



ADAMA Reports Fourth Quarter and Full Year 2023 Results

Management focus led to a significant improvement in cash flow despite challenging market conditions negatively impacting sales and profit

Fourth Quarter 2023 Highlights:

- Sales down 13% to \$1,136 million (**-13% in RMB terms**; -14% in CER¹ terms), mainly reflecting a 15% decrease in prices and a 1% increase in volumes
- Adjusted EBITDA amounted to \$95 million vs. \$129 million in Q4 2022
- Adjusted net loss of \$101 million; Reported net loss of \$79 million
- Operating Cash Flow of \$293 million vs \$352 million in Q4 2022
- Free Cash Flow of \$130 million vs \$204 million in Q4 2022

Full Year 2023 Highlights:

- Sales down 16% to \$4,661 million (**-12% in RMB terms**; -15% in CER terms), mainly reflecting a 8% decrease in prices and a 7% decrease in volumes
- Adjusted EBITDA amounted to \$407 million vs. \$740 million in the full year of 2022
- Adjusted net loss of \$236 million; Reported net loss of \$225 million
- Operating Cash Flow of \$356 million vs \$106 million in 2022
- Free Cash Flow of -\$147 million vs -\$417 million in 2022

BEIJING, CHINA and TEL AVIV, ISRAEL, March 26, 2024 – ADAMA Ltd. (the “Company”) (SZSE 000553), today reported its financial results for the fourth quarter and full year ended December 31, 2023.

Steve Hawkins, President and CEO of ADAMA, said, "The crop protection industry as a whole faced challenging market conditions throughout 2023, resulting from high channel inventory and ongoing destocking at the distributor level. In response, ADAMA took immediate steps that supported a significant improvement in cashflow in 2023, highlighting our strong execution ability.

"In addition to the significant improvement in cashflow, we improved the sales mix of higher margin products, reduced operating expenses and inventory. These, however, are only the first steps to ensure the Company is fully prepared to take advantage of anticipated market opportunities in 2024 and onwards. To fully respond to the long-term as well as short-term market challenges, we launched an intensive transformation plan aimed at improving the quality of the business and revaluing ADAMA. We will focus on winning in the largest growing segment of the market – the value innovation segment – with our outstanding pipeline of differentiated products powered by our proprietary formulation technologies. Coupled with resolute focus on improving our cost base and leveraging our strong commercial engine and customer driven culture, I am confident that we will succeed to revalue the Company going forward. I expect to share key milestones as the year progresses."

¹ CER – Constant Exchange Rates



Table 1. Financial Performance Summary

USD (m)	As Reported			Adjustments		Adjusted		
	Q4 2023	Q4 2022	% Change	Q4 2023	Q4 2022	Q4 2023	Q4 2022	% Change
Revenues	1,136	1,312	(13%)	-	-	1,136	1,312	(13%)
Gross profit	220	304	(28%)	24	36	245	341	(28%)
% of sales	19.4%	23.2%				21.5%	26.0%	
Operating income (loss) (EBIT)	(27)	26		51	28	24	55	(56%)
% of sales	(2.4%)	2.0%				2.1%	4.2%	
Loss before taxes	(42)	(20)		(23)	(18)	(65)	(39)	
% of sales	(3.7%)	(1.6%)				(5.7%)	(2.9%)	
Net income (loss)	(79)	(22)		(22)	(19)	(101)	(42)	
% of sales	(6.9%)	(1.7%)				(8.9%)	(3.2%)	
EPS								
- USD	(0.0338)	(0.0096)				(0.0434)	(0.0178)	
- RMB	(0.2418)	(0.0681)				(0.3099)	(0.1265)	
EBITDA	86	127	(32%)	9	2	95	129	(27%)
% of sales	7.5%	9.6%				8.3%	9.8%	

USD (m)	As Reported			Adjustments		Adjusted		
	FY 2023	FY 2022	% Change	FY 2023	FY 2022	FY 2023	FY 2022	% Change
Revenues	4,661	5,570	(16%)	-	-	4,661	5,570	(16%)
Gross profit	968	1,403	(31%)	91	162	1,060	1,565	(32%)
% of sales	20.8%	25.1%				22.7%	28.1%	
Operating income (EBIT)	62	389	(84%)	79	68	141	458	(69%)
% of sales	1.3%	7.0%				3.0%	8.2%	
Income (loss) before taxes	(197)	118		(10)	25	(207)	144	
% of sales	(4.2%)	2.1%				(4.4%)	2.6%	
Net income (loss)	(225)	96		(11)	21	(236)	118	
% of sales	(4.8%)	1.7%				(5.1%)	2.1%	
EPS								
- USD	(0.0964)	0.0413				(0.1013)	0.0505	
- RMB	(0.6893)	0.2616				(0.7260)	0.3177	
EBITDA	400	731	(45%)	7	9	407	740	(45%)
% of sales	8.6%	13.1%				8.7%	13.3%	

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 Q4 & FY 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 (CP) Market Environment²

Key commodity crop prices declined substantially during 2023 as weather conditions normalized and the global crop supply situation improved. However, key commodity crop prices were still relatively high through 2023, supporting planted area and investment in crops, leading to healthy demand, at the farmer level, of crop inputs, including crop protection products. However, due to very high channel inventory across all geographies, channel demand was weak during 2023. The high interest rate environment coupled with low prices of active ingredient from China, also encouraged the just-in-time purchasing approach adopted by the channel. As a result, sales into the channel declined sharply across the entire industry. Going into 2024, channel inventories have improved across most geographies but they have still not normalized everywhere. The cost environment further improved in 2023 as active ingredient prices in China continued to decline all through 2023 reaching low levels.

