) achieved in the corresponding period last year.

The improvement in net income in the quarter was driven by the slightly higher operating income and lower taxes, which were partially offset by the higher financial expenses.

**Trade working capital** at March 31, 2021 was \$2,604 million compared to \$2,178 million at the same point last year. The Company is holding higher inventory levels due mainly to a shift in geographic and portfolio sales mix, as well as due to the anticipation of further volume growth in coming quarters. The Company also saw an increase in trade receivables, driven largely by its strong growth over recent quarters in emerging markets, most notably in Latin America and Brazil, where customer credit terms are generally longer, as well as the stretching of credit terms in certain countries most impacted by COVID-19 related challenges. These increases were partially offset by higher trade payables.

**Cash Flow:** Operating cash flow of \$129 million was consumed in the quarter, compared to \$55 million consumed in the corresponding period last year. The negative operating cash flow, which is seasonally typical for ADAMA in the first quarter, also reflects the higher build-up of working capital in the first quarter compared to the parallel quarter last year.

Net cash used in investing activities was \$109 million in the quarter, compared to \$54 million in the corresponding period last year. The higher level of cash used in investing activities in the quarter largely reflects an increase in investments in fixed assets, mainly driven by the upgrading and relocation of manufacturing facilities in China and Israel, the acquisition of a majority stake in Jiangsu Huifeng's domestic commercial crop protection business, as well as investments in the advancement of the Company's differentiated product portfolio.

Free cash flow of \$248 million was consumed in the first quarter compared to \$116 million consumed in the corresponding period last year, reflecting the aforementioned operating and investing cash flow dynamics.

### **Portfolio Development Update**

In the first quarter, ADAMA continued to advance the development of its differentiated product portfolio. The Company obtained multiple new product registrations in the quarter, including VERITAS<sup>®</sup>, a unique broad-spectrum fungicide for control of foliar disease in Australia, as well as HEYDAY<sup>®</sup>, a herbicide for control of broadleaf and grass weeds in Thailand.

New product launches in the quarter included BARROZ<sup>®</sup>, a uniquely convenient granular solution for rice growers to gain effective control of stemborer in India, as well as EMPHASIS<sup>™</sup>, an innovative herbicide co-pack that provides a versatile and effective pre-seed burn-off solution in Canada.



## Regional Sales Performance Review

	Q1 2021 \$m	Q1 2020 \$m	Change USD	Change CER
Europe	344	357	-3.5%	-4.1%
North America	189	168	+12.4%	+11.8%
Latin America	177	159	+11.3%	+22.1%
Asia Pacific	241	158	+52.7%	+39.3%
<i>Of which, China</i>	<i>124</i>	<i>68</i>	<i>+81.6%</i>	<i>+71.0%</i>
India, Middle East & Africa	158	131	+20.4%	+23.0%
<b>Total</b>	<b>1,109</b>	<b>973</b>	<b>+14.0%</b>	<b>+13.6%</b>

CER: Constant Exchange Rates

**Europe:** Sales were lower by 4.1% in the first quarter, in CER terms, compared with the corresponding period last year.

Growth in the southern part of the region, where favorable market conditions drove good demand, was outweighed by a slow start to the season in the northern and eastern parts of the region, especially when compared to Q1 2020 which then saw strong orders from distribution in anticipation of the COVID-related shutdowns that soon followed.

In US dollar terms, sales in Europe were lower by 3.5% in the quarter, compared to the corresponding period last year.

**North America:** Sales grew by 11.8% in the quarter, in CER terms, compared with the corresponding period last year.

Growth in the region was driven by a strong performance from the Company's Consumer and Professional business, benefiting from the reopening of the economy after COVID-19 related restrictions in 2020. This more than offset a somewhat softer performance in the US crop protection business.

In US dollar terms, sales in North America grew by 12.4% in the quarter, compared to the corresponding period last year, reflecting a moderate strengthening of the Canadian Dollar in the quarter.

