



Adama Agricultural Solutions Ltd.

**PERIODIC REPORT
FOR THE YEAR 2023**

Periodic Report for the Year 2023

- Chapter A** - Description of the Company's Business
- Chapter B** - Board of Directors' Report on the State of the Company's Affairs
- Chapter C** - Financial Statements as of December 31, 2023
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INTRODUCTION

In this Report, the following terms have the meaning appearing alongside them:

The Company or the Group	-	Adama Agricultural Solutions Ltd., including all its subsidiaries, unless otherwise indicated or the context otherwise requires.
ADAMA Ltd.	-	ADAMA Ltd., the Company's shareholder.
ADAMA Group	-	ADAMA Ltd., including all its subsidiaries, unless expressly stated otherwise.
Syngenta Group	-	Syngenta Group Co. Ltd.
Syngenta Group Companies	-	Syngenta Group subsidiaries.
CNAC	-	China National Agrochemical Co., Ltd., a Chinese Entity, member of the ChemChina Group.
ChemChina	-	China National Chemical Co., Ltd.
Sinochem Holdings	-	Sinochem Holdings Corporation Ltd.
Sinochem Group	-	Sinochem Holdings including all its subsidiaries unless otherwise indicated or the context otherwise requires.
Adama Makhteshim	-	Adama Makhteshim Ltd.
Adama Agan	-	Adama Agan Ltd.
TASE	-	Tel Aviv Stock Exchange
Financial Statements	-	The Company's consolidated financial statements as of December 31, 2023, attached to this Report.
Securities Law	-	Israel Securities Law, 1968

Unless expressly stated otherwise, all financial data in this report are denominated in USD.

Translation of financial data in various currencies to USD: Transactions in foreign currency are translated to USD, the Group's functional currency, at the exchange rate effective on the transaction dates. Monetary Assets and liabilities denominated in foreign currency on the reporting date are translated into the functional currency according to the exchange rate prevailing on that date.

Assets and liabilities of foreign operations are translated to the USD at the exchange rate prevailing on the date of the Report.

Interest rates: The interest rates referred to in this chapter are annual interest rates.

Chapter A

Description of the Company's Business

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Part I - General Development of the Company's Business

1. THE COMPANY'S ACTIVITIES AND GENERAL BUSINESS DEVELOPMENT

The Company is a global leader in crop protection, engaging in the development, manufacturing and commercialization of a wide range of mainly off-patent crop protection products. The Company provides solutions to farmers to combat weeds, insects and disease in over 100 countries, through approximately 60 subsidiaries worldwide.

The Company's business model integrates end-customer access, regulatory expertise, state-of-the art global R&D, production and formulation facilities, thereby providing the Company a significant competitive edge and allowing it to launch new and differentiated products that meet local farmer and customer needs in key markets.

In addition, the Company is active in a number of additional areas unrelated to agriculture; these activities leverage on its core capabilities in the agricultural and chemical fields and are not material in scope.

ADAMA Group

Since July 2017, the Company has been directly wholly-owned by ADAMA Ltd., a Chinese domiciled company whose shares are traded on the Shenzhen Stock Exchange, with a global management leading both the Company and ADAMA Ltd. (the "**ADAMA Group**" - as defined hereinabove).¹

Syngenta Group

As of June 2020, ADAMA Group is a distinctive member of Syngenta Group, a world leader in agricultural inputs, spanning crop protection, seeds, fertilizers, additional agricultural and digital technologies, as well as an advanced distribution network in China.²

As of August 2021, following the combination between ChemChina and Sinochem, two large economical conglomerates and SOEs with extensive operations in China and around the world, Syngenta Group, and subsequently the ADAMA Group and the Company, are ultimately controlled by SinoChem Holdings.³ ADAMA Ltd. is the controlling shareholder of the Company.

Syngenta Group operates through four business units: Syngenta Crop Protection, Syngenta Seeds,

¹ See the ADAMA Group Organizational Structure under Section 23 of this chapter.

² Following a transfer of its indirect holdings in ADAMA Ltd. to Syngenta Group, its indirect subsidiary.

³ Subordinated to the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council in China. However, the Company does not refer to the supervision of SASAC as establishing control of the Chinese Government over the Company.

ADAMA and Syngenta Group China:

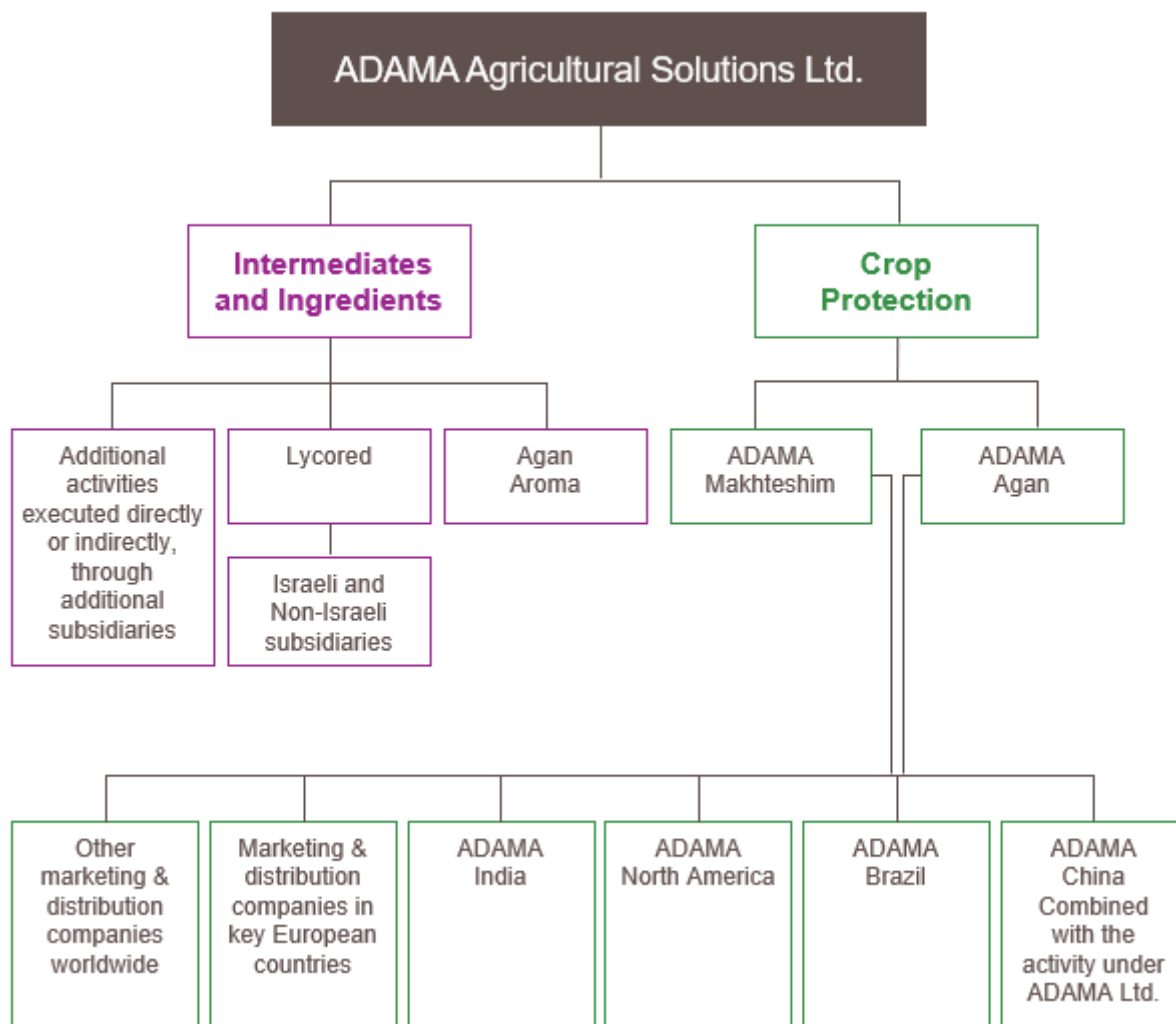


The Company, while maintaining its unique brand and positioning, has significantly advanced and strengthened its collaborations with the Syngenta Group Companies over the past few years, generating meaningful additional benefits for the Company as well as Syngenta Group, by collaborating to accelerate growth and increase productivity through, but not limited to, the potential provision of reciprocal access to certain products in specific territories, as well as exploiting opportunities aimed at optimizing the utilization of the Syngenta Group Companies' operational capabilities, and benefiting from procurement and operational savings.

The Company's assessments regarding Syngenta Group's activity and its effect on the Company contain forward looking statements, which rely on information and data held by the Company, studies and other publications as detailed in this Report.

This information is uncertain and depends, inter alia, on additional factors beyond the Company's control, including activities by its existing and potential competitors, global and local regulatory and economic processes, and the economic situation in these countries. The Company's assessments may not materialize should it become apparent that such information and data were incorrect or should other factors beyond the Company's control affect the materialization of the Company's assessments.

Overview of the Company's Operational Structure:⁴



Description of the Structural Changes; Material Mergers and Acquisitions

The Company was incorporated as a public company in Israel in December 1997, as part of the execution of a scheme of arrangement for the change of the holding structure of the Makhteshim-Agan group (as it was named then). As part of its operating method and pursuit of its strategic goals, the Company reviews and executes, from time to time, collaborations with or acquisitions of companies, operations, registrations and distribution rights for existing and additional products in the areas of its activity. These acquisitions contribute to the Company's growth alongside the Company's own organic growth, which has been the prime growth driver in recent years.

⁴ This diagram does not include all the Group's companies, but rather only those most significant to its operations; names have been contracted for the sake of brevity. For a complete list of the Group's subsidiaries and affiliates, see Appendix to the Company's Financial Statements (Schedule of Investee Companies).

2. THE COMPANY'S AREAS OF OPERATION

Crop Protection

The Company is focused on the development, manufacturing and commercialization of mainly off-patent crop protection products, which are in general herbicides, fungicides and insecticides that protect agricultural crops from weeds, disease and insects respectively. The Company is increasingly putting focus on on-patent products mainly through unique, proprietary formulations. In addition, the Company utilizes its expertise for the development, production and commercialization of similar products for non-agricultural purposes (*Consumer and Professional Solutions*). In 2023, crop protection sales (including the sale of these substances for non-agricultural uses) represented approximately 96% of the Company's sales. For additional information and a description of the segment, see [chapter A.1](#) below.

Intermediates and Ingredients

The Company leverages its core capabilities in the agricultural and chemical fields to operate also in several other non-agricultural areas, none of which, individually, is material for the Company, and which in 2023 together accounted for approximately 4% of the Company's sales. These activities include primarily, (a) the manufacturing and marketing of dietary supplements, food colors, texture and flavor enhancers, and food fortification ingredients; (b) fragrance products for the perfume, cosmetics, body care and detergents industries; and (c) the manufacturing of industrial products. For further information and a description of these aforementioned activities, see [chapter A.2](#) below.

3. INVESTMENTS IN THE COMPANY'S EQUITY AND TRANSACTIONS IN ITS SHARES

The Company is a private company whose bonds are listed for trade on the TASE. As such, the Company is a "Reporting Entity" as such term is defined in the Securities Law. On July 4, 2017, the entire share capital of the Company was transferred to ADAMA Ltd. Since that date, the Company has been a wholly owned subsidiary of ADAMA Ltd., a Shenzhen Stock Exchange-listed Company which is majority-owned by the Syngenta Group and ultimately controlled by SinoChem Holdings. For details regarding Syngenta Group, see Section 1 above.

4. DIVIDEND DISTRIBUTION

As of the date of this Report, the Company's Articles of Association do not include a profit distribution policy. No dividend declarations or distributions were made in the years 2022-2023 and during 2024 until the date of publication of this Report. The balance of retained earnings available for distribution as per the Company's financial statements as of December 31, 2023 stands at approximately USD 1.58 billion (net of cancelled treasury shares).⁵

⁵ For details regarding tax considerations applicable to distribution of part of these earnings, see Section 26 of this chapter.

Part II - Additional Information

5. FINANCIAL DATA

The following is the distribution of the Company's consolidated revenues by operation segments in the three years prior to the date of the Report, in similar segmentation to that in the Financial Statements and without adjustments thereto:⁶

For the year ended December 31, 2023 (In Million USD):

Operation Segment	Segment Revenues	Segment Costs ⁷	Profit from Regular Activities (Operating Profit)	Operating Profit Margin (%)	Total Assets	Total Liabilities
Crop Protection	4,011	3,922	89	2.2%	5,058	884
Intermediates and Ingredients	180	173	7	4.1%	210	25
Total	4,192	4,095	97	2.3%	5,268	908

For the year ended December 31, 2022 (In Million USD):

Operation Segment	Segment Revenues	Segment Costs ⁷	Profit from Regular Activities (Operating Profit)	Operating Profit Margin (%)	Total Assets	Total Liabilities
Crop Protection	4,710	4,405	305	6.5%	5,630	1,295
Intermediates and Ingredients	215	199	16	7.3%	222	33
Total	4,925	4,605	320	6.5%	5,852	1,328

For the year ended December 31, 2021 (In Million USD):

Operation Segment	Segment Revenues	Segment Costs ⁷	Profit from Regular Activities (Operating Profit)	Operating Profit Margin (%)	Total Assets	Total Liabilities
Crop Protection	4,179	3,914	265	6.4%	4,913	1,017
Intermediates and Ingredients	205	195	10	4.9%	199	27
Total	4,384	4,109	275	6.3%	5,113	1,044

In these tables above, numbers may not sum due to rounding.