Update on the War Situation in Israel

ADAMA is headquartered in Israel and has three manufacturing sites in the country. Following October 7th, 2023, the Company continued the production in its global manufacturing sites and in Israel, with certain non-significant restrictions (which have been lifted in February 2024). This situation did not have a material impact on the Company's ability to support its markets or on ADAMA's consolidated financial results.

Update on Impact of Shipping Obstructions

In January 2024 some major shipping lines announced that they will suspend shipping to Israel through Israeli ports and through the Suez Canal due to tensions in the Red Sea. This has led to longer transportation times, with shipping lines being diverted around Africa.

As of the date of publication of this report, shipping time and costs have increased significantly, mainly in the Asia-Pacific Israel route in comparison to before January 2024. These cost increases impact only a small portion of the Company's overall shipping costs and ADAMA has been ordering relevant materials ahead of time to ensure timely supply. Currently, the Company does not anticipate this to have a significant impact on its financial results or on the ongoing supply of materials to its production facilities, although this situation might impact the company's ability to respond quickly to changing market demand.

² Sources: Agbio Investor preliminary 2023 market estimation, CCPIA (China Crop Protection Industry Association), peer quarterly financial reports, internal sources



Turnaround Plan

As a result of the challenges in the crop protection industry in 2023, as described above, the Company has initiated a plan to revalue ADAMA through improving the quality of the business to turnaround the Company.

This turnaround plan has three main pillars:

- (i) Market repositioning - focusing on Value Innovation, the market space where innovation is served not through new active ingredients but by innovation at the product level using existing active ingredients enhanced by proprietary formulations;
- (ii) Optimizing ADAMA's product portfolio to focus on quality of business through strategic crop segments within the customer market segment of Value Innovation;
- (iii) Improving ADAMA's cost of goods and operating expenses.

As part of this plan, the Company has initiated organizational changes to improve efficiencies that also include adjusting the workforce. These have begun with streamlining the Company's senior management team to ensure efficient decision making, while changes have also been made in the Company's R&D, marketing commercial and operations, all in order to support the Company in capturing the opportunity of Value Innovation.

Sustainability

In ADAMA's 2022 Environmental, Social, and Corporate Governance (ESG) report, published July 2023, it set a target of reducing scope 1 and 2 carbon emissions by 5% on average every year until 2030, in order to support the 1.5°C Paris Agreement.

As of the end of 2023, ADAMA is in line with achieving this target.

Sustainability in Products:

- In 2023 the first product based on **Sesgama™** was launched. **Sesgama™** is 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. The product launched was the herbicide FullScript™, launched in the US.
- During 2023 ADAMA continued to register and launch products based on its proprietary **Asorbital®** formulation technology platform a unique formulation that improves the leaf penetration and systemic movement of the Active Ingredient in the plant, while minimizing environmental impact. This technology provides greater efficacy and sustainability and can be used to reduce application rates.
- **Expanded use of containers with reduced environmental impact** – Containers that have been redesigned to a rectangular shape from a cylinder allow for product to be placed more densely on pallets and trucks, enabling a 45% increase in product packed, reducing transportation needs and associated carbon emissions, as well as comprise 10% less plastic. Following a successful launch in India, this design is expected to be launched in additional



geographies bringing a reduction of 17.2% in GHG emissions, eliminating the release of up to 340 metric tons of CO₂e into the atmosphere annually.

Sustainability in manufacturing:

- **Shift of Company vehicles to electrical** – during 2023 52% of ADAMA's forklifts at its manufacturing sites in Israel and 42% of its private cars in Israel transitioned to electrical. This trend will continue in 2024, aiming to double the number of electrical forklifts and increase by 20% the number of electrical private cars. The electrical forklifts saved 160,000 liters of diesel in 2023.
- **Recycling hazardous waste back to raw materials** – ADAMA collaborates with inhouse or external recycling companies to reuse/recycle 13,817 tons of hazardous wastes back to raw materials utilizing by its own operations or other industries. In Israel, ADAMA operates two plastic recycling centers at its largest formulation sites, Agan and Beer Sheva. These centers clean contaminated plastic packing products, allowing the use of the plastic to produce pipes in the construction and communication sectors.

Portfolio Development Update

Product Launches, Registrations & Formulation Mastery Update:

During 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 2023 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.