**Latin America:** Sales grew by a robust 22.1% in the quarter, in CER terms, compared to the corresponding period last year.

The Company continues its growth trajectory in Latin America, driven by solid volume growth and good performance from recent product launches in the region.

In US dollar terms, sales in Latin America grew by 11.3% in the quarter, compared to the corresponding period last year, as the robust business growth was partially offset by weaker currencies in the region, in particular the Brazilian Real.

**Asia-Pacific:** Sales grew by 39.3% in the quarter, in CER terms, compared to the corresponding period last year.

The strong growth in the Asia-Pacific region was seen both in China and beyond. In China, ADAMA saw significant growth in the quarter both from its branded, formulated portfolio, which was driven by higher cereal demand due to an increase in field crop planted areas and an early start to the Q2 season, as well as from its sales of raw materials and intermediates. Sales in the country were further



bolstered by the inclusion of the Company's recent acquisition of Jiangsu Huifeng's domestic commercial crop protection business.

In the rest of Asia-Pacific, the Company benefited from favorable seasonal conditions and delivered strong growth, despite a slower recovery from COVID-19 challenges in Asia.

In US dollar terms, sales in Asia-Pacific grew by 52.7% in the quarter, compared to the corresponding period last year, reflecting mainly the strengthening of the Chinese Renminbi and the Australian dollar against the US dollar.

**India, Middle East & Africa:** Sales grew by 23.0% in the quarter, in CER terms, compared to the corresponding period last year, driven by strong volume growth alongside price increases amid continued positive weather conditions.

During the quarter, ADAMA launched a new pilot formulation R&D facility in India, complementing the Company's leading formulation development capabilities in its main R&D hubs in Israel, China and India. The new facility, equipped with state-of-the-art technologies, will bridge the path from the R&D lab to commercial stage production, developing processes for the scale-up of liquid and solid formulation.

In US dollar terms, sales in the India, Middle East & Africa region grew by 20.4% in the quarter, compared to the corresponding period last year, reflecting mainly the weaker level of the Turkish Lira, partially offset by a stronger Israeli Shekel.

### Table 3. Revenues by operating segment

#### First quarter sales by segment

	Q1 2021 USD (m)	%	Q1 2020 USD (m)	%
Crop Protection	1,007	90.8%	885	91.0%
Intermediates and Ingredients	102	9.2%	88	9.0%
<b>Total</b>	<b>1,109</b>	<b>100.0%</b>	<b>973</b>	<b>100.0%</b>

#### First quarter sales by product category

	Q1 2021 USD (m)	%	Q1 2020 USD (m)	%
Herbicides	477	43.0%	441	45.3%
Insecticides	314	28.3%	217	22.3%
Fungicides	216	19.5%	227	23.3%
Intermediates and Ingredients	102	9.2%	88	9.0%
<b>Total</b>	<b>1,109</b>	<b>100.0%</b>	<b>973</b>	<b>100.0%</b>

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](http://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](http://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 First Quarter