For analysis of the developments that occurred in the figures presented in the Financial Statements, see the Board of Directors' Report.

⁶ As of the date of this Report, the amount and rate of the revenues and profit from inter-segment sales within the Group are negligible.

⁷ As of the date of this Report, the Company's management believes that splitting the segment costs into fixed and variable costs (as required by the Securities Regulations (Prospectus Details and Prospectus Draft - Structure and Form), 1969), is not relevant to the Company's operations and therefore, the management does not analyze this data and it is unavailable.

6. GENERAL ENVIRONMENT AND THE EFFECT OF EXTERNAL FACTORS ON THE COMPANY'S OPERATIONS

Major trends, events and key developments in the Company's macro-economic environment may materially impact the Company's business results and development. The impact of these factors may differ by geographic region and the different products of the Company. Since the Company offers one of the widest and most diverse portfolios of crop protection products and since it operates in many geographic regions, the aggregate effect of these factors in any given year and the course thereof is not uniform and may sometimes be mitigated by offsetting effects.⁸

Global Factors

Demographic changes, economic growth and rising standards of living

Multi-year global economic growth, population increase, urbanization and rising standards of living in various populations in the world, particularly in emerging economies such as Brazil, China and India, have led to a general increase in food consumption, particularly in the consumption of animal-derived foods. Accordingly, the demand for agricultural crops has increased to support this increase in food consumption, and in the demand for crops containing plant derived proteins that are intended for the food industry, and for grains utilized in animal feed.

An additional trend that has been observed is that of the development of energy sources other than fuel and its derivatives, such sources may be considered less harmful to the environment. As a result, many countries maintain advanced industries for the manufacture of biofuels that are produced from certain agricultural products such as corn, sugar beet and sugarcane.

The abovementioned increase in demand, combined with the concurrent stabilization of planting areas and the reduction of arable land (mainly as a result of urbanization), has served to drive the growth of the agricultural sector. As a result, farmers are encouraged to optimize the amount of crop production per unit of land, to maximize their individual yield and to enhance the quality of their crops, which has positively impacted the demand for the Company's products.

Agricultural commodity prices

High prices for agricultural commodities encourage farmers to reach maximum yield from their fields. As their profitability increases, the farmers' incentive to enhance the protection of their crops from disease and pests also increases, and accordingly the demand for crop protection products rises.

Throughout 2023, agricultural commodity prices declined from peak levels reached in 2022 as the supply of crops became more abundant and demand somewhat weakened. However, crop prices in 2023 remained well-above pre-Covid levels. Crop prices in 2024 are expected to continue to decline,

⁸ The Company's estimates presented in this section and in this Report are based, among other things, on data published by AgBio Investor, an independent consulting and research firm in the field of agriculture, crop protection and biotechnology (agbioinvestor.com) ("AgBio Investor"), and the website of the US Department of Agriculture (USDA) (usda.gov), which was not independently assessed by the Company.

however, farmer operating costs are expecting to decline as well, leading to reasonable farmer margins.

The Company's assessments with respect to expected changes in Crop prices, contain forward looking statements, as defined in the Securities Law.

Significant fluctuations in raw material costs and global energy prices

The most significant factor impacting the cost of goods of agrochemical companies is the cost of the raw materials utilized in the manufacturing of crop protection products. Therefore, significant increases or decreases in the costs of raw material affect the cost of goods sold, which, due to the length of the Company's inventory cycle, is generally observable a number of months following the change in the costs of the raw material.

Since the raw materials are chemicals produced, *inter alia*, as third or fourth order derivatives of oil, extreme changes in global oil prices may impact the cost of goods sold. However, such impact is only partial, due to the fact that these chemicals are only derivatives of oil. In addition, changes in oil prices may have an impact on energy and logistic costs.

Oil prices declined in 2023 compare with 2022, mainly due to weakening demand as global growth softened further. Rising OPEC oil output added further downward pressure, while the resurgence of geopolitical tensions in the Middle East has so far had a negligible effect on prices.

Despite 2023 price weakness compared to 2022, oil prices are expected to remain elevated into 2024 supported by low inventories, a recovered demand from China, production cuts by OPEC+, and continued disruptions to energy supply. The threat of closures and disruption to energy flows remains a large support to prices with the possibility of further spikes on escalation of geopolitical tensions.

The Company's assessments with respect to expected changes in oil prices, contain forward looking statements, as defined in the Securities Law.

Development of new crop protection technologies

The majority of seeds sold in the genetically modified seed market are seeds with characteristics designed, among other things, to protect the crop against non-selective herbicides (substances that are not designed to eliminate specific types of weeds and thus may also harm the crop), and against insects (together known as "**Input Traits**"). These characteristics may save farmers related expenses of purchasing several selective herbicides for crop protection or purchasing a variety of different insecticides.

The use of genetically modified seeds in a specific country affects the selection of crop protection products used by farmers in such country. Accordingly, expansion of the use of genetically modified seeds may directly influence supply and demand, and therefore the prices, of the various crop protection products. This effect often leads to price fluctuations of these products on the global level,

and as such there is also an indirect effect on the supply and demand for crop protection products in other countries, even if they do not allow the use of genetically modified seeds.

Concurrently, in recent years, there has been an increase in the use of natural and/or biological substances that attack weeds, pests and diseases for crop protection purposes. The efficacy of such products is currently still not comparable to that of chemical-based crop protection and issues regarding shelf life continue to be an adoption barrier. Therefore, these products are still adopted in the market as a supplement to chemical crop protection products and not as a substitute. The Company believes that despite the increase in the use of these products, the demand for these products is still small compared to the use of chemical crop protection products.

Patent expiry and growth in volumes of off-patent products

In recent years, the market share of original patent-protected crop protection products has been consistently shrinking due to ongoing patent expiries and the reduced rate of introduction of new patented molecules, a trend which the Company expect to continue in the coming years. Consequently, this has created growth potential for the development of new off-patent products to compete with the original products bearing expired patents. Off-patent companies, Chinese and Indian chemical producers, crop protection distributors as well as research-based companies have all taken a stance in this space of off-patent products and are competing for market share.

The Company believes that there is a market space of products based on off-patent active ingredients where it is possible to provide value through innovation at the product level, using existing active ingredients enhanced by proprietary formulations and not as traditionally perceived, through new active ingredients. In light of this and the Company's existing capabilities with proprietary formulation technology platforms, it is focusing its efforts in this market segment of value innovation.

The chemical and agrochemical industry in China

The chemicals industry in China, which the Company estimates to be the largest in the world, and the agrochemicals industry, consist of a large number of companies. These companies have invested in manufacturing infrastructure, with most of their production capacity aimed at exports through small and large companies, such as the Company and its competitors. The competition and price level in this industry are impacted by production capacity, and the competitiveness of the products produced in China.

Active ingredients (hereinafter also referred to as "**AI**"/"**AIs**") are a key component in crop protection products.

Following a sharp increase in China AI prices in 2021 as a result of the Covid supply disruption, prices have since declined significantly. Chinese manufacturers in recent years have invested significant sums in new AI capacity leading to extreme global over capacity in many key AIs. The industry demand decline in 2023 due to high inventories, coupled with the over-capacity of AIs has

led to the sharp decline in China AI prices. While a rebound in demand is anticipated in 2024, it is expected that prices will persist at lower levels due to the prevailing overcapacity in the industry.

The Company's assessments with respect to expected changes in AI prices, contain forward looking statements, as defined in the Securities Law.

Localized Factors

The agricultural market and severe weather conditions

Weather conditions during the agricultural season in each country where the Company operates directly impact the demand for its products.⁹

Regulatory changes

Registrations - The Company's main area of operation is subject to product registration requirements pursuant to the relevant policies in each country of operation, with these registration processes being characteristic of the crop protection industry and constituting a barrier of entry to the industry. Moreover, the Company is required, from time to time, to renew or modify such registrations by conducting new tests and studies and is also required to comply with additional regulatory requirements.¹⁰

The agrochemical industry has been impacted in recent years from revocation of registration for many products around the world. This trend is particularly evident in European countries as well as in other countries, including India, impacting the ability of the Company to sell some of its products. This has also been a catalyst for the Company's research and development of new mixtures and formulations based on existing registrations.

Environmental protection and other quality standards - The production processes and manufacturing environment of the products in the Company's main area of operations are subject to strict and rigorous regulatory requirements regarding the sphere of environmental protection requirements, which vary according to the policies of each country. In addition, the use of the Company's products is subject to regulation by health, environmental protection and agriculture agencies in the various countries.¹¹

Government policies

In recent years, government subsidization for the encouragement of agricultural activity in many countries in which the Company operates has increased¹² which has had a positive impact on the profitability of farming, which is the main driver for the demand for crop protection products.

⁹ For further information see Note 1A(2) to the Financial Statements and Section 34 of this chapter, "Decline in scope of agricultural activities; exceptional changes in weather conditions".

¹⁰ For further information see Sections 15 and 34 of this chapter, "Environment, health and safety legislation, standards, regulation and exposure".

¹¹ For further information see Section 27 of this chapter.

¹² As per the OECD "Agricultural Policy Monitoring and Evaluation 2019-21" report; see, "Government support to agriculture is increasing" <https://www.oecd.org/agriculture/topics/agricultural-policy-monitoring-and-evaluation/government-support-to-agriculture-is-increasing.htm>

In addition, since the Company operates globally, its export and import activities are subject, *inter alia*, to a variety of requirements and standards related to permits and to processes vis-à-vis the customs and port authorities in different countries.

World ports

Imports and exports of products and raw materials by multinational companies in the Company's field of operations are heavily reliant on the services of the various international ports.¹³ Logistics costs declined sharply during 2022 as global supply chains normalized after the Covid disruptions. However, 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. Additionally, in the Panama Canal, low water levels have led to shipping congestion.

As of the date of this report, shipping costs have increased significantly mainly in the Asia-Pacific Israel route in comparison to before January 2024. Despite this, 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, as it has been proactive in its response, putting in orders ahead of time.

Monetary Policy and the Financial Market

The Company is exposed to both currency exchange rate volatility and Israeli consumer price index fluctuations.¹⁴

Note that the Company's business activities and results may be affected in the future by the above-mentioned factors, either positively or negatively. The extent of such effects, if any, depends, inter alia, on the intensity of said events, their duration and the Company's ability to manage them (insofar as such may be manageable). For further details regarding the risk factors applicable to the Company's business operations, see Section 34 of this chapter.

The Company's assessments described in this chapter, including with respect to expected changes in grower margin and expected changes in oil prices and oil supply and demand, Crop prices and AI prices contain forward looking statements, which rely on the information and data held by the Company, studies and other publications as detailed in this chapter, as well as on the Company's estimates at the reporting date of the effects of market trends on supply and demand for its products.

This information is uncertain and depends, inter alia, on additional factors beyond the Company's control, including activities by its existing and potential competitors, global and local regulatory and economic processes and the global and local economic situation. The Company's assessments may

¹³ For further information see Section 34 of this chapter, "Raw material supply and/or shipping and port services disruptions".

¹⁴ This is addressed in Section 34 of this chapter under the titles "Exchange rate fluctuations" and "Exposure to Interest rate, CPI and NIS exchange rate fluctuations".

not materialize should it become apparent that such information and data were incorrect or should other factors beyond the Company's control occur.

Part III - Description of the Company's Business

A.1. CROP PROTECTION PRODUCTS (AGROCHEMICALS)

7. GENERAL INFORMATION

The crop protection market fulfills a central role in meeting the increasing demand for food worldwide.

Crop protection products assist in improving the quantity and quality of crop yields by protecting crops against the damaging and destructive effects of a variety of weeds, pests and disease. In the absence of these products, farmers may lose approximately 30%-70% of their crop yields (depending on the type of crop and geographic region).

Crop protection products are also used in non-agricultural fields, to protect against weeds, pests and disease, *inter alia*, in roadworks, forests, lawns, parks, institutions, the wood and paint industry, facilities and private residential gardens ("**Consumer and Professional Solutions**").

Crop protection products include three main product groups: (1) herbicides, (2) insecticides, and (3) fungicides. In addition, the segment includes seed treatment products.

Furthermore, crop protection products in the global market are divided into two categories: (1) original products whose active ingredient is still patent-protected, generally developed by research-based companies in the field; and (2) off-patent products that are similar in their chemical composition and mode of action to the original product whose patent has expired. These products are manufactured by off-patent companies, such as the Company, as well as by research-based companies.

Legislative restrictions, regulations and special constraints

For details of these respective aspects regarding the Company's operations and the various restrictions, see Sections 15 and 28 of this chapter.

Volume and profitability trends and changes

Total sales of the global crop protection industry, including both the agricultural and the non-agricultural markets has been estimated at USD 82.8 billion in 2023, flat over 2022.¹⁵ It is expected that the overall size of the global crop protection industry, including both the agricultural and non-agricultural markets will increase to approximately USD 90.6 billion by 2027.¹⁶

Close to 70% of the international market for crop protection products is controlled by five

¹⁵ Based on Agbio Investor Market Insight - Crop Protection and Seed Markets: 2023 Market - Preliminary View (December 2023).

¹⁶ see footnote 15.

multinational research-based companies (RBCs) that develop, produce and sell the original products and patent the intellectual property rights in most of the world's countries (the "**Originator Companies**").¹⁷ A significant portion of the products sold by these Originator Companies are original products that their patents have since expired.