Launch of 11 new differentiated products during 2023 in select countries including the following products during the fourth quarter:

- Continued roll out in Europe of ADAMA's prothioconazole products based on **Asorbital**[®] formulation mastery technology platform, including **Maganic**[®] and **Forapro**[®] in Sweden
- Launch in India of **Trassid**[™], a unique insecticide designed to offer a superior control in high value crops. Trassid[™] represents ADAMA's first active ingredient Spinetoram based solution
- Launch in Peru of **Actavan**[®], a bio- fungicide for use in fruits. Actavan[®] was developed in collaboration with the New Zealand company Waikaitu Ltd. Actavan[®] is an addition to ADAMA's biological product portfolio in LATAM

Registration of 20 new differentiated products during 2023 in select countries including the following products during the fourth quarter:

- Registration of prothioconazole based products, part of ADAMA's comprehensive portfolio of innovative solutions for cereal fungicides in Europe, including:
 - **Forapro**[®] in Poland, powered by ADAMA's proprietary **Asorbital**[®] Formulation Technology
 - **Soratel**[®] in Latvia, powered by ADAMA's proprietary **Asorbital**[®] Formulation Technology
 - **Maxentis**[®] in Ireland, a dual mode broad spectrum fungicide



- Registration of two insecticides based on "Core Leap" AI, **Chlorantraniliprole (CTPR)**, **RYNO-A®** in Canada and **Cosayr®** in South Korea
- Registration in Hungary of **Actavan®**, a bio- fungicide for use in fruits. Actavan® was developed in collaboration with the New Zealand company Waikaitu Ltd.
- Registration in Canada of **Outshine All In™** and **ForceFighter All In™**, two triple mode-of-action herbicides

Select patent granted during the fourth quarter of 2023 includes:

- Patent granted in India for ADAMA's unique Granular Formulation of the product **Barroz®** a dual mode insecticide for use in rice.

Financial Highlights

Revenues in the fourth quarter declined by approximately 13% (-13% in RMB terms; -14% in CER terms) to \$1,136 million, reflecting a decrease of 15% in prices and an increase of 1% in volumes. The lower sales reflect the market dynamics of high channel inventories, last-minute purchasing following channel destocking in light of high interest rates and pressure on crop protection product pricing due to the lower channel demand and lower active ingredient pricing.

These results brought the revenues in the full year of 2023 to \$4,661 million, a decline of approximately 16% (-12% in RMB terms; -15% in CER terms), reflecting a decrease of 8% in prices and a decrease of 7% in volumes. 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

	Q4 2023 \$m	Q4 2022 \$m	Change USD	Change CER	FY 2023 \$m	FY 2022 \$m	Change USD	Change CER
Europe, Africa & Middle East*	241	301	(20%)	(20%)	1,240	1,352	(8%)	(5%)
North America	252	291	(14%)	(14%)	820	1,027	(20%)	(20%)
Latin America	379	431	(12%)	(15%)	1,292	1,592	(19%)	(22%)
Asia Pacific*	264	288	(8%)	(8%)	1,308	1,598	(18%)	(14%)
<i>Of which China</i>	97	130	(25%)	(24%)	550	735	(25%)	(21%)
Total	1,136	1,312	(13%)	(14%)	4,661	5,570	(16%)	(15%)

Notes:

CER: Constant Exchange Rates
Numbers may not sum due to rounding

* 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 – Europe, Africa & Middle East) or in the Asia Pacific region.

Europe, Africa & Middle East (EAME): Sales in EAME decreased in the fourth quarter and full year of 2023 impacted by high channel inventories, erratic weather patterns and channel destocking, leading to lower volumes and pressure on prices. While the Company maintained pricing in the first half of 2023, pricing pressure was more notable in the second half of the year with increased market competition. In Central Eastern Europe demand was particularly impacted



by lower grain market prices and negative weather impacted the cereal season in the North. Despite this, the Company focused on quality of the business, with sales in the UK increasing in the full year supported by new product introductions.

North America: Consumer & Professional Solutions – Sales in the fourth quarter and twelve-month period were lower than the corresponding periods. In the **consumer market** demand was impacted by a decline in disposable income, an outcome of inflationary pressures and high interest rates, while in the **professional market** this was due to demand being supplied from the channel inventories. Despite this, the professional market has begun showing signs of normalization returning to pre-COVID channel inventory levels for branded products, while commoditized products are still being held at and lower levels reflecting just-in-time purchasing patterns.

In the **US Ag** market sales in the fourth quarter and the twelve-month period reflected low demand, weak pricing and strong competition due to high inventory levels at manufactures. While inventory levels in the channel are steadily declining, manufactures are still holding high inventory levels leading to strong competition, thus pricing is still not presenting a recovery with the market leaning into just-in-time purchasing patterns.

ADAMA reached record sales in **Canada** in the fourth quarter following expansion to new business segments as well as renewed demand with the restocking in certain segments where inventories had normalized coming out of the 2023 application season. Despite this, sales in the full year of 2023 remained mostly flat, also impacted by soft pricing for commoditized products and dry weather conditions in western Canada.

Latin America: Brazil – the Company's sales in the fourth quarter and full year declined following contraction of the overall crop protection market due to drought conditions leading to a weak soybean crop season, channel destocking and softer pricing. ADAMA focused on improving the quality of the business with differentiated products and reducing the share of highly generic sales.