<i>Adjusted<sup>1</sup></i>	Q1 2021 USD (m)	Q1 2020 USD (m)	Q1 2021 RMB (m)	Q1 2020 RMB (m)
<b>Revenues</b>	<b>1,109</b>	<b>973</b>	<b>7,187</b>	<b>6,782</b>
Cost of Sales	782	673	5,069	4,696
Other costs	5	3	34	20
<b>Gross profit</b>	<b>322</b>	<b>296</b>	<b>2,085</b>	<b>2,066</b>
<i>% of revenue</i>	<i>29.0%</i>	<i>30.5%</i>	<i>29.0%</i>	<i>30.5%</i>
<i>Selling &amp; Distribution expenses</i>	178	159	1,156	1,106
<i>General &amp; Administrative expenses</i>	32	27	208	188
<i>Research &amp; Development expenses</i>	17	17	110	116
<i>Other operating expenses</i>	-4	-3	-26	-23
Total operating expenses	223	199	1,448	1,387
<i>% of revenue</i>	<i>20.1%</i>	<i>20.5%</i>	<i>20.1%</i>	<i>20.5%</i>
<b>Operating income (EBIT)</b>	<b>98</b>	<b>97</b>	<b>637</b>	<b>679</b>
<i>% of revenue</i>	<i>8.9%</i>	<i>10.0%</i>	<i>8.9%</i>	<i>10.0%</i>
Financial expenses and investment income	36	31	236	217
<b>Income before taxes</b>	<b>62</b>	<b>66</b>	<b>401</b>	<b>462</b>
Taxes on Income	9	25	58	173
<b>Net Income</b>	<b>53</b>	<b>42</b>	<b>342</b>	<b>289</b>
Attributable to:				
Non-controlling interest	1	-	5	-
<b>Shareholders of the Company</b>	<b>52</b>	<b>42</b>	<b>337</b>	<b>289</b>
<i>% of revenue</i>	<i>4.7%</i>	<i>4.3%</i>	<i>4.7%</i>	<i>4.3%</i>
Adjustments	-29	-44	-188	-306
<b>Reported Net income attributable to the shareholders of the Company</b>	<b>23</b>	<b>-2</b>	<b>162</b>	<b>-17</b>
<i>% of revenue</i>	<i>2.1%</i>	<i>-</i>	<i>2.1%</i>	<i>-</i>
<b>Adjusted EBITDA</b>	<b>157</b>	<b>153</b>	<b>1,018</b>	<b>1,069</b>
<i>% of revenue</i>	<i>14.2%</i>	<i>15.8%</i>	<i>14.2%</i>	<i>15.8%</i>
<b>Adjusted EPS<sup>2</sup></b>				
– Basic	0.0223	0.0170	0.1447	0.1182
– Diluted	0.0223	0.0170	0.1447	0.1182
<b>Reported EPS<sup>2</sup></b>				
– Basic	0.0098	-0.0010	0.0639	-0.0068
– Diluted	0.0098	-0.0010	0.0639	-0.0068

<sup>1</sup> 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”.

<sup>2</sup> The number of shares used to calculate both basic and diluted earnings per share in 2021 is 2,329.8 million shares, reflecting the buyback and cancellation of 102.4 million shares from CNAC in July 2020 and repurchase of 14.3 million B shares during the second half of 2020. The number of shares used to calculate both basic and diluted earnings per share in 2020 is 2,446.6 million shares.





## Abridged Consolidated Balance Sheet

	March 31 2021 USD (m)	March 31 2020 USD (m)	March 31 2021 RMB (m)	March 31 2020 RMB (m)
<b>Assets</b>				
<b>Current assets:</b>				
Cash at bank and on hand	596	602	3,915	4,264
Bills and accounts receivable	1,707	1,414	11,220	10,019
Inventories	1,663	1,424	10,931	10,091
Other current assets, receivables and prepaid expenses	383	461	2,516	3,264
<b>Total current assets</b>	<b>4,349</b>	<b>3,901</b>	<b>28,582</b>	<b>27,639</b>
<b>Non-current assets:</b>				
Fixed assets, net	1,235	1,099	8,115	7,786
Rights of use assets	80	75	528	534
Intangible assets, net	1,490	1,455	9,790	10,308
Deferred tax assets	133	118	874	833
Other non-current assets	83	96	542	681
<b>Total non-current assets</b>	<b>3,021</b>	<b>2,843</b>	<b>19,849</b>	<b>20,142</b>
<b>Total assets</b>	<b>7,370</b>	<b>6,743</b>	<b>48,431</b>	<b>47,780</b>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Loans and credit from banks and other lenders	618	507	4,063	3,595
Bills and accounts payable	781	680	5,131	4,814
Other current liabilities	760	813	4,995	5,760
<b>Total current liabilities</b>	<b>2,157</b>	<b>2,000</b>	<b>14,189</b>	<b>14,169</b>
<b>Long-term liabilities:</b>				
Loans and credit from banks and other lenders	368	167	2,416	1,181
Debentures	1,195	1,101	7,851	7,804
Deferred tax liabilities	59	63	387	448
Employee benefits	100	97	657	687
Other long-term liabilities	170	140	1,120	991
<b>Total long-term liabilities</b>	<b>1,892</b>	<b>1,568</b>	<b>12,431</b>	<b>11,111</b>
<b>Total liabilities</b>	<b>4,051</b>	<b>3,568</b>	<b>26,620</b>	<b>25,280</b>
<b>Equity</b>				
<b>Total equity</b>	<b>3,319</b>	<b>3,175</b>	<b>21,811</b>	<b>22,500</b>
<b>Total liabilities and equity</b>	<b>7,370</b>	<b>6,743</b>	<b>48,431</b>	<b>47,780</b>