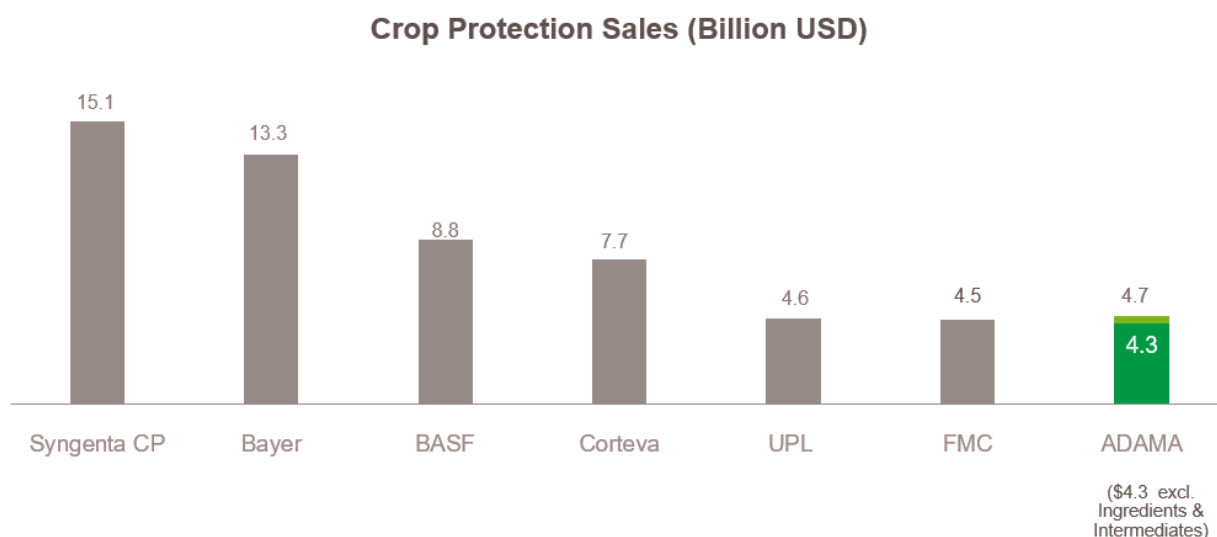
In the past decade, several mergers and acquisitions between large companies in the sector have taken place, as well as a number of additional transactions.¹⁸

In addition, a number of Originator Companies in the agrochemical industry have in recent years faced a vast number of lawsuits, which have already resulted in billions of dollars in punitive damages due to alleged health damages caused by the use of Glyphosate. This trend may impact both the production, marketing and distribution strategy of such companies as well as their sales.

This trend may also have an effect on the Company's operations, although at this stage the Company does not expect a material impact.

2023 sales of the leading companies in the crop protection segment^{19, 20}

In Billion USD



* ADAMA and Syngenta AG are both members of Syngenta Group

¹⁷ Agbio Investor, Market Review 2022 - May 2023

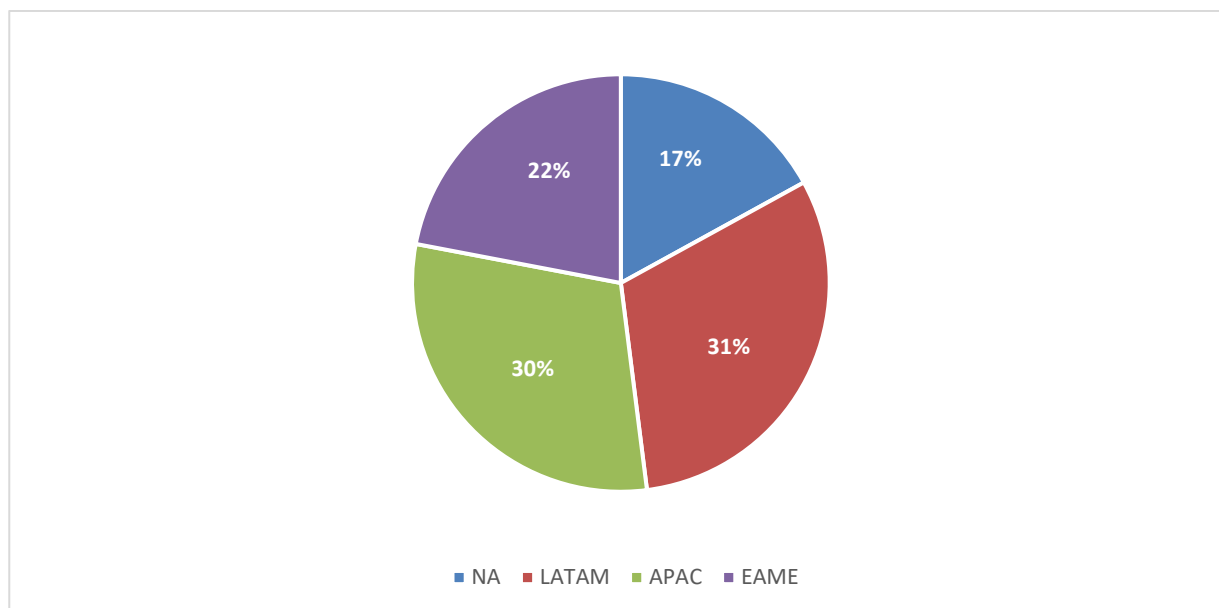
¹⁸ For information regarding the competition in the market of crop protection see Section 13 of this chapter.

¹⁹ Agrochemicals' sales only (and without engineered seeds). Based on the relevant companies' financial results as well as Agbio Investor analysis; Syngenta AG sales represent the twelve-month period ended Sep. 2023 as it has yet to report FY 2023 results; UPL sales represent sales in the twelve-month period ended Dec. 2023.

²⁰ The sales of ADAMA refer to the ADAMA Ltd. sales, of which, \$4,192 million are sales of the Company.

Breakdown of the 2023 Global crop protection market (for the Agriculture Market)

In Billion USD



The growth rates in 2023 of the crop protection sector for the agricultural market by geographic region (reflecting ex-manufacturer value):²¹

In USD terms

Region	2023 v. 2022 (%)
North America	-1.8%
Latin America	9%
Asia Pacific	-10.3
Europe, Africa and Middle East (EAME)	3.6%
Market growth rate	0.1%

The Company operates in both developed and emerging markets.²² The Company has a particularly prominent presence in emerging markets, where it expects growth to be generally higher than in developed markets. The multi-year increase in the standard of living in the developed countries of the Western world also increases demand for crop protection products in non-agricultural spheres (Consumer and Professional Solutions).

For further information regarding the trends that occurred in 2023 and their effects on the Company's results, see the Board of Directors' Report.

²¹ Preliminary estimations received from AgBio Investor in December 2023.

²² As defined in the MSCI Developed Markets Index.

Technological changes

For information regarding the effect of the development of new technologies, including developments in the genetically modified seeds market, on the Company, see Section 6 of this chapter.

Critical success factors

General:

- Reputation, branding and expertise and accumulated knowledge in the field of activity in the various countries and among customers and suppliers;
- Financial strength and resilience combined with consistent growth, enabling the Company to realize a corporate development strategy, including the potential for mergers and acquisitions with other companies in the industry, and efficiently respond to attractive business opportunities to expand its product portfolio and the scope of its operations;
- Access to funding sources and reasonable funding terms allowing the Company to make investments and ensure positive returns on its investments.

Development stage:

- Dedicated knowledge and technology, as well as the financial resources, skilled personnel in the field of operation and the registration expertise necessary to develop and utilize the designated product;
- Successful completion of off-patent product development such that its effectiveness and quality compared to the original product is proven, and done in a way that it can support a timely market entry;
- Consistent and continuous development of additional products, including unique mixtures and formulations, based on the Company's accumulated technological expertise;
- Development of a wide and varied product portfolio.

Raw material procurement stage:

- Raw material availability and supply chain efficiency;
- Reasonable raw material costs, prices, quality and quantities, and operational flexibility so as to meet actual demand;
- A flexible procurement system, including infrastructures in China.

Production stage:

- An efficient production cost structure combined with appropriate and efficient global deployment;
- Obtaining regulatory approvals and permits for the commercial production and marketing of the product in relevant markets;

- The Company's extensive technological knowledge accumulated over decades in the industrial production of its products, particularly in chemical synthesis and formulation, which ensures its products are of high quality, effective and safe;
- Suitable dedicated manufacturing facilities and efficient and controlled production operations, at minimal health risks to employees, while complying with the relevant operational quality and safety standards;

Commercial marketing stage:

- An efficient and broad commercial set up, allowing the Company to distribute its products to a large number of prospective customers, as well as entering into commercial agreements for production and marketing of products at competitive terms, *inter alia*, with the collaboration of Syngenta Group Companies, thereby allowing the forging of close local relationships and development of new marketing niches in these and other countries;
- A global marketing and distribution network, including through the Syngenta Group Companies, that offer an advantage over other off-patent competitors active in only some of the markets, enabling the Company to sell its products throughout the year in accordance with the seasons that characterize each geographic region;
- Ability to utilize marketing and sales management knowledge, expertise and experience in target countries, thereby allowing the Company to enter markets at the right time and to secure a competitive edge;
- Stable and ongoing relationships with strategic customers that builds trust in the quality of the Company's products and its dependable supply, and that enables the Company to forecast its estimated future sales volumes with reasonable probability;
- A broad and diverse product portfolio, including differentiated products such as unique on-patent mixtures and formulations, for every agricultural season and crop, thereby providing a comprehensive response for farmer requirements;

Expertise in registering its products in various countries, in a manner that allows the rapid penetration of a new product into a market, thereby providing the Company with a marketing edge.

Entry and exit barriers

The crop protection industry is characterized by high entry barriers, requiring extensive capital investments in manufacturing capabilities along with relevant knowledge and expertise. These entry barriers include, *inter alia*, high research and development costs (particularly for Originator Companies focused on inventing new active ingredients), payments for use of knowledge for registration purposes, and significant investments in the establishment and maintenance of

production facilities, together with extensive technological knowledge in the fields of the industrial production of chemical synthesis and formulation that are dependent on professional and skilled human resources or external consultants, significant marketing and distribution costs, compliance with strict regulatory requirements pursuant to the existing regulations in each country, a good reputation and strong customer loyalty.

Notwithstanding the above, in those markets where the regulatory requirements are relatively lenient the entry barriers are lower, and thus allow smaller companies to become active in this industry to a limited extent, while outsourcing aspects of their manufacturing operations.

The Company believes that there are no material exit barriers in the crop protection industry, apart for those related to future uses of fixed assets and dedicated facilities used by companies engaged in the industry, since, *inter alia*, the industry is not characterized by long-term customer relationships.

Substitute products

To the best of the Company's knowledge, no other service or product currently exists in this industry which is a significant real substitute for its products designed to protect plants against weeds, pests and disease, that are not of the same type of products produced or sold by the Company or parallel original products. Nevertheless, some view agriculture technologies such as genetically modified seeds and precision spraying technologies as technologies which may partially substitute for the Company's selective products in certain territories and for certain crops. Additionally, natural and/or biological materials that attack weeds, insects and diseases constitute a potential substitute for the use of the Company's products, but currently their efficiency is relatively limited, and they are only commercialized in relatively modest volumes.²³

8. THE COMPANY'S PRODUCTS

Crop Protection Products

In recent years, the Company has been acting to further enhance its broad product portfolio, with an emphasis on offering more innovative and differentiated solutions that offer increased added value. These innovative and differentiated solutions are typically based on unique on-patent formulations and mixtures and off-patent molecules or active ingredients. These molecules or active ingredients may include the more complex ones, or even innovative molecules or active ingredients. These on-patent formulations and innovative molecules or active ingredients are protected by registering patents and other intellectual property rights. By integrating such innovative or differentiated products and examining the phase-out of others, the Company is gradually optimizing its portfolio mix, thus aiming to improve the profit margins of its overall portfolio.

²³ The Company has a limited biologicals portfolio which has increased during the recent years.

The broad range of crop protection products manufactured and sold by the Company are divided into three main categories (based on the market they provide a solution for):

Herbicides

During cultivation, crops are exposed to various weeds that grow in their environment and compete for water, light and nutrients. Herbicides are designed to prevent or stunt the development of such weeds to allow the cultivated crop to develop optimally throughout the different stages of its growth, and therefore to reach optimum yield. The herbicides sold by the Company are both selective (do not affect or harm the crop itself) and non-selective. The best-selling herbicides are those designed to protect soy, corn, cereals, rice and cotton. In 2022, herbicides constituted approximately 42% of the total global crop protection product market.²⁴

Glyphosate, the world's most widely sold non-selective herbicide used for the basic treatment of many crops, does not constitute a key product in the Company's product portfolio. However, it nevertheless remains an important product that is still one of the Company's most sold products.

Insecticides

Insecticides are designed to control various types of insects and pests in a selective manner (without harming the crop itself). The use of genetically modified seeds with insect-resistant traits has the potential to reduce the need for some of the Company's insecticides, on a temporary basis. However, in the long run insects develop resistance to the trait driving the need again for crop protection solutions. The best-selling insecticides are designed to protect fruits and vegetables, corn, cotton and soy. Currently, the Company's gross margins from sales of insecticides are higher than its gross margins from herbicide sales. In 2022, insecticides constituted approximately 29% of the total global crop protection product market.²⁵

Fungicides

Fungicides are designed to combat various diseases and parasitical fungi. In general, when weather conditions in the agricultural season are dry (drought and/or increased temperatures), the prevalence of crop diseases is much smaller, reducing demand for such products. Fungicides are used most frequently in crops such as cereals, fruit, vegetables, soy, grapevines and rice. Currently, the gross margins achieved from the Company's fungicide sales are higher than those from herbicide sales. In 2022, fungicides constituted approximately 26% of the total global crop protection product market.²⁶

²⁴ Agriculture industry report, product section by AgBio Investor Dec 2023. As of the date of filing the report, the Company has yet to receive data regarding 2023; however, it should be noted that in recent years, there was no significant change in the portion of each product group within the total crop protection product market.