Such differentiated products included Almada® (fungicide against soybean rust), **Forasteiro**® (herbicide for pasture) and **Araddo**® (herbicide for soybean and cotton).

In the **rest of LATAM** the sales in the fourth quarter recovered and increased with the normalization of channel inventories in most countries while sales remained flat in the full year of 2023, mainly impacted by pricing of commoditized products. It is noteworthy that the Company gained market share in key countries Argentina, Paraguay, Columbia and Mexico, while focusing on improving the quality of the business. Additionally, the Company's biologicals portfolio continued to be well received in specialty export countries. El Niño was a positive impact on the southern part of the region, with very good rains and was challenging for the Northern part of the region.

Asia-Pacific (APAC):

In **China**, the market is still experiencing high channel inventories and pricing pressure especially in commodities impacting both the branded formulation and non-ag sales. Sales were supported by the branded business, driven by recent and new launches of differentiated products, and ADAMA's active ingredient business which recovered substantially, benefiting from the Sanonda Jingzhou site reaching high utilization after relocation.

In the **Pacific region**, sales in the full year and fourth quarter were impacted by high channel inventories and pricing pressure, combined with just in time purchasing patterns. In Australia, dryer weather also impacted sales. Despite this, sales benefited from the launch of the differentiated product **Grindstone**® and the Company's biologicals portfolio.

Sales in **India** declined over the full year period following high channel inventory, creating pressure on pricing in the market. Moreover, the erratic weather did not support the consumption



of such inventory. Despite this, it is noteworthy that differentiated product **Trassid™** was well accepted in the market and along with increased focus on farmer demand generation, the Company's sales increase in Q4.

Sales in the **wider APAC region** continued to experience pricing pressure, particularly from commoditized products. Despite this, particularly noteworthy was the performance of the Company's sales in South Korea resulting in market share gain, supported by positive weather conditions.

Gross Profit reported in the fourth quarter reached \$220 million (gross margin of 19.4%) compared to \$304 million (gross margin of 23.2%) in the same quarter last year and reached \$968 million (gross margin of 20.8%) in the full year compared to \$1,403 million (gross margin of 25.2%) 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).

Adjusted gross profit in the fourth quarter reached \$245 million (gross margin of 21.5%) compared to \$341 million (gross margin of 26.0%) in the same quarter last year and reached \$1,060 million (gross margin of 22.7%) in the full year compared to \$1,565 million (gross margin of 28.1%) last year.

The decline in the gross profit in the fourth quarter and full year of 2023 was mainly due to the weak pricing, as described above, moderated by the positive impact of new inventory sold, priced at market levels and an improvement in the sales mix of higher margin products, following management focus on the quality of business. Exchange rates had an adverse impact in the full year and a positive impact in the fourth quarter, in comparison to the same periods in 2022.

Operating expenses reported in the fourth quarter and full year of 2023 were \$247 million (21.8% of sales) and \$906 million (19.4% of sales), compared to \$278 million (21.2% of sales) and \$1,013 million (18.2% 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 \$49 million in Q4 2023 in comparison to \$26 million in Q4 2022 and \$75 in FY 2023 in comparison to \$57 in FY 2022. These include mainly (i) fixed asset impairment, (ii) non-cash amortization charges in respect of Transfer Assets received from Syngenta related to the 2017 ChemChina-Syngenta acquisition, (iii) 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, (iv) measures to improve efficiencies and (v) incentive plans - share-based compensation. For further details on these non-operational items, please see the appendix to this release.

Adjusted operating expenses in the fourth quarter and full year were \$220 million (19.4% of sales) and \$918 million (19.7% of sales), compared to \$286 million (21.8% of sales) and \$1,107 million (19.9% of sales) in the corresponding periods last year, respectively.

The operating expenses were lower in the fourth quarter and full year of 2023 mainly due to OPEX management measures taken by the Company to address the market conditions, a reduction in performance-based compensation, lower transportation and logistics costs and the positive impact of exchange rates. Additionally, in the full year of 2022 the Company recorded a provision for doubtful debts in Ukraine.

Operating income (loss) reported in the fourth quarter reached a loss of \$27 million (-2.4% of sales) compared to an income of \$26 million (2.0% of sales) in the same quarter last year and amounted to



an income of \$62 million (1.3% of sales) in the full year compared to an income of \$389 million (7.0% of sales) last year.

Adjusted operating income in the fourth quarter reached \$24 million (2.1% of sales) compared to \$55 million (4.2% of sales) in the same quarter last year and amounted to an income of \$141 million (3.0% of sales) in the full year compared to an income of \$458 million (8.2% of sales) in the same period last year. The lower operating income during the fourth quarter and for the full year of 2023 was due to the low gross profit and despite lower operating expenses.

EBITDA reported in the fourth quarter amounted to \$86 million (7.5% of sales) compared to \$127 million (9.6% of sales) in the same quarter last year and amounted to \$400 million (8.6% of sales) in the full year compared to \$731 million (13.1% of sales) last year.

Excluding the impact of the abovementioned non-operational items, **adjusted EBITDA** in the fourth quarter amounted to \$95 million (8.3% of sales) compared to \$129 million (9.8% of sales) in the same quarter last year and amounted to \$407 million (8.7% of sales) in the full year compared to \$740 million (13.3% of sales) last year.