## Abridged Consolidated Cash Flow Statement for the First Quarter

	Q1 2021 USD (m)	Q1 2020 USD (m)	Q1 2021 RMB (m)	Q1 2020 RMB (m)
<b>Cash flow from operating activities:</b>				
Cash flow from operating activities	-129	-55	-838	-385
<b>Cash flow from operating activities</b>	<b>-129</b>	<b>-55</b>	<b>-838</b>	<b>-385</b>
<b>Investing activities:</b>				
Acquisitions of fixed and intangible assets	-91	-51	-588	-357
Proceeds from disposal of fixed and intangible assets	1	1	9	9
Acquisition of subsidiaries	-8	-	-55	-
Other investing activities	-11	-3	-71	-25
<b>Cash flow used for investing activities</b>	<b>-109</b>	<b>-53</b>	<b>-704</b>	<b>-373</b>
<b>Financing activities:</b>				
Receipt of loans from banks and other lenders	287	171	1,862	1,194
Repayment of loans from banks and other lenders	-38	-61	-244	-429
Interest payment and other	-10	-7	-63	-46
Other financing activities	5	-13	26	-90
<b>Cash flow from (used for) financing activities</b>	<b>244</b>	<b>90</b>	<b>1,581</b>	<b>629</b>
Effects of exchange rate movement on cash and cash equivalents	-2	-3	18	47
<b>Net change in cash and cash equivalents</b>	<b>4</b>	<b>-21</b>	<b>57</b>	<b>-82</b>
Cash and cash equivalents at the beginning of the period	588	619	3,835	4,320
<b>Cash and cash equivalents at the end of the period</b>	<b>592</b>	<b>598</b>	<b>3,892</b>	<b>4,238</b>
<b>Free Cash Flow</b>	<b>-248</b>	<b>-116</b>	<b>-1,605</b>	<b>-805</b>



## 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 March 31, 2021 and 2020 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 in this release certain idleness charges have been reclassified to impact gross profit, in line with the approach taken by the Company with respect to idleness charges generally
- "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