²⁵ see footnote 24.

²⁶ see footnote 24.

Other products

In addition, the Company produces and markets other crop-protection products, primarily substances applied to crops that are not herbicides, insecticides or fungicides, such as miticides and nematocides, and intermediates used to produce active ingredients for crop protection. The Company also uses its expertise to develop and adapt products for use in the Consumer and Professional Solutions areas.

For information regarding the breakdown of the Company's revenues and profit by product groups, see Section 10 of this chapter.

Key Markets

The Company's primary operations are focused on Europe, Africa and Middle East region, Latin America, North America and Asia-Pacific (including China) . Overall, the Company sells its products in over 100 countries worldwide with the top individual country markets being: Brazil, USA, China, India and Australia. The Company has presence on the ground in 45 countries and close to 50% of the Company's sales are in high-growth emerging markets. In recent years, the Company has increased its presence in the Chinese market, which is the third largest crop protection market in the world and is among the fastest growing markets, supported by the combination with ADAMA Ltd. and the collaboration with Syngenta Group Companies, as detailed in Section 1 above.

For details on the Company's crop protection product sales in its primary markets in the years 2022-2023, see the Board of Directors' Report.

The Production Process

The production process of the active ingredients is executed through chemical reaction (synthesis) of raw materials and intermediates. The Company's entire product portfolio includes over 300 active ingredients, some of which are produced by the Company, and some are procured.

The Company also performs formulation, wherein active ingredients produced by the Company or purchased from third parties are adapted to formulations that can be applied as products by means of reducing the concentration of the active ingredients and adding various additives, and sometimes by transforming the physical form of the active ingredient (including its liquefaction or solidification, for example). The Company's entire product portfolio includes approximately 1,650 different mixtures and formulations.

The Company's commercial activities include: (i) the sale of products which are both synthesized and formulated by the Company; (ii) the sale of products which are formulated by the Company but based on active ingredients procured by the Company from third parties; and (iii) commercial activity, on a smaller scale, in purchasing end products and/or active ingredients from third parties and selling them "as is" without any manufacturing intervention (generally to complement the Company's

product portfolio).

Currently, approximately 85% of the Company's products are synthesized and/or formulated at the Company's sites. Currently, the annual sales of any particular active ingredient sold by the Company do not exceed 10% of total Company sales.

9. NEW PRODUCTS

The Company's strategy is to leverage its capabilities in the field of chemical industry and expand its product portfolio to create a diverse product portfolio intended to provide efficient, effective and simple solutions to farmers and to fulfill market needs, penetrate new markets and strengthen its position in existing markets. In recent years, the Company has been operating to enhance its product portfolio, by developing more value-adding products and increasing the functionality and efficacy of the market's most successful molecules through the development of new and unique mixtures and formulations. Accordingly, the Company is continually developing and registering new products alongside new mixtures and formulations of existing products.

In this respect, and in order to capitalize on future opportunities in the agrochemical market, the Company has intensified its efforts in recent years to develop a leading pipeline of crop protection products aimed at providing value-added solutions to farmers around the world and build significant positions in a number of strategic market segments, based on dozens of AIs that are expected to come off-patent in the coming years, under a strategic plan named "Core Leap" adopted by the Company. These newly off-patent AIs will be developed into new differentiated mixtures and formulations, in combination with advanced formulation and delivery technologies that provide more efficient ways to deliver the products into the plants, thereby creating truly unique and differentiated, value-added solutions to farmers. Since the strategy was launched, the Company has already added more than 118 product concepts to its pipeline, some of which have already been launched and are driving growth in key markets and scheduled to launch several pipeline projects during the next 3 years. In this way, the Company strives to achieve a dual competitive advantage - to be the first to market launching new products after the expiry of the patent on the AI, and to capitalize over time on cost leadership through increased backward integration through the Company's global operations capabilities.

In 2023, the Company continued investing in the development and manufacturing of new products, launched new active ingredients and new formulations, and obtained 166 new registrations (excluding re-registrations, label extensions of registered products for new crops and adding new sources) for marketing its products. As of the date of this Report, the Company's research and development activities are aimed at the launching of additional sustainable and differentiated products.

10. PRODUCT REVENUE DISTRIBUTION

Company revenues distributed by product groups:²⁷

For the year ended December 31, 2023 (In Million USD):

Product Group	Revenues	%
Herbicides	1,871	44.6%
Insecticides	1,226	29.2%
Fungicides	915	21.8%
Total Crop Protection	4,011	95.7%
Intermediates and Ingredients	180	4.3%
Total	4,192	100%

For the year ended December 31, 2022 (In Million USD):

Product Group	Revenues	%
Herbicides	2,294	46.6%
Insecticides	1,412	28.7%
Fungicides	1,005	20.4%
Total Crop Protection	4,710	95.6%
Intermediates and Ingredients	215	4.4%
Total	4,925	100%

For the year ended December 31, 2021 (In Million USD):

Product Group	Revenues	%
Herbicides	1,885	43.0%
Insecticides	1,365	31.1%
Fungicides	929	21.2%
Total Crop Protection	4,179	95.3%
Intermediates and Ingredients	205	4.7%
Total	4,384	100%

In general terms, the volatility of insecticide and fungicide sales is higher than that of herbicide sales,

²⁷ There is no significant difference in the gross margins of each of the aforesaid Product Groups (without unallocated costs and financial adjustments), and bearing in mind the decrease in 2023's total gross profit - which aligns with a multi-year view of past results, including since 2013. As specified in Section 8 above, the gross margin from the sale of insecticides is higher than the gross margin from the sale of herbicides, and the gross margin from the sale of fungicides is higher than the gross margin from the sale of herbicides.

since the former are more sensitive to the presence or absence of diseases or pests affecting crops.

It should be further noted that the scope of the Company's sales of unformulated active ingredients, as such, is immaterial compared to its sales of formulated end-products (such as formulations and mixtures).

11. CUSTOMERS

Characteristics and Nature of Business Relationship

The Company's customers are numerous and are distributed across many countries throughout the world, while in some countries, sales are made to a relatively small number of customers. Generally, the Company's products are primarily sold to regional and local distributors in the different countries, who in turn market them to end customers in that country, some of whom are large cooperatives. The Company also sells, *inter alia*, to multinational companies and to other producers that manufacture end-use products based on active ingredients sourced from the Company.

Currently, the Company has no single customer whose purchases exceed 10% of the Company's sales, and therefore the Company believes that it is not dependent on any one individual customer.

The vast majority of sales are made to returning customers, typically without long-term supply contracts, as is customary in the industry. In most countries, purchases are made without long-term advance orders, while in some areas they are made based on (non-binding) rolling sales forecasts and actual orders. The Company's actual production is based on these forecasts.

The Company's sales prices to customers are determined by, among other things, comparison with equivalent products sold by the Company's competitors and by the quantities ordered, with discounts occasionally offered conditioned upon minimum order quantities. These discounts are provisioned for and recorded in the Company's Financial Statements according to the likelihood of meeting the relevant targets, but only when these targets are expected to be reached and the discounts may be estimated with reasonable accuracy.

Value Chain

Generally, the value chain between the Company and the end customer who ultimately purchases its products around the world may be characterized as follows:



Due to the expansion of the Company's activities and the acquisition and establishment of subsidiary companies in different regions of the world, in most cases, companies owned by the Company carry

out the role of the formulator and/or the importer, and occasionally also the role of the distributor and sometimes the retailer. In the past, farmers stored the inventory in their own warehouses, but this trend has changed and today most of inventories are stored either in the importers or the distributors' warehouses.

Customer Credit Policy

For information regarding the Company's customer credit policy, see Note 29B to the Financial Statements.

For changes in the provision for bad and doubtful debts during 2023, see Note 29B(2) to the Financial Statements.

12. DISTRIBUTION AND MARKETING

The Company's marketing operations are global and designed to consistently increase profits and market share. The Company markets its products directly through local representation in all of the largest agricultural markets worldwide by means of local salespeople and commercial activities directed at the distributors, agricultural consultants and farmers.

In recent years, the Company has strengthened its marketing network, including by means of:

- The establishment and acquisition of distribution companies in different regions in order to decrease dependency on external distributors and increase profit margins. Within this context and as part of the Company's long-term strategy, the Company acts as the exclusive distributor in China of the formulated agrochemical products and active ingredients of ADAMA Ltd., thus supporting the strengthening of the Company's position in the domestic Chinese crop protection market. The Company is exploring opportunities for further collaboration with Syngenta Group Companies in China, among others by means of utilizing the Syngenta Group distribution platform in China and thereby potentially increasing the Company's sales in China. See also Section 1 above regarding Syngenta Group and the collaboration between Syngenta Group Companies and Section 30 of this chapter.
- Focusing on global marketing and product development, while targeting clearly defined strategic crop segments.
- Creating an authentic, differentiated and relevant brand promise based on global internal and external research, to Listen > Learn > Deliver. The brand promise reflects how the Company drives product ideation from the field, based on insights gained from farmers, customers and experts.
- Leveraging the largest group of active ingredients in the industry to provide real choice and flexibility with a product portfolio comprised of both high quality off-patent products and unique formulations and mixtures to meet local farmer needs. As stated above, the Company is

increasingly putting focus on on-patent products mainly through unique, proprietary formulations.

- Developing customer touch points based on their feedback and listening to farmer pain points, including introduction of best-in-class product packaging and labeling.
- Strengthening of the consolidated ADAMA Group global brand - "ADAMA". In this context, the Company implements a global brand architecture.
- Developing digital technologies for simplifying and enhancing direct access to farmers.
- Collaborating with Syngenta Group Companies on various commercial aspects across global regions, to increase the Company's sales, enhance market access and expand the Company's portfolio offering to customers.

In a small number of countries where the Company does not have subsidiaries, it operates through (mostly on exclusive basis) networks of local agents and marketing channels. This activity is not material in scope to the Company.

In some markets in which the Company operates, due to centralized marketing channels, external distributors often will only distribute off-patent crop protection products from a limited number of manufacturers. Since the Company's marketing network in its main markets is based on directly owned and controlled subsidiaries, the Company believes that it is not dependent on external marketing channels, that the loss of any of which could have a significant adverse impact on its operations. The Company has a broad and diverse customer base, and therefore does not have any external distributor whose distribution of the Company's products exceeded 5% of the Company's sales in 2023.

The Company believes that, while the termination of an engagement with a single external distributor is not expected to have a material adverse impact on it, should external distributors generally elect to sell competing products and not to distribute the Company's products, this could adversely affect its results in countries wherein the majority of commercialization activities are by means of external distributors.

The Company's marketing and sales expenses in the crop protection segment totaled approximately USD 679 million in 2023, constituting approximately 16.9% of total sales for the year.

13. COMPETITION

The crop protection market is dominated by seven multinational companies, including the Company, five of which are Originator Companies. In the past decade, a number of mergers and acquisitions were completed among the largest players in the crop protection industry. Nonetheless, the crop protection industry as a whole is relatively decentralized with a large number of local companies

competing in each country against the global multinational companies.²⁸ The Company believes that the entry barriers for the crop protection market are relatively high, however, they vary from region to region.

The Company is one of the leading companies among those crop-protection companies that are focused on off-patent crop protection solutions. The global market share of the Company was approximately 5.1% in 2023.²⁹

The Company's competitors are multinational Originator Companies that continue to produce and market their original products after the patent expiry, as well as other crop-protection companies. In the Company's experience, in the majority of instances Originator Company's market share in a particular product fall to approximately 30% - 70% within a number of years following the expiry of the relevant patent, leaving the remaining market share open to competition among off-patent companies, in addition to their competition with the Originator Company (which generally continues to manufacture the product and lead its market prices and sales terms).

The Company competes with Originator Companies as well as other international off-patent companies in all the markets in which it operates, since these companies generally also have global marketing and distribution networks. In addition, there are several smaller Originator Companies that also compete with the Company. As a rule, other off-patent companies that do not have international marketing and distribution networks compete with the Company locally in those geographical markets wherein they operate.

In the last few years, some new emerging trends that may affect the nature of competition in this sector can be identified: (1) the market share of products whose patents have expired continues to rise relative to that of patented original products, primarily due to the fact that the rate of patent expiry exceeds that of the launching of new patent-protected products; (2) a trend of some off-patent companies expanding and becoming stronger (*inter alia*, as a result of corporate mergers and acquisitions as well as product acquisitions), which may lead to them competing with the Company in geographic markets which they have not operated yet up to now; (3) smaller companies have begun operating, in limited scale, in certain markets with relatively lower entry barriers, as detailed in Section 7 of this chapter; (4) improvement of the agrochemicals industry in China, *inter alia*, increasing market entry barriers; (5) price competition in certain markets by multinational Originator Companies and/or increasing the credit days to its customers; and (6) large mergers and acquisitions among leading companies in the sector.