Adjusted financial expenses amounted to \$89 million in the fourth quarter and \$348 million in the full year, compared to \$94 million and \$314 million in the corresponding periods last year, respectively.

The lower financial expenses in the quarter were due to lower bond interest following the installment payment of bond principal in November 2023, lower hedging costs on exchange rates and the net effect of lower Israeli CPI on the ILS-denominated, CPI-linked bonds. These impacts were moderated by higher bank interest expenses due to the increase in interest rates and an increase in short-term loans. For the full year, the higher financial expenses were mainly due to higher bank interest expenses as stated above partially offset by lower bond interest and CPI.

Adjusted taxes on income in the fourth quarter amounted to tax expenses of \$36 million and \$30 million in the full year, compared to tax expenses of \$3 million and \$26 million in the corresponding periods last year.

Despite reaching losses before tax, the Company recorded tax expenses in the fourth quarter and in the full year of 2023 mainly because the losses were primarily incurred by subsidiaries with relatively lower tax rates, while some of them did not create deferred tax assets on the losses. On the other hand, the subsidiaries that generated profit have a higher tax rate. In comparison, in 2022, the Company recognized a high deferred tax asset, related to inter-group sales and one-time tax expense electing to apply for temporary relief available in 2022 and in order to reduce tax exposure in Israel going forward.

Net loss reported in the fourth quarter was \$79 million and \$225 million in the full year, compared to a net loss of \$22 million and a net income of \$96 million in the corresponding periods last year, respectively.

After reflecting the impact of the abovementioned extraordinary and non-operational charges, **adjusted net loss** in the fourth quarter was \$101 million, and \$236 million in the full year, compared to a net loss of \$42 million, and a net income of \$118 million in the corresponding periods last year, respectively.

Trade working capital as of December 31, 2023, was \$2,421 million compared to \$2,634 million as of December 31, 2022. Inventory held by the Company reached \$1,848 million as of December 31, 2023, in comparison to \$2,430 million as of December 31, 2022. The decrease in working capital was following the Company's implementation of selective procurement practices, which led to lower trade payables and a decrease in the level of inventory held by the Company. The decrease in receivables reflected the intensive collections as well as the lower sales.

Cash Flow: Operating cash flow of \$293 million was generated in the fourth quarter and \$356 million generated in the full year of 2023, compared to \$352 million and \$106 million in the fourth quarter and



full year period of 2022, respectively. Despite lower sales, the significantly higher cash flow generated in the full year of 2023 was primarily due to a decrease in the procurement of goods as well as intensive collection.

Net cash used in investing activities was \$108 million in the fourth quarter and \$339 million in the full year of 2023, compared to \$96 million and \$396 million in the corresponding periods last year, respectively. The cash used in investing activities in the fourth quarter and full year of 2023 reflected the prioritization of investments, part of the actions taken by the Company to improve its cash flow. The Company invested in fixed assets including its new production facilities in ADAMA Anpon and manufacturing capabilities in Israel and investments in intangible assets relating to ADAMA's global registrations of the Company's products described in the Product Registration section, integration of an ERP system as well as the acquisition of AgriNova New Zealand in Q1 2023.

Free cash flow of \$130 million was generated in the fourth quarter and \$147 million consumed in the full year of 2023 compared to \$204 million generated in the fourth quarter and \$417 million consumed in the corresponding periods in 2022, respectively, reflecting the aforementioned operating and investing cash flow dynamics.

Table 3. Revenues by operating segment

Sales by segment

	Q4 2023 USD (m)	%	Q4 2022 USD (m)	%	FY 2023 USD (m)	%	FY 2022 USD (m)	%
Crop Protection	1,035	91%	1,207	92%	4,268	92%	5,032	90%
Intermediates and Ingredients	102	9%	105	8%	393	8%	538	10%
Total	1,136	100%	1,312	100%	4,661	100%	5,570	100%

Sales by product category

	Q4 2023 USD (m)	%	Q4 2022 USD (m)	%	FY 2023 USD (m)	%	FY 2022 USD (m)	%
Herbicides	438	39%	546	42%	1,969	42%	2,479	45%
Insecticides	345	30%	382	29%	1,334	29%	1,505	27%
Fungicides	251	22%	279	21%	965	21%	1,048	19%
Intermediates and Ingredients	102	9%	105	8%	393	8%	538	10%
Total	1,136	100%	1,312	100%	4,661	100%	5,570	100%

Notes:

- 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 practical solutions to farmers across the world to combat weeds, insects and disease. Our culture empowers ADAMA's people to actively listen to farmers and ideate from the field. ADAMA's diverse portfolio of existing active ingredients, coupled with its leading formulation capabilities and proprietary formulation technology platforms, uniquely position the company to develop high-quality, innovative and sustainable products, to address the many challenges farmers and customers face today. ADAMA serves customers in over 100 countries globally. For more information, visit us at www.ADAMA.com and follow us on Twitter® at @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 Fourth Quarter