	Q1 2021 USD (m)	Q1 2020 USD (m)	Q1 2021 RMB (m)	Q1 2020 RMB (m)
<b>Net Income (Reported)</b>	<b>23.3</b>	<b>-2.4</b>	<b>150.8</b>	<b>-16.7</b>
<b>Adjustments to COGS &amp; Operating Expenses:</b>				
1. Amortization of Legacy PPA of 2011 acquisition of Solutions (non-cash)	0.3	11.5	1.6	79.9
2. Amortization of Transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash)	7.8	7.9	50.8	54.9
3. Upgrade & Relocation related costs	15.4	15.4	99.8	107.6
4. Incentive plans (non-cash)	4.1	0.7	26.8	5.1
5. Amortization of acquisition-related PPA (non-cash) and other acquisition-related costs	3.7	2.6	24.3	17.8
6. Employee early retirement expenses	-	8.6	-	59.8
7. Provisions in tax expenses related to prior years' activities	1.6	-	10.3	-
<b>Total Adjustments to Operating Income (EBIT)</b>	<b>33.0</b>	<b>46.6</b>	<b>213.6</b>	<b>325.1</b>
<b>Total Adjustments to EBITDA</b>	<b>19.4</b>	<b>20.2</b>	<b>125.6</b>	<b>140.9</b>
<b>Adjustments to Taxes</b>				
1. Tax shield on Legacy PPA of 2011 acquisition of Solutions	0.0	1.9	0.3	13.6
3. Taxes related to restructuring costs	2.4	0.5	15.6	3.5
5. Deferred tax due to amortization of acquisition-related PPA and other acquisition-related costs	0.6	0.3	3.9	2.2
7. Provisions in tax expenses related to prior years' activities	0.4	-	2.5	-
<b>Total adjustments to Net Income</b>	<b>29.5</b>	<b>43.9</b>	<b>191.5</b>	<b>305.8</b>
<b>Net Income (Adjusted)</b>	<b>52.8</b>	<b>41.5</b>	<b>342.3</b>	<b>289.2</b>
<b>Total adjustments to Net Income attributable to the shareholders of the Company</b>	<b>29.1</b>	<b>43.9</b>	<b>188.4</b>	<b>305.8</b>

### Notes:

- 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.
- 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.
- Upgrade & 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 are being relocated to the new sites, both in 2020 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 as well as to the temporary suspensions of the Jingzhou site in Q1 2020 (at the outbreak of COVID-19 in Hubei Province).
- Incentive plans (non-cash):** The Company granted its employees, who are mainly non-Chinese residents, a long-term incentive (LTI) in the form of 'phantom' options, due to the complexity of granting Chinese-listed, equity-settled options to non-Chinese employees. As such, the Company records an expense, or recognizes income, depending on the fluctuation in the Company's share price, even though the Company will not incur any cash impact prior to exercise of the phantom options. 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 options, 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.
- 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. **Employee early retirement expenses:** Provision for early retirement plan of employees at the Company's Israeli manufacturing sites.
7. **Provisions in tax expenses related to prior years' activities:** Provisions in respect of tax expenses related to activities of prior years.

## Exchange Rates of the Company's Principal Functional Currencies

	March 31			Q1 Average		
	2021	2020	Change	2021	2020	Change
EUR/USD	1.174	1.094	7.3%	1.206	1.102	9.4%
USD/BRL	5.697	5.199	(9.6%)	5.473	4.458	(22.8%)
USD/PLN	3.968	4.147	4.3%	3.772	3.920	3.8%
USD/ZAR	14.93	17.89	16.6%	14.970	15.351	2.5%
AUD/USD	0.761	0.609	25.0%	0.773	0.658	17.6%
GBP/USD	1.376	1.234	11.5%	1.380	1.234	11.8%
USD/ILS	3.334	3.565	6.5%	3.270	3.565	8.3%
USD LIBOR 3M	0.20%	1.45%	(86.2%)	0.20%	1.53%	(86.9%)

	March 31			Q1 Average		
	2021	2020	Change	2021	2020	Change
USD/RMB	6.571	7.085	(7.3%)	6.481	6.974	(7.1%)
EUR/RMB	7.712	7.751	(0.5%)	6.481	7.687	(15.7%)
RMB/BRL	0.867	0.734	(18.2%)	0.844	0.639	(32.1%)
RMB/PLN	0.604	0.585	(3.2%)	0.604	0.562	(7.4%)
RMB/ZAR	2.271	2.525	10.0%	2.271	2.201	(3.2%)
AUD/RMB	5.003	4.317	15.9%	5.012	4.586	9.3%
GBP/RMB	9.041	8.742	3.4%	9.041	8.926	1.3%
RMB/ILS	0.507	0.503	(0.8%)	0.507	0.501	(1.2%)