The Company believes that it currently enjoys significant competitive advantages owing to, *inter alia*, the geographic deployment of its sales in over 100 countries and the balanced distribution of its areas of operation, which diversifies and strengthens its growth potential; the Company's capabilities

²⁸ See Section 34 of this chapter, under the heading "Operating in a competitive market".

²⁹ Based on preliminary estimations made by AgBio investor regarding total sales in the agrochemical industry in 2023.

in research and development, as well as substantial technological and chemical know-how, enabling it to develop and market new compounds, mixtures and applications for its products in a manner that provides a potential competitive edge over Originator Companies and other Off-patent companies; its professional knowledge; strong agronomical capabilities; wide portfolio of unique products suited to the needs of the farmers; strong brand and reputation; financial stability and the availability of financial resources for building and upgrading production facilities; development and regulatory capabilities in various markets around the world (and the resulting ability to launch off-patent products as close as possible after patent expiry); presence throughout the entire value chain (development, production, procurement, marketing, sales, distribution and registration) in a manner that sets the Company apart from the competing off-patent companies; strict quality assurance; stringent observance of environmental standards; existence of a global marketing and distribution network and production and marketing collaborations with multinational companies; a management possessed with in-depth understanding of the crop protection product industry as well as the required know-how, skills and experience to contribute to the Company's growth and profitability, and its positioning in a leading place in the global market. These capabilities enable the Company to respond to the dynamic needs of farmers, changing weather conditions and changes in governmental policies and regulation.

Moreover, in recent years, the Company has been striving to adapt its business model to the changing conditions in the competitive environment in which it operates. The Company believes that the combination of all its actions, together with the combination with ADAMA Ltd., as well as the collaboration with other Syngenta Group Companies and leveraging value creation and business opportunities, will enable the Company to use a differentiated business model that will contribute to the continued strengthening of its competitive position and give it a clear advantage over its competitors, with a unique position in the global market. For details regarding Syngenta Group and its expected impact on the Company, see also Section 1 above.

The Company's assessments with regard to the impact of the combination with ADAMA Ltd. as well as the impact of the collaboration between Syngenta Group Companies and the leverage of the value creation and business opportunities on its competitive position is forward looking information as defined in the Securities Law, which is based on the Company's subjective assessments and those of external entities and information relating to the crop protection industry in China. These assessments may change, inter alia, due to changes in the operating results of the Company or the competing companies, including as a result of the developments in the crop protection market, changes in demand for the Company products, and global macro-economic trends.

14. SEASONALITY AND WEATHER

Sales of crop protection products are directly influenced by the agricultural seasons, weather and crop cycles.³⁰ The tables below include the geographic distribution of the Company's quarterly sales and their proportion of the Company's sales in the years 2022 and 2023 (in Million USD):³¹

2023	Q1 Sales	Q1 %	Q2 Sales	Q2 %	Q3 Sales	Q3 %	Q4 Sales	Q4 %	Full year Sales	Full Year %
Europe, Africa & Middle East (EAME)	430	38.4%	319	28.8%	235	25.5%	241	23.1%	1,225	29.2%
<i>of which, Israel</i>	35	3.2%	34	3.0%	25	2.8%	26	2.5%	121	2.9%
North America	209	18.6%	223	20.1%	132	14.3%	250	24.0%	813	19.4%
Latin America	233	20.8%	329	29.7%	350	38.0%	379	36.4%	1,292	30.8%
Asia-Pacific	249	22.2%	236	21.3%	205	22.3%	172	16.5%	862	20.6%
TOTAL	1,121	100%	1,107	100%	922	100%	1,042	100%	4,192	100%
(% of annual sales)	-	26.7%	-	26.4%	-	22.0%	-	24.9%		

2022	Q1 Sales	Q1 %	Q2 Sales	Q2 %	Q3 Sales	Q3 %	Q4 Sales	Q4 %	Full year Sales	Full Year %
Europe, Africa & Middle East (EAME)	428	34.9%	364	27.9%	257	21.1%	293	24.9%	1,342	27.3%
<i>of which, Israel</i>	38	3.1%	45	3.4%	33	2.7%	29	2.5%	145	3.0%
North America	281	22.9%	274	21.0%	169	13.9%	290	24.6%	1,013	20.6%
Latin America	234	19.1%	379	29.0%	548	45.0%	431	36.6%	1,592	32.3%
Asia-Pacific	283	23.1%	288	22.1%	243	20.0%	164	13.9%	977	19.8%
TOTAL	1,225	100%	1,217	100%	1,178	100%	4,925	100%	1,217	100%
(% of annual sales)	-	24.9%	-	24.7%	-	23.9%	-	100%	-	24.7%

³⁰ See Note 1A(2) to the Financial Statements and Section 34 of this chapter titled "Decline in scope of agricultural activities; exceptional weather conditions changes", as well as in section Revenue Distribution by Quarters of Board of Directors' Report.

³¹ As of 2023, the India, Middle East & Africa (IMA) region has been reorganized such that the countries formerly included in this region will now be included in the Europe region (renamed EAME) or in the Asia Pacific region.

15. INNOVATION, DEVELOPMENT, RESEARCH AND REGISTRATION

During 2023, the Company's Innovation, Development, Research and Registration division (IDR), managed and coordinated all the research and development and regulatory activities related to the Company's products.

As of March 1, 2024, the Company's Portfolio and Innovation division was established, integrating the former Marketing & Product Strategy and IDR functions.

The Company utilizes a wide portfolio of off-patent active ingredients which are internally produced and registered, or sourced, from third-parties. These active ingredients are formulated into mixtures which are mostly novel in terms of the active ingredient combinations, formulation techniques and resulting biological effects. Thus, while the active ingredients the Company uses are off-patent, its products (formulations) are often differentiated in the market place and where possible proprietary. As an off-patent active ingredient manufacturer, the Company develops production processes which aim to provide an advantage over the original product, for example in cost. The product development and formulation efforts are geared to deliver products with better biological activity, resistance management, ease of application by the farmer and sustainability profile. Development and registration of off-patent active ingredients in differentiated formulations offer a significant saving of time and costs in relation to the development costs of the original products required from Originator Companies in a manner which allows the Company to develop broad and diverse offerings at competitive prices. The introduction of differentiated formulations based on off-patent active ingredients to the market requires considerable know-how and investment in development and registration, particularly in view of the increasing regulatory requirements globally, and the development of, and increasing competition in, the off-patent products market.

Chemical R&D, Formulation R&D and Product Development

A key part of the Company's development and registration activities focuses on the chemical R&D (which is, as of December 1, 2023, a part of the AI Production unit) and chemical engineering development of production processes for off-patent active ingredients, including the necessary biological, agronomical and toxicology data necessary to meet regulatory requirements, and development of registration dossiers for the active ingredients. In addition, formulation R&D and product development resources are directed to test and validate new product concepts that translate to new formulations, which also require significant testing and generation of registration dossier in the various regions.

The Company has also developed several innovative active ingredients based on molecules acquired from external sources after a screening process proving their effectiveness. The Company develops the product's biological uses and registers them in the target countries, while also engaging in the chemical development of the production process.

In recent years, the Company has adopted a key product development strategy - "Core Leap". For further details see Section 9 to this chapter.

As of the date of this Report, the Company operates chemical and formulation research and development centers in Israel, India, Brazil, and China. In addition to those, the Company conducts development activities also through external subcontractors in different countries, mainly in India and China. Such development efforts may on occasion integrate knowledge exclusively owned by the Company, knowledge jointly owed with the subcontractor, or knowledge exclusively owned by the subcontractor.

Currently, the Company operates several analytical labs in Israel, China, India, USA and Brazil, which *inter alia*, conduct Quality Assurance (QA) tests for its various products, and some of which also conduct tests for registration purposes.

In 2023 the amounts recognized as research and development expenses (excluding registration costs) totaled approximately USD 54 million, which constituted approximately 1.3% of the Company's consolidated revenues. Development expenses are recognized as intangible assets in accordance with accounting policies. See Note 3F to the Company's Financial Reports for details regarding the accounting policy for intangible assets.

The Company's workplan includes research and development expenses of USD 66 million for the year 2024.

See Note 19B to the Company's Financial Reports for details regarding development grants.

Registration

The materials and products marketed by the Company require, at various stages of their development production and marketing, registration in every country where the Company intends to market them. The Company has gained registration expertise in over 100 countries. For this purpose, the Company employs approximately 200 experienced professionals in the registration of its active ingredients and formulations around the world. In addition, the Company utilizes the services of external contractors for the development of registration data.

Crop protection products are sold worldwide under the supervision of state authorities in each country (generally the Ministries of Agriculture, Health and Environment), with such registration proceedings characteristic of the crop protection industry and constituting a barrier to market entry. Obtaining a registration requires meeting health, safety and environmental standards. Registration requirements change from time to time and tend to become more stringent over time in many countries. As a result, registration costs rise, and preparation of registration dossiers becomes more time consuming. In some countries, registrations have no term limit, however, development of further registration data is required every several years. In other countries, registrations are limited to periods generally ranging from 5-15 years and are required to be renewed, with additional tests and

data required as a part of the process.

The registrations, in all or in part, may be revoked should new data fail to meet updated regulatory requirements. Obtaining a registration may take several years and the Company must meet the specific registration requirements of a particular country for the sale of the product in that country. In order to comply with these requirements, the Company continuously examines the compliance of its products with the regulatory requirements in the various countries where its products are marketed, and it works to develop necessary data and supporting information, as required. Within this framework, the Company continuously submits applications for the renewal, extension or update of registrations of products and of active ingredients to the registration authorities around the world. At any point in time, some of these requests will have been approved and some will still be under examination by the authorities, with such examination processes possibly lasting several years.³²

Generally, the EU, USA, Canada, Japan and Brazil have the most stringent regulatory standards. Other countries are gradually adjusting their own requirements to reach the standards of the advanced countries.

For information regarding new registrations obtained in 2023, see Section 9 of this chapter.

Registration costs typically amount to several hundreds of thousands of USD per product, and in countries such as the USA, the EU and Japan, they may even reach several millions USD per AI. In 2023, the Company's registrations expenses were USD 92 million, which constituted approximately 2.2% of the Company's annual revenues. See Note 3F to the Company's Financial Reports for details regarding the accounting policy for intangible assets.

Registration in the USA

The registration process in the USA includes federal registration by the Environmental Protection Agency ("EPA") for both the active ingredient as well as the end-product chemical formulations. Moreover, every individual state requires registration of the commercial end-use formulation that has been registered at the federal level, based on the criteria of the individual state.

There are two primary methods for obtaining federal registrations in the USA:

- For products containing an active ingredient that is not yet registered, the registration applicant is required to submit a complete dossier which includes all the required data and research findings in order to obtain the registration (a process which generally takes more than three years, with an average duration of up to 4 years).
- Following a minimal 10-year period of exclusive data protection after the initial registration, an off-patent registration may be pursued after complying with citing all the existing relevant data of the Originator Company's active ingredient, while demonstrating that the off-patent active ingredient

³² For additional information on the licensing requirements applicable to the Company and the related risks, see also Section 34 of this chapter, under "Legislative standard and regulatory changes in product registration".

is chemically similar to the registered active ingredient, and providing a commitment to compensate the Originator Company. The process for obtaining the off-patent registration from the federal authorities may last between 12 to 18 months. 15 years after the original registrant submitted the data in support of the initial registration, the data constituting the basis for the registration is no longer compensable.

As part of the EPA's re-registration requirements, which occurs on a 15-year cycle, the companies holding registrations for the same active ingredient may pool their resources to comply with the requirement for new data by creating a consortium or a "task force". The Company has a reputation of being professional and reliable, and therefore international companies are accustomed to working in partnership on such registration defense activities.

Registration in Europe

All new ingredients intended for use in EU countries undergo a rigorous registration process comprised of two main stages. The first stage enables the inclusion of the active ingredient in the list of ingredients permitted for use in EU countries. In the second stage, the final product must be registered for its various uses in the EU countries in which the product will be marketed. All active ingredient and product registrations are time limited and have to be renewed after a certain period of time. Current European regulation is based on a hazard-based cut-off criteria approach that allows the rejection of registration applications based on their potential hazard and not based on the risk from actual exposure to the active ingredient.

With regard to new registrations and registration renewals in Europe, the Company may collaborate with several other companies to jointly develop the data and information required so as to reduce the costs and risks inherent to this process.

The Company believes that due to the stringent approach of the EU and its associated institutions in recent years, the Company's product portfolio (along with those of competitors in the entire industry) may be influenced in the coming years by refusals to renew registrations and/or the rescinding of registrations as a result of the removal of certain active ingredients from the list of ingredients permitted for use in the EU.

The Company's estimates regarding the effects of the various regulatory requirements on its product portfolio constitutes forward-looking statements as defined in the Securities Law, which is based on current regulatory trends and the Company's experience. These estimates may not materialize or may be realized in a different manner, inter alia, due to factors beyond the Company's control such as crop protection market developments, regulatory, economic, political, social and other changes, as well as changes in demand for the Company's products.

Registration in Brazil

The registration procedure for off-patent active ingredients in Brazil is based on the equivalence of its chemical properties to those of an active ingredient currently available in the market. The first off-patent registration of an active ingredient can only be granted after the data protection of the original active ingredient expires, generally, 10 years after first registration approval. The process follows FAO/WHO general rules, divided into 3 tiers, from the physical-chemical comparison to the last tier, where full long-term toxicological studies are required. Generally, if the registration applicant proves chemical equivalence to the existing active ingredient, it may be granted a registration. For formulation registrations, there are additional requirements. The review process in Brazil generally lasts at least seven years for formulations, five years for an off-patent active ingredient and seven to eight years for a novel active ingredient (first active ingredient registration).