<i>Adjusted^f</i>	Q4 2023 USD (m)	Q4 2022 USD (m)	Q4 2023 RMB (m)	Q4 2022 RMB (m)
Revenues	1,136	1,312	8,119	9,304
Cost of Sales	882	962	6,304	6,823
Other costs	9	9	67	66
Gross profit	245	341	1,748	2,415
<i>% of revenue</i>	<i>21.5%</i>	<i>26.0%</i>	<i>21.5%</i>	<i>26.0%</i>
<i>Selling & Distribution expenses</i>	160	198	1,145	1,402
<i>General & Administrative expenses</i>	40	60	283	426
<i>Research & Development expenses</i>	15	23	110	162
<i>Other operating expenses</i>	5	5	35	36
Total operating expenses	220	286	1,574	2,026
<i>% of revenue</i>	<i>19.4%</i>	<i>21.8%</i>	<i>19.4%</i>	<i>21.8%</i>
Operating income (EBIT)	24	55	174	389
<i>% of revenue</i>	<i>2.1%</i>	<i>4.2%</i>	<i>2.1%</i>	<i>4.2%</i>
Financial expenses	89	94	636	664
Loss before taxes	(65)	(39)	(462)	(274)
Taxes on Income	36	3	260	21
Net Income	(101)	(42)	(722)	(295)
<i>% of revenue</i>	<i>(8.9%)</i>	<i>(3.2%)</i>	<i>(8.9%)</i>	<i>(3.2%)</i>
Adjustments	(22)	(19)	(159)	(136)
Reported Net income	(79)	(22)	(563)	(159)
<i>% of revenue</i>	<i>(6.9%)</i>	<i>(1.7%)</i>	<i>(6.9%)</i>	<i>(1.7%)</i>
Adjusted EBITDA	95	129	676	913
<i>% of revenue</i>	<i>8.3%</i>	<i>9.8%</i>	<i>8.3%</i>	<i>9.8%</i>
Adjusted EPS⁴				
– Basic	(0.0434)	(0.0178)	(0.3099)	(0.1265)
– Diluted	(0.0434)	(0.0178)	(0.3099)	(0.1265)
Reported EPS⁵				
– Basic	(0.0338)	(0.0096)	(0.2418)	(0.0681)
– Diluted	(0.0338)	(0.0096)	(0.2418)	(0.0681)

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 Q4 2023 and 2022 is 2,329.8 million shares.



Abridged Consolidated Income Statement for the Full Year

<i>Adjusted⁵</i>	FY 2023 USD (m)	FY 2022 USD (m)	FY 2023 RMB (m)	FY 2022 RMB (m)
Revenues	4,661	5,570	32,779	37,382
Cost of Sales	3,549	3,966	24,977	26,633
Other costs	52	40	366	267
Gross profit	1,060	1,565	7,436	10,482
<i>% of revenue</i>	<i>22.7%</i>	<i>28.1%</i>	<i>22.7%</i>	<i>28.0%</i>
<i>Selling & Distribution expenses</i>	700	805	4,928	5,409
<i>General & Administrative expenses</i>	145	206	1,018	1,388
<i>Research & Development expenses</i>	69	86	483	578
<i>Other operating expenses</i>	5	11	35	68
Total operating expenses	918	1,107	6,464	7,442
<i>% of revenue</i>	<i>19.7%</i>	<i>19.9%</i>	<i>19.7%</i>	<i>19.9%</i>
Operating income (EBIT)	141	458	973	3,040
<i>% of revenue</i>	<i>3.0%</i>	<i>8.2%</i>	<i>3.0%</i>	<i>8.1%</i>
Financial expenses	348	314	2,451	2,126
Income before taxes	(207)	144	(1,479)	914
Taxes on Income	30	26	213	174
Net Income	(236)	118	(1,691)	740
<i>% of revenue</i>	<i>(5.1%)</i>	<i>2.1%</i>	<i>(5.2%)</i>	<i>2.0%</i>
Adjustments	(11)	21	(85)	131
Reported Net income	(225)	96	(1,606)	609
<i>% of revenue</i>	<i>(4.8%)</i>	<i>1.7%</i>	<i>(4.9%)</i>	<i>1.6%</i>
Adjusted EBITDA	407	740	2,844	4,940
<i>% of revenue</i>	<i>8.7%</i>	<i>13.3%</i>	<i>8.7%</i>	<i>13.2%</i>
Adjusted EPS⁶				
– Basic	(0.1013)	0.0505	(0.7260)	0.3177
– Diluted	(0.1013)	0.0505	(0.7260)	0.3177
Reported EPS⁷				
– Basic	(0.0964)	0.0413	(0.6893)	0.2616
– Diluted	(0.0964)	0.0413	(0.6893)	0.2616

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 FY 2023 and 2022 is 2,329.8 million shares.