16. INTANGIBLE ASSETS AND INTELLECTUAL PROPERTY

Most of the Company's crop protection products (both in absolute volume and in relative sales terms) are off-patent products. Nevertheless, the Company has a relatively broad portfolio of patents and patent applications, trademarks and registrations protecting its products and their production processes. Consequently, the Company has 46 patent families that protect innovative materials and approximately 236 more patent families, relating to both off-patent and innovative materials, that protect processes, formulations, uses and unique mixtures. The Company also relies on trademark registration to secure its reputation for the products it manufactures and markets. Currently, the Company owns over 9,900 active trademarks with respect to its products (mostly registered and a number in registration processes). In addition, the Company has several exclusive territorial licenses for various additional substances. As of the date of the Report, there is no single patent or patent application which is material to the Company.

For information on patents and intangible assets of the subsidiary, Lycored Ltd., see Section 18 of this chapter.

The Company has intellectual property teams responsible for protecting the Company's intellectual property through the registration of patents for the Company's developments and the trademarking of its products, securing freedom to operate by design around third party patents as well as by taking action to revoke invalid patents of third parties or oppose their registration.³³

In accordance with the generally accepted accounting principles, the amounts recognized as the Company's intangible assets in the Financial Statements of December 31, 2023 (including subsidiary goodwill) totaled approximately USD 917 million.

³³ For further information, see also Section 34 of this chapter, under "Intellectual property rights of the Company and of third-parties".

17. RAW MATERIALS AND SUPPLIERS

The Company procures a large variety of raw materials, which may not be uniformly characterized, together with complementary raw materials or intermediates required to produce the finished products and/or their formulations.

The shelf lives over which most of the raw materials remain stable are generally several years. Moreover, the shelf lives of raw materials may usually be extended by simple treatments. In view of this fact, raw material losses in Company warehouses as a result of aging are negligible.

The most significant element of the Company's cost of sales is the cost of raw materials used in its production processes, which is primarily influenced by global changes in the supply of raw materials, and, to a certain extent, extreme fluctuations in international oil prices.³⁴ Similarly, the cost of purchasing finished products for sale to third parties is also significant.

In 2023, the purchasing of raw materials, packaging and labeling for crop protection products, amounted to approximately USD 1,616 million. This cost constituted approximately 67% of the Company's total production costs in this segment (excluding finished products), which amount to approximately USD 2,400 million.

The Company purchases its raw materials from various suppliers, primarily in China, Europe, the USA, and South America. The Company's supplier network has not changed significantly over the past few years, while suppliers from China are still a main source for raw materials, due to the wide range of products and competitive prices offered by them, together with the improved quality of the products that are examined by the Company through product quality testing. In order to reduce the relative reliance on Chinese suppliers, due to, *inter alia*, the supply shortages that the industry has been facing in recent years relating to raw materials originating from China, and in order to diversify the geographic territories from which the Company sources its supply.

Currently, the Company believes that it is not dependent on any one material supplier.³⁵

³⁴ For further information with regard to oil price fluctuations and the possible impact on the Company results see Section 6 of this chapter, under "Significant fluctuations in raw material costs and global energy prices".

³⁵ For further information regarding supplier credit, see Section 24 of this chapter.

A.2. INTERMEDIATES AND INGREDIENTS

In addition to crop protection, the Company's primary field of operation, it is also active in various other fields outside of crop protection. The Company's aggregate revenues from, and investments in, these activities do not exceed 10% of its total consolidated revenues and investments.³⁶ Currently, the Company has operations in the following activities: 1) dietary supplements, food color, texture and flavor enhancement ingredients, and food fortification ingredients; (2) fragrance products; (3) industrial products.

In these activities, the Company leverages its knowledge, experience and chemical and industrial capabilities. In view of the highly diverse nature of these activities and products, and since they do not represent core Company activities and they are limited in scope, they are hereinafter reviewed and analyzed separately, and to the extent commensurate with their relative share in the Company's results.

18. DIETARY SUPPLEMENTS, FOOD COLORANTS, TEXTURE AND TASTE ENHANCEMENT INGREDIENTS AND FOOD FORTIFICATION INGREDIENTS

The Company holds 100% of Lycored Ltd. ("**Lycored**"), a company which engages primarily in developing, manufacturing and marketing dietary supplements, natural colors, texture and taste enhancement of food, and food fortification ingredients (the "**Supplements**"), primarily for non-Israeli markets.

Lycored has development, production, marketing and distribution capabilities, and has manufacturing plants located in Israel (in Be'er-Sheva), and the USA.

Products

Lycopene

One of Lycored's main products is natural lycopene (the carotenoid that gives the tomato its red color) produced from tomatoes. Lycored has developed a unique and innovative process for producing natural lycopene. The natural Lycopene is being used in different color and health formulations, and has been clinically tested for different health claims substantiation. In order to produce lycopene, Lycored has developed unique tomato strains (primarily intended for industrial applications) with particularly high lycopene content. In addition, Lycored has developed technological capabilities for extracting, separating and formulating the products resulting from tomato processing and adapting them to market requirements.

³⁶ Accounted for approximately 4% of the Company's sales in 2023.

Beta Carotene, Lutein and Astaxanthin

Lycored also operates in the sphere of development, formulation and marketing of Beta-Carotene, lutein-based and astaxanthin products primarily for the dietary supplements and food industries.

Lycored has a number of additional products: (1) formulated and coated active ingredients (vitamins and carotenoids) in the dietary supplements market; as well as (2) mixtures, such as vitamins, minerals and other natural materials for food enrichment.

Market Structure, Recent Changes and Competition

The food and nutrition industry may be characterized by retail-based competition, technological conservatism and increasing commitment to the quality of food and supplements, health consequences, consumer's nutritional habits and changes in their tastes. These factors require the industry to maintain technological innovation, responsiveness to the requirements of customers, the ability to meet high quality standards, alongside proving the effectiveness of the marketed products. The industry is also characterized by increasing regulations in some of the markets. For these reasons, this industry is characterized by consolidation, and the reduced competitiveness of small companies. Nevertheless, companies with unique products and reputations, such as Lycored, have managed to solidify their position despite these trends.

The dietary supplements industry is characterized by competition that has increased considerably in recent years from manufacturers marketing raw materials and formulated products. In addition, Lycored's products in the dietary supplements field compete with other products that are based on natural ingredients with health properties. Other competitors are the natural lutein producers such as Omniaactive and Kemin Industries Inc., and formulators such as DSM Nutritional Products. Recently, the competition from companies primarily from China and India, that market basic natural lycopene products, such as Vidya and Katra, intensified in a way that requires Lycored to further improve its market positioning and formulations. Currently, Lycored's market share within the overall dietary supplement market is not material.

Changes in Volume and Profitability

In 2023 Lycored's sales to customers outside the Group totaled approximately USD 80 million, compared to USD 84 million in 2022. Lycored sales decreased mainly due to a slowdown in the health supplement market in USA which began in Q4 2022 and continued throughout most of 2023, with a substantial increase in sales during Q4 2023.

Barriers to Entry

As a company active in the dietary supplements and the food coloring arena, Lycored is required to obtain and maintain various permits and licenses, as well as to meet many standards, including

quality standards, required by customers and regulators in the field in various countries. In addition, companies who operate in this field require knowledge and specialized technologies together with vast experience. In turn, these require strong brand equity and adequate financial resources.

Customers

Lycored's customers are primarily industrial companies, including those producing and selling end products to food chains and stores, and industrial companies who formulate and package ingredients supplied by Lycored for dietary supplements and private label products.

Marketing and Distribution

Currently, Lycored sells its products primarily in North America, Europe, Japan, India, Australia and other countries in the Far East, mostly through either frame contracts or specific current orders received shortly before the required supply date. Lycored's sales estimates are based on non-binding forecasts of annual order volumes from key customers. Over the years, Lycored has developed its own marketing and distribution channels, including direct sales and channel partners, as well as customer and technical support services in the markets where it is active.

R&D

Lycored's research activities focus on the cultivation of strains of tomatoes, advanced formulation capabilities, the isolation of active ingredients, food coloring and clinical research to support and evolve Lycored's innovative products portfolio.

Regulatory Restrictions, Registrations and Permits

Production and marketing of dietary supplements and food additive ingredients are generally subject to the supervision of national health agencies and their regulatory and quality requirements. Lycored has received US FDA and European Commission approvals for the use of natural lycopene as a food coloring and food ingredient for the USA and European food industries, in addition to permits to distribute the product in Japan.

In Israel, activities in this field are subject to the Public Health (Food) (Dietary Supplements)-1997 regulations and the Food Additive List subject to the Public Health (Food) (Food Additives)-2001 regulations, which establish permitted supplements and additives, their measures and amounts. The majority of the vitamins and minerals imported by Lycored require import licenses from the Israeli Ministry of Health.

Raw Materials and Suppliers

The raw materials used in Lycored's products are mainly tomatoes, carotenoids made of marigold flowers and algae, vitamins, minerals and amino acids. Consequently, its primary suppliers in this field are farmers and industrial companies, and as such, its supply is also dependent on factors

affecting the agricultural industry. Moreover, Lycored has contracted with seed companies for the supply of special tomato strains, as well as with growers in Israel to whom it supplies the seeds and growing instructions for the tomatoes. In addition, Lycored purchases active ingredients, vitamins and minerals.

Intellectual Property

All of Lycored's products are the result of original independent development. Lycored holds 24 patent families claiming production processes, formulation processes, compositions and methods of use thereof, related to products Lycored develops. Lycored also owns several brands that are registered as trademarks.

19. AROMA PRODUCTS FOR THE COSMETICS AND FLAVORS & FRAGRANCES ("F&F") INDUSTRIES

The Company indirectly holds 100% of the shares of Agan Aroma and Fine Chemicals Ltd. ("**Agan Aroma**"), a company which is primarily involved in the development, manufacture and marketing of chemicals and synthetic fragrances for the detergent industry (soaps, washing powders, laundry softeners, cleaning agents, etc.), for the cosmetics and body care industry (lotions, shampoos and deodorants) and for the fine fragrances industry (perfumes etc.). The great majority of fragrance products are designated for export. Agan Aroma has several aromatic products which are utilized as raw materials for aromatic essences. Agan Aroma's products are the raw materials included in the final product.

Agan Aroma's activity focuses on the synthetic manufacture of chemicals, based on the organic synthesis of fragrances for the fragrance industry in its dedicated facilities in Ashdod and through partnerships and subcontractors in China and India. Most of the raw materials of the fragrance products are chemicals with a high-level cleaning rating. The Company also cooperates with a European company to manufacture and market fragrance and flavor materials from its Adama Agan plant.

Market Structure and Recent Developments

The fragrance chemicals market has developed considerably over the past few years in view of rising standards of living and changing preferences of end consumers.

The F&F market has been showing great sensitivity to the consequences following the Covid-19 pandemic, including a global economic crisis, a deep recession in some strategic territories which was reflected by a decrease in demand. Nonetheless, Agan Aroma faced stable demand for all its portfolio of products.

During 2023, there has been a mild decrease in the cost of some key raw materials used by Agan Aroma. With the decrease in raw material prices, there was also a significant decrease in sales

prices as competition increased, resulting in moderate profitability improvements.

Activity in this area requires innovation, expertise and advanced R&D processes, as well as the technological knowledge required for sophisticated production, low-cost manufacturing capabilities, optimal deployment and management of an international sales network, and initial capital for investment in complex production facilities.

Customers

Approximately 20% of Agan Aroma's customers are multinational companies that are responsible for approximately 75% of its sales volumes. Agan Aroma supplies most of the leading companies in the fragrance industry, companies who between them have an aggregate market share of approximately 75% of the global fragrance activity. Its major customers in this area include multinational corporations such as dsm-firmenich, Procter & Gamble, Givaudan, Symrise, Takasago, Mane and Robertet. Fragrance-compounds are usually developed in accordance with customer requirements, requiring long-term strategic relationships with the client, as well as collaboration in development and individual product customization.

Marketing

The majority of Agan Aroma's sales are based on short term contracts and orders, with the remainder mainly coming from spot orders.

Competition

The fragrance products industry is characterized by intense competition. Agan Aroma's primary competitors include leading F&F multinationals with production capabilities in this field, such as IFF, as well as other leading chemical companies and other companies in India and China. The entry of manufacturers from China and India into the market with products of improved quality has led to a significant reduction in prices in the past years, and more intensely during 2023. Due to these developments, Agan Aroma is operating to create opportunities to enter new markets in which its competitive advantages may be leveraged, and which may yield growth and improved margins.

Regulatory Restrictions, Registrations and Permits

Agan Aroma's products are subject to strict health and safety standards.

Raw Materials and Suppliers

In order to maintain high quality and availability in the sector, manufacturers such as Agan Aroma require long-term relationships with suppliers. Agan Aroma's primary raw material suppliers are chemical suppliers based outside Israel. Currently, Agan Aroma is not dependent on any single supplier. Finished products in the F&F sphere are usually stored for an average period of six weeks.

Changes in Volume and Profitability

The sales of Agan Aroma's products to customers outside the Group amounted to approximately USD 47 million in 2023 compared to approximately USD 53 million in 2022.

20. INDUSTRIAL PRODUCTS

The Company manufactures and markets industrial products, which are primarily by-products of its crop protection production processes, and on occasion raw materials, as follows:

- Hydrogen peroxide, used primarily in the production of detergents for the paper and chemical industries.
- Electrolysis products, sold by the Company to industrial companies primarily in Israel.
- CO₂ and hydrogen for industrial uses, primarily in the food industry.

The Company's industrial products operations include the manufacturing of chemicals, as well as the import and marketing of industrial chemicals in Israel. Industrial products sales to customers outside the Group in 2023 totaled approximately USD 53 million, compared to approximately USD 77 million in 2022.

Customers

Since this area of activity involves basic chemicals, the variety and type of customers requiring these products are broad. These primarily include industrial companies, including in fields such as food, energy, textiles, plastics, construction and chemistry. The majority of the Company's customers in this field are in Israel. The Company's industrial chemical products are marketed by means of dedicated distribution agreements or on an order basis, as the case may be.

Competition

The Company is one of the largest players in the Israeli industrial chemicals market. Its primary competitors in Israel include importers and local manufactures, such as Fertilizers and Chemicals, Ltd., Maxima Air Separation Center Ltd., Depotchem, Ltd., Chimcol Chemicals Ltd and Sha'ar Chemicals Ltd.

Raw Materials and Suppliers

Most of the raw material inputs in this field are derived as by-products from the Company's manufacture of crop protection products. Inventory periods are short, usually no more than a number of weeks.

B. ISSUES RELEVANT TO THE ENTIRE GROUP

The following items are presented with respect to the entire Company, since they are common to its overall activities.

21. FIXED ASSETS, REAL ESTATE AND FACILITIES

Company's Plants and Facilities

The Company's fixed assets are primarily the plants in which the Company conducts the manufacture, research, development, formulation and packaging of its products as further described in this section. Below is a description of the Company's material plants and facilities:

Location	Owned / Lease	Purpose	Remarks
Airport City, Israel	Leased	Offices	The Company engaged in a rental agreement for a total area of approximately 6,100 m ² (at a cost immaterial to the Company) in a building located at Airport City, wherein the Group's head offices are located, including the Company's management and headquarters.
Neot Hovav, Israel	Long-term lease	Manufacturing, packaging, research and development	Plant for production of active ingredients and formulations used in the manufacture of insecticides and fungicides, and R&D center. The plant is also used for the production of industrial products (see Section 20 above). For further information regarding the land, also see Note 9B(1) to the Financial Statements.
Be'er-Sheva, Israel	Long-term lease	Formulation, packaging, research and development	Formulation and packaging of insecticides and fungicides which the majority thereof are manufactured in the Neot Hovav plant; formulation and packaging of products manufactured by third parties sold by the Company. Lycored's facilities are located on part of the land, which Lycored purchased the long-term lease rights thereof from Adama Makhteshim. For further information regarding the land, also see Note 9B(1) to the Financial Statements.
Ashdod, Israel	Owned/ Long-term lease	Manufacturing, formulation, packaging, research and development	Manufacturing of the active ingredients, formulation and packaging used in the production of herbicides, as well as R&D activity. A manufacturing facility for a product in the fragrance field is located on the land (see Section 19 above). The Company owns a logistics center and a biological wastewater treatment plant, which are located nearby the plant. For further information regarding the land, also see Note 9B(1) to the Financial Statements.
Londrina, Brazil	Owned	Manufacturing, formulation, packaging, research and development, offices	Real estate of approximately 410 dunam (constructed area of approximately 36,000 m ²). Plant for the manufacturing of insecticides, fungicides and herbicides formulations, as well as an R&D center for formulations supported by global R&D. Brazil local management is also located in this site.
Taquari, Brazil	Owned	Production	Real estate of approximately 510 dunam (constructed area of approximately 68,000 m ²). Plant for the manufacturing of active ingredients as well as a number of formulations used for the manufacturing of

Location	Owned / Lease	Purpose	Remarks
			insecticides, fungicides and herbicides.
Brzeg Dolni Poland	Long-term lease	Manufacturing, formulation, packaging	Manufacturing of active ingredients, as well as formulation and packaging of herbicides.

The Company owns additional manufacturing facilities in USA and Colombia. These facilities are designed primarily for the formulation and packaging of products and ingredients produced at the plants in Israel. The Company also owns additional facilities in other regions in which it operates worldwide, including in Spain, Italy, Korea, Mexico and India, which currently produce a limited range of products in a small volume relative to the Group's overall operational capacity. Similarly, the Group has agreements with various companies worldwide for the provision of external synthesis formulation and packaging services at their facilities.

Investments in Production Facilities

The Company acts continuously to expand its manufacturing capacity, primarily by expanding existing synthesis, formulation and packaging facilities, by establishing new manufacturing facilities, operating manufacturing facilities owned by acquired companies, expanding its R&D infrastructures and extensive investments in various environmental projects.

In 2023, the Company invested a total sum of approximately USD 136 million in facilities and equipment. The Company intends to continue expanding its manufacturing capacities by investing in manufacturing facilities, as and to the extent required, subject to various applicable legal restrictions and requirements.³⁷

The balance of the depreciated cost of fixed assets in the Company's consolidated Financial Statements, less investment grants, totals approximately USD 1,331 million (for further information see Note 9 to the Financial Statements).

22. PRODUCTION CAPACITY

The Company's production capacity is primarily affected by the location of the manufacturing, formulation and packaging facilities in several sites in Israel and abroad, their output and individual area and time allocation at full capacity.

Generally, the Company's manufacturing plants operate 24 hours a day, in shifts, aside from self-initiated stops for periodic maintenance work, during which the Company sells primarily inventoried

³⁷ For an enumeration of the Company's investments in environmental facilities within the three years prior to the Report date, see Section 27 of this chapter. For further details regarding investment grants as a result of the purchase of fixed assets serving as the Company's plants as per the Law for the Encouragement of Capital Investments, 1959, see Notes 19b and 17a to the Financial Statements.

products. The average production stoppages due to such maintenance work, as well as malfunctions, holidays and other such events is thirty days a year.

The Company's manufacturing sites house two types of facilities: (1) dedicated facilities designed to produce a single product or product family; and (2) multi-purpose facilities - comprising the majority of the Company's facilities where several kinds of products may be manufactured. The latter provide the Company with manufacturing flexibility and enable it to prepare for the manufacturing of new products, subject to maintaining and ensuring quality standards. The Company believes that its existing sites have sufficient facilities and land areas to expand its production capacity, if necessary.

In general, the Company's average output rate is at approximately 75%-80% of total capacity. Nevertheless, the majority of its formulation facilities operate on a seasonal basis, and therefore periodically the facilities operate at higher outputs (exceeding 90% of total capacity) on pick seasons.

The Company estimates that expanding a manufacturing facility may require between six to eighteen months following regulatory approval.

In addition, the Company has engaged in contract manufacturing relationships with select third parties in various countries to manufacture certain intermediates and active ingredients on its behalf. Typically, the Company supplies the process technology and the third-party manufactures on an exclusive basis with full transparency as to performance and clear improvement targets. The additional resources provided by these third parties allows the Company to pursue more projects and deliver process improvements faster.

This Section includes forward-looking statements, as defined in the Securities law, based on subjective Company estimates as to the ability of the Company to expend its production capacity, if necessary. Such estimates may not necessarily materialize due to, inter alia, the risk factors described in Section 34 of this chapter as well as to failure to complete facility expansion on schedule owing to dependence on subcontractors, and machinery and equipment wear and tear.

23. PEOPLE

On December 31, 2023, the Group employed 5,907 employees.³⁸

	December 31, 2023 ³⁹	December 31, 2022
Manufacturing	2,326	2,277
R&D	277	262
Sales and Registration	2,489	2,915
Management & Administration	815	548
TOTAL	5,907	6,002

	December 31, 2023	December 31, 2022
Europe, Africa & Middle East (EAME) ⁴⁰	2,488	2,581
<i>of which, Israel</i>	1,434	1,426
Latin America	1,418	1,417
North America	565	603
Asia Pacific	1,436	1,401
TOTAL	5,907	6,002

The decrease in the number of employees during 2023 compared to 2022 is primarily due to organizational changes conducted in 2023.

As also mentioned in Chapter B of this Report, in response to changes in the agrochemical and agricultural industries in recent years and challenging global macroeconomic trends and as part of the Company's turnaround plan, the Company has initiated organizational changes to improve efficiencies that also include adjusting the workforce, which have begun with streamlining the Company's senior management team to ensure efficient decision making. Organizational 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. The Company estimates that these steps will support ADAMA's strategy and ensure the Company's ongoing future success.

The Company's assessments with respect to the success of the turnaround plan, contain forward looking statements, as defined in the Securities Law.

At the Report date, approximately 23% of Group's total workforce is employed under collective agreements.

³⁸ Excluding employees of companies which are treated according to the book value method.

³⁹ The changes during 2023, mainly derive due to changes in the methodology of classifying employees between the different divisions.

⁴⁰ See footnote 32.

Labor Relations and Employment Agreements:⁴¹

Adama Makhteshim

From time to time, Adama Makhteshim enters into special collective agreements for fixed periods with the Company's Workers Council (who are not employed under personal contracts) and with the New General Federation of Labor - Negev - Be'er-Sheva District, that regulate, *inter alia*, the terms and salary increases as well as associated benefits.

Currently, and for more than a decade, work relations between Adama Makhteshim's management and the employees have been in good order.

Adama Agan

Labor relations in Adama Agan are governed by a special collective agreement signed in 1973 on behalf of the employees (who are not employed under personal contracts) by the Ashdod Workers' Council. Since then, Adama Agan and the New General Federation of Labor - Ashdod District and the Workers' Council have entered into special collective agreements, which update different topics included in the original agreement and add new arrangements.

Currently, and for more than a decade, work relations between Adama Agan's management and the employees have been in good order.

Adama Brazil

The employment conditions of the Group's employees in Brazil, employed by Adama Brasil S.A. ("**Adama Brazil**"), are subject to federal legislation relating to employment (CLT), which include demands regarding labor relations that all private companies in Brazil are obligated to meet.

The employment terms of the employees of Adama Brazil, including its senior management, are governed also by a collective agreement which is reviewed and renewed on a regular basis, between Adama Brazil and the labor union. Adama Brazil's General Manager is employed in accordance with the Brazilian Corporation Act.

Currently, Adama Brazil complies with all these regulations and its labor relations are in order. To the best of the Company's knowledge, no significant labor disputes have arisen in Adama Brazil in recent years.

Adama India

The employment terms of the employees of Adama India comply with the labor and welfare laws in India, and the regulations prescribed by the relevant authorities.

Adama India does not have a labor union and currently its labor relations are in order.

⁴¹ The description is given regarding the Company's key subsidiaries, in which the majority of the Company's employees are employed

Officers and Senior Management of the Company

The Company's senior management team operates from the Company's offices in Israel and abroad, while certain officers of the Company also serve as executives in ADAMA Ltd.

For details regarding the remuneration policy of the Company, as extended, see the immediate report dated December 18, 2023 (ref: 2023-01-114217) which is brought here by way of reference.

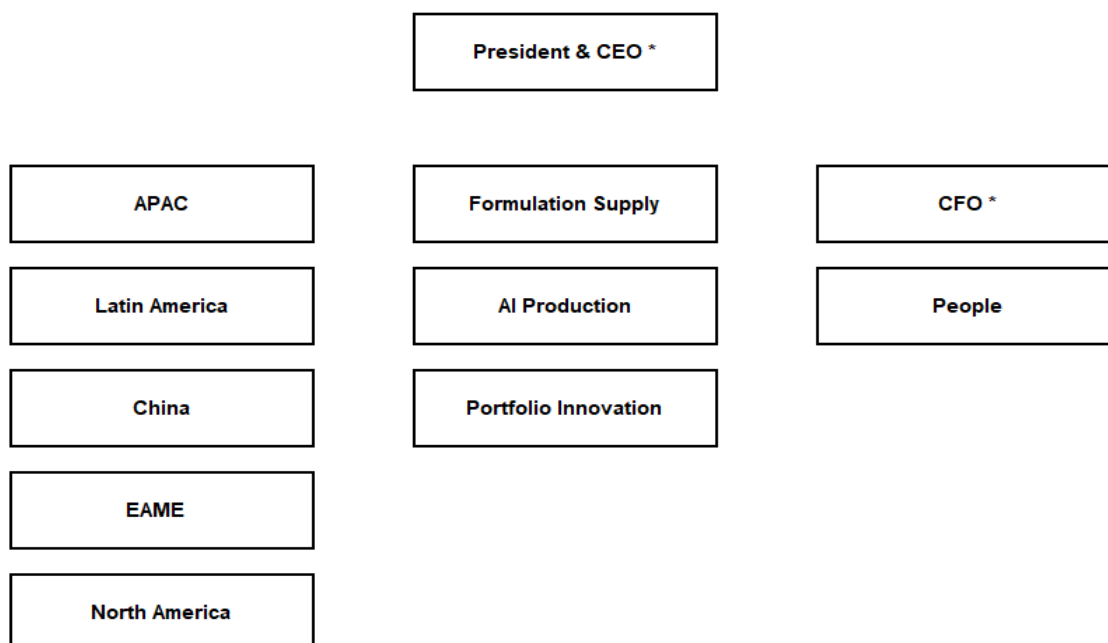
For details regarding long term remuneration plans which have been adopted by the Company and are in effect as of the date of the Report, see Notes 21d and 28 of the Financial Statements and details according to regulation 21 for 2023 in chapter D of this Report.