Abridged Consolidated Balance Sheet

	December 31 2023 USD (m)	December 31 2022 USD (m)	December 31 2023 RMB (m)	December 31 2022 RMB (m)
Assets				
Current assets:				
Cash at bank and on hand	689	616	4,881	4,291
Bills and accounts receivable	1,306	1,433	9,251	9,980
Inventories	1,848	2,430	13,089	16,927
Other current assets, receivables and prepaid expenses	339	279	2,401	1,943
Total current assets	4,182	4,758	29,622	33,141
Non-current assets:				
Fixed assets, net	1,772	1,711	12,547	11,914
Rights of use assets	88	80	625	556
Intangible assets, net	1,457	1,457	10,320	10,148
Deferred tax assets	226	193	1,602	1,347
Other non-current assets	97	126	690	875
Total non-current assets	3,640	3,567	25,784	24,840
Total assets	7,823	8,325	55,406	57,980
Liabilities				
Current liabilities:				
Loans and credit from banks and other lenders	1,134	805	8,031	5,605
Bills and accounts payable	743	1,241	5,263	8,642
Other current liabilities	791	929	5,600	6,468
Total current liabilities	2,668	2,974	18,894	20,715
Long-term liabilities:				
Loans and credit from banks and other lenders	407	526	2,886	3,663
Debentures	977	1,056	6,919	7,354
Deferred tax liabilities	42	45	297	316
Employee benefits	95	114	672	792
Other long-term liabilities	538	290	3,813	2,017
Total long-term liabilities	2,060	2,030	14,587	14,141
Total liabilities	4,727	5,005	33,481	34,856
Equity				
Total equity	3,096	3,320	21,924	23,125
Total liabilities and equity	7,823	8,325	55,406	57,980



Abridged Consolidated Cash Flow Statement for the Fourth Quarter

	Q4 2023 USD (m)	Q4 2022 USD (m)	Q4 2023 RMB (m)	Q4 2022 RMB (m)
Cash flow from operating activities:				
Cash flow from operating activities	293	352	2,092	2,499
Cash flow from operating activities	293	352	2,092	2,499
Investing activities:				
Acquisitions of fixed and intangible assets	(93)	(99)	(663)	(699)
Net cash received from disposal of fixed assets, intangible assets and others	0	2	3	13
Other investing activities	(16)	0	(115)	2
Cash flow used for investing activities	(108)	(96)	(775)	(684)
Financing activities:				
Receipt of loans from banks and other lenders	203	79	1,473	559
Repayment of loans from banks and other lenders	(308)	(142)	(2,202)	(1,006)
Interest payment and other	(55)	(53)	(392)	(379)
Other financing activities	(76)	(48)	(541)	(336)
Cash flow used for financing activities	(235)	(164)	(1,662)	(1,163)
Effects of exchange rate movement on cash and cash equivalents	1	2	(79)	(70)
Net change in cash and cash equivalents	(50)	94	(423)	582
Cash and cash equivalents at the beginning of the period	736	513	5,281	3,643
Cash and cash equivalents at the end of the period	686	607	4,857	4,225
Free Cash Flow	130	204	989	1,445



Abridged Consolidated Cash Flow Statement for the Full Year

	FY 2023 USD (m)	FY 2022 USD (m)	FY 2023 RMB (m)	FY 2022 RMB (m)
Cash flow from operating activities:				
Cash flow from operating activities	356	106	2,618	941
Cash flow from operating activities	356	106	2,618	941
Investing activities:				
Acquisitions of fixed and intangible assets	(337)	(397)	(2,370)	(2,667)
Net cash received from disposal of fixed assets, intangible assets and others	6	13	40	85
Acquisition of subsidiaries	(22)	0	(148)	0
Other investing activities	13	(12)	90	(78)
Cash flow used for investing activities	(339)	(396)	(2,388)	(2,660)
Financing activities:				
Receipt of loans from banks and other lenders	1,004	669	7,030	4,468
Repayment of loans from banks and other lenders	(589)	(342)	(4,176)	(2,331)
Interest payment and other	(176)	(137)	(1,244)	(933)
Dividends to shareholders	(9)	(3)	(63)	(19)
Other financing activities	(167)	(187)	(1,173)	(1,242)
Cash flow used for financing activities	63	(0)	374	(56)
Effects of exchange rate movement on cash and cash equivalents	0	(7)	28	241
Net change in cash and cash equivalents	79	(297)	632	(1,534)
Cash and cash equivalents at the beginning of the period	607	903	4,225	5,759
Cash and cash equivalents at the end of the period	686	607	4,857	4,225
Free Cash Flow	(147)	(417)	(923)	(2,593)



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 December 31, 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

	Q4 2023 USD (m)	Q4 2022 USD (m)	Q4 2023 RMB (m)	Q4 2022 RMB (m)
Reported Net Income (Loss)	(79)	(22)	(563)	(159)
Adjustments to COGS & Operating Expenses:				
1. Amortization of acquisition-related PPA and other acquisition related costs	4	5	28	33
2. Amortization of Transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash)	5	6	35	42
3. Upgrade & Relocation related costs	1	2	6	13
4. Incentive plans	(1)	1	(4)	8
5. ASBEs classifications COGS impact	(22)	(34)	(158)	(239)
6. ASBEs classifications OPEX impact	22	34	158	239
7. Measures to improve efficiencies	9	0	66	0
8. Fixed asset impairment in subsidiaries	33	15	237	106
Total Adjustments to Operating Income (EBIT)	51	28	367	202
Total Adjustments to EBITDA	9	2	63	16
Adjustments to Financing Expenses:				
9. Non-cash adjustment related to put option revaluation	(54)	(47)	(387)	(335)
10. Release of holdback due to subsidiary	(17)	0	(123)	0
Other financing expenses	(3)	1	(19)	4
Adjustments to Taxes:				
Taxes impact	(0)	1	(3)	6
Total adjustments to Net Income	(22)	(19)	(159)	(136)
Adjusted Net Income (Loss)	(101)	(42)	(722)	(295)

	FY 2023 USD (m)	FY 2022 USD (m)	FY 2023 RMB (m)	FY 2022 RMB (m)
Reported Net Income (Loss)	(225)	96	(1,606)	609
Adjustments to COGS & Operating Expenses:				
1. Amortization of acquisition-related PPA and other acquisition related costs	17	20	116	137
2. Amortization of Transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash)	20	23	143	154
3. Upgrade & Relocation related costs	3	7	22	49
4. Incentive plans	(3)	3	(21)	18
5. ASBEs classifications COGS impact	(87)	(150)	(610)	(1,005)
6. ASBEs classifications OPEX impact	87	150	610	1,005
7. Measures to improve efficiencies	9	0	66	0
8. Fixed asset impairment in subsidiaries	33	15	237	106
Total Adjustments to Operating Income (EBIT)	79	68	562	465
Total Adjustments to EBITDA	7	9	53	59
Adjustments to Financing Expenses:				
9. Non-cash adjustment related to put option revaluation	(61)	(47)	(438)	(335)
10. Release of holdback due to subsidiary	(17)	0	(123)	0
Other financing expenses	(11)	4	(75)	27
Adjustments to Taxes				
Taxes impact	2	4	12	26
Total adjustments to Net Income	(11)	21	(85)	131
Adjusted Net Income (Loss)	(236)	118	(1,691)	740



Notes:

1. **Amortization of acquisition-related PPA and other acquisition related costs:**
 - a. **Amortization of Legacy PPA of 2011 acquisition of Solutions (non-cash):** Under ASBE, since the third 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.
 - b. **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.
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 relate to Upgrade & Relocation programs in China and Israel. As part of these programs, production assets located in the old production sites in Huai'An and Beer-Sheva were in a relocation process to new sites in 2022, 2023 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 were 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 Upgrade & Relocated programs, which include mainly accelerate depreciation.
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.
7. **Measures to improve efficiencies –** ADAMA recorded costs due to certain measures initiated to improve efficiencies mainly personnel changes.
- 8.9.10. Non-cash, non-recurring provision for asset impairment and income due to revaluation of put option attributed to minority stake in a subsidiary and holdback release related to the original acquisition.



Exchange Rate Data for the Company's Principal Functional Currencies

	December 31			Q4 Average			FY Average		
	2023	2022	Change	2023	2022	Change	2023	2022	Change
EUR/USD	1.106	1.067	3.7%	1.076	1.019	5.6%	1.081	1.052	2.8%
USD/BRL	4.841	5.218	7.2%	4.953	5.256	5.8%	4.995	5.165	3.3%
USD/PLN	3.935	4.402	10.6%	4.107	4.646	11.6%	4.204	4.458	5.7%
USD/ZAR	18.563	16.949	(9.5%)	18.744	17.618	(6.4%)	18.446	16.367	(12.7%)
AUD/USD	0.682	0.680	0.4%	0.651	0.657	(0.9%)	0.664	0.694	(4.3%)
GBP/USD	1.274	1.204	5.8%	1.240	1.171	5.9%	1.243	1.234	0.7%
USD/ILS	3.627	3.519	(3.1%)	3.819	3.493	(9.3%)	3.687	3.358	(9.8%)
USD L 3M	5.33%	4.77%	0.56 bp	5.38%	4.51%	0.87 bp	5.38%	2.41%	2.97 bp

	December 31			Q4 Average			FY Average		
	2023	2022	Change	2023	2022	Change	2023	2022	Change
USD/RMB	7.083	6.965	1.7%	7.146	7.092	0.8%	7.042	6.721	4.8%
EUR/RMB	7.834	7.428	5.5%	7.686	7.225	6.4%	7.614	7.071	7.7%
RMB/BRL	0.684	0.749	8.8%	0.693	0.741	6.5%	0.709	0.768	7.7%
RMB/PLN	0.556	0.632	12.1%	0.575	0.655	12.3%	0.597	0.663	10.0%
RMB/ZAR	2.621	2.434	(7.7%)	2.623	2.484	(5.6%)	0.597	2.435	75.5%
AUD/RMB	4.834	4.733	2.1%	4.650	4.656	(0.1%)	4.677	4.663	0.3%
GBP/RMB	9.024	8.387	7.6%	8.864	8.307	6.7%	8.752	8.292	5.6%
RMB/ILS	0.512	0.505	(1.3%)	0.534	0.492	(8.5%)	0.524	0.500	(4.8%)
RMB L 3M	2.53%	2.42%	0.11 bp	2.46%	2.03%	0.43 bp	2.32%	2.07%	0.25 bp