For details regarding terms of officers' insurance and letters of indemnification and release see Notes 19A(1)-(2) of the Financial Statements.

Currently, the Company believes that it is not dependent on any one individual employee.

For information regarding the Company's obligations on the termination of employment, see Note 18 to the Financial Statements.

The ADAMA Group's Organizational Structure:⁴²



* Preside concurrently as senior executives in ADAMA Ltd.

⁴² The organizational structure of ADAMA Group is true as of the date of publication of this Report, whereby, among others, the Marketing & Product Strategy were integrated with the IDR functions to form a Portfolio and Innovation function, and the Global Operations were split into AI Production and Formulation Supply functions. The structure relates to the executive team of the Company - the Global ADAMA Leadership Team. For details regarding the Company's senior officers, see Chapter D of this Report. For details relating to the reorganization of the geographical regions as of 2023, see footnote 31.

Provision of Management Services to ADAMA Ltd.

In order to facilitate the business integration and the operational alignment between the Company and ADAMA Ltd. (including its subsidiaries), the authorized organs of the Company approved the engagement of the Company in various services agreements with ADAMA Ltd. (as a transaction with a controlling shareholder), whereby the Company provides ADAMA Ltd. senior management services, to be performed by certain officers of the Company, to an extent of up to 20% of a full-time office; headquarters services, including operational, administrative, legal, commercial, finance and other services with respect to the activities of ADAMA Ltd., including due to its being a listed company; and a grant of a license to ADAMA Ltd. for the use of the brand "ADAMA".⁴³ The initial three-year term of the aforesaid agreements was renewed for an additional three-year period, and the total consideration with respect thereto is not material.

For the fulfilment of the business combination, the competent organs of the Company approved the adjustment to the scope of the aforementioned officers' employment as well as the grant of indemnification for the provision of the services to ADAMA Ltd. and for double-tax exposure, should such eventuate.

24. WORKING CAPITAL

The Company's 2023 Working Capital:

Working capital balance (Million USD)	Current ratio	Quick ratio
1,420	1.56	0.89

Customer Credit

Generally, the Company follows customer credit control procedures which establish conditions for providing customer credit limits, as well as the procedures for collection follow-up. The Company generally offers its customers credit of between several months and one year, such that a separate liability is managed for each customer by individual profile, its specific requirements and the type of business relationship. For additional information regarding this procedure see Note 29B to the Financial Statements.

The credit term extended to customers varies and is a function of the competition in each of the Company's markets, the types of crops in the region in question, the number of parties involved in the supply chain, and other such factors that may affect the credit period at any given time. In certain regions, primarily South America, the credit term is long (compared, for example, to that for west European customers), and sometimes, *inter alia*, due to difficult crop seasons or the economic conditions in the respective country, the Company may find it difficult to collect its debts, possibly

⁴³ As of the date of the Report, the license for the use of the brand was granted without consideration.

prolonging the collection term for up to several months. This risk also exists in emerging countries where the Company may be less familiar with its customers, their collaterals may be of questionable quality and there may be no certainty as to the existence of customer insurance coverage.⁴⁴

The Company extends credit terms to its customers according to the credit terms common in each respective market. Accordingly, the increase in the Company's sales in developing countries where the average length of credit periods is greater, has led to, and may continue to involve, an increase in the aggregate credit term extended by the Company. Furthermore, in view of the challenging agricultural market conditions in recent years, the large Originator Companies have begun increasing the credit terms offered to customers, which have compelled and will continue to compel the Company to also increase the credit terms it extends to its customers in certain regions.

The average customer credit days extended in the three years preceding the Report date:⁴⁵

	2023	2022	2021
Average customer credit days	123	115	131

Crop protection sales are directly dependent on the agricultural seasons and crop cycles. As such, the Company's sales are not split equally over the year, and accordingly there are variations between the first and second halves of the year in customer characteristics and the average credit terms. Countries in the Northern Hemisphere are characterized by similar generally timing of agricultural seasons, with these countries usually having their highest sales in the first half of the calendar year, whereas the agricultural season is the opposite in the Southern Hemisphere (except to some extent in Australia), where most sales occur in the second half of the year.

The customer credit period in northern hemisphere countries is generally lower than the Company average, while the customer credit period in southern hemisphere countries is generally higher than the Company average. Sales in Brazil, which accounted for approximately 20% of the Company's sales in 2023, occur mainly in the second half of the year, and collections are made primarily in the second quarter of the subsequent year.

The Company's trade receivables balance on December 31, 2023 totaled approximately USD 1,157 million. For additional information see Note 4 to the Financial Statements.

The Company's estimated credit loss expense totaled approximately USD 8 million in 2023, mainly due to the Cuba account receivables.

⁴⁴ For information in this regard see also Note 29B(2) to the Financial Statements in reference to provisions for estimated credit losses.

⁴⁵ The data refer to the annual average (rather than the number of credit days as of the end of the reporting period). The average calculation includes current and non-current customers. The average customer credit days include the effect of both the Company's customer financing programs and exchange rates.

Receivables Financing Facilities

The Company engages in ongoing customer debt securitization whereby a foreign company (not owned by the Company) which is funded by international financial institutions purchases certain of the Company subsidiaries' customer debts (the "**Receivables Financing Facility**"). In addition, the Company's subsidiary in Brazil engaged in additional receivables financing facilities for its customer debt securitization.⁴⁶

Inventory and Raw Materials

Due to the seasonal nature of the Company's sales, the relative distance of the production plants from its various markets and the high importance the Company ascribes to the quality of its customer service, the Company usually follows a flexible inventory policy with regard to raw materials and finished goods.

The Company's production plan is based on a forecast of periodic (seasonal) orders, which is updated on a continual basis, predominantly according to updated forecasts as well as actual orders. Under this plan, the Company generally orders its raw materials from suppliers in view of their expected future availability and logistical considerations, and subject to the various production limits, if any. However, in order to reduce funding requirements and maximize efficiency, the Company endeavors, to the extent possible, to take delivery of the raw materials in close proximity to the planned production deadlines. The Company usually stores an inventory of raw materials in line with such forecasts in its plants. The shelf lives of most of the raw materials are several years as they remain stable over the years and may even be extended by simple treatments.

The Company has a dedicated inventory policy for each finished product, based on its profitability as well as production deadlines and expected orders. In addition, the Company ascribes great importance to managing its current inventory efficiently and to curtailing its global supply chain. Since the Company's customer sales are based on orders submitted on short notice, its inventory policy enables it to maintain product availability throughout each season and its different phases.

Average inventory and inventory periods in the three years prior to the Report date are as follows:⁴⁷

	2023	2022	2021
Average inventory (USD million)	2,159	2,124	1,637
Inventory days (relative to historical sales)	244	217	188

At every period, the Company evaluates the need for recording inventory impairment provisions. Total current inventory as of December 31, 2023, was approximately USD 1,706 million, a decrease

⁴⁶ For information regarding the Receivables Financing Facility, including the credit thereof, its general terms, period, and maximum limit of the credit facility, see Note 4 to the Financial Statements, and also see Notes 20D to the Financial Statements regarding the restrictions applicable to the Company resulting from the Receivables Financing Facility.

⁴⁷ The average inventory calculation includes current and non-current inventory.

of approximately USD 586 million compared to approximately USD 2,292 million in 2022.

Supplier Credit

Generally, the Company receives credit from suppliers of 30 to 180 days. The Company continuously endeavors to increase the credit terms it receives from various suppliers.

The average trade payables and average supplier credit days in the three years prior to the Report date:⁴⁸

	2023	2022	2021
Average trade payables (USD millions)	976	1,189	807
Supplier credit days	148	114	100

25. FINANCING AND CREDIT

The Company finances its business activities by means of its equity as well as credit from external sources. The primary external financing is by means of long-term bonds issued by the Company, the balance of which as of December 31, 2023, was approximately USD 1,058 million.

The Company has additional sources of external funding from: (1) long-term credit from banks and related parties, the balance of which as of December 31, 2023 (including current maturities) was approximately USD 706 million, and under the terms such that the Company has undertaken to comply with certain financial covenants vis-à-vis such banks; (2) short-term credit from banks and related parties, the balance of which as of December 31, 2023 (excluding current maturities) was approximately USD 731 million, including commercial securities (non-tradable) that the Company issued, the balance of which as of December 31, 2023, was USD 110 million; and (3) supplier credit. The debt total of the Receivables Financing agreements of approximately USD 356 million as of the end of 2023 is not included in the balance sheets.

As of December 31, 2023, the Company has cash liquidity and cash-equivalent balances amounting to approximately USD 610 million. In addition, as of December 31, 2023, the Company has unused committed credit lines from banks and others of approximately USD 543 million.

⁴⁸ Excluding suppliers of fixed assets.

Long-Term Loans

The average long-term loans of the Company in 2023 amounted to approximately USD 430 million. The following includes average interest rates and long-term loan amounts, broken down by the primary financing currency, for 2023:

	Weighted interest rate on 31.12.2023 (%)	Effective interest rate (%)	December 31, 2023 (USD thousand)
Long-term loans from Banks			
USD	3.24%	3.28%	306,900
Euro	2.09%	2.11%	66,455
Total			373,355
Other long-term Loans			
USD	2.7%	2.73%	50,000
RMB	2.8%	2.83%	282,378
Total			332,378

In the period commencing January 1, 2024, until the publication date of the Report, the Company was extended with approximately USD 100 million in new long-term loans.

Short-Term Loans and Variable Interest Credit

The average short-term loans of the Company in 2023 amounted to approximately USD 794 million. The average interest rate and extent of short-term loans broken down by the primary financing currency, for 2023:

	Weighted interest rate on 31.12.2023 (%)	Effective interest rate (%)	December 31, 2023 (USD thousand)
Short-term loans and credit from Banks			
Overdraft:			
Euro	3.00%	3.05%	9
CAD	7.20%	7.20%	504
Total			513
Short-term credit:			
USD	6.72%	6.95%	655,499
Euro	5.60%	5.76%	826
TRY	52.41%	68.84%	7,059
INR	8.16%	8.50%	60,327
UHA	13.75%	14.74%	1,580
ARS	123.82%	244.23%	4,863
Total			730,154
Short-term loans and credit from Others			
Short-term credit:			

	Weighted interest rate on 31.12.2023 (%)	Effective interest rate (%)	December 31, 2023 (USD thousand)
USD	6.72%	6.95%	410,000
Total			410,000

In the period commencing January 1, 2024, until the publication date of the Report, the Company was extended with approximately USD 20 million new short-term loans.

Bonds issued by the Company

The Company's primary external source of financing is the long-term bonds it has issued. The Company does not have commitments to meet financial covenants with respect to such bonds. For information regarding the bonds issued by the Company, see Note 15 to the Financial Statements and the appendix to the Board of Directors' Report.

Financing Restrictions

Restrictions by virtue of long-term bank credit documents

The financing documents for the long-term bank credit assumed by the Company and its consolidated subsidiaries ("**Finance Documents**") include undertakings by the Company to maintain certain financial ratios ("**Financial Covenants**"), and restrictions relating to changes in control. For further details regarding the restrictions which apply to the Company by virtue of Finance Documents see Note 20 of the Financial Statements.

Restrictions by virtue of the Receivables Financing Facilities

The Receivables Financing Facilities, as amended, include undertakings by the Company to comply with Financial Covenants. For details regarding the Company's Receivables Financing Facility plan and the undertakings to comply with financial covenants thereunder see Notes 4 and 20 of the Financial Statements. In addition to the above, the Company has undertaken, within the framework of the Finance Documents, to meet further terms that, in the opinion of the Company, do not significantly restrict its operations.

As per the Finance Documents and Receivables Financing Facilities, the Company's compliance with the various Financial Covenants is assessed on a quarterly basis, and across the four quarters preceding the assessment date, as the case may be.

As of December 31, 2023, and to the best of the Company's knowledge, the Company complies with all its Financial Covenants and restrictions stipulated by the Finance Documents, and the Receivables Financing Facilities (as amended). Notwithstanding the aforesaid, a deterioration in the Company's results due to the occurrence of an unforeseen event beyond the Company's control or non-materialization of the Company's forecasts may cause the Company to be in non-compliance with the Financial Covenants prescribed in the Finance Documents, or Receivables Financing Facilities.

The Company's Bonds and Credit Rating

See the appendix to the Board of Directors' Report.

Variable Interest Credit

The following includes the range of (stated) interest rates in 2023, and the interest rate for variable-interest loans proximate to the publication date of the Report:

Type of Credit	Currency	Credit amount at December 31, 2023 (in USD thousand)	Variation Mechanism	Interest Rates proximate to Report publication date (%)	Interest Range in 2023 (%)
Long Term Loan	USD	20,500	3 M SOFR	5.33	4.60-5.423
Long Term Loan	EUR	4,922	3 M EUROBOR	3.91	2.16-4.00
Overdraft	EUR	9	3 M EUROBOR	3.91	2.16-4.00
Short Term Credit	USD	655,499	3 M SOFR r	5.33	4.60-5.426
Short Term Credit	INR	60,327	INR	7.29	6.81-7.44
Short Term Credit	TRY	7,059	TRYIbor 3m	47.31	17.24-118.29
Short Term Credit	UHA	1,580	KIEUAH3MD	127.48	67.23-153.75
Short Term Credit	ARS	4,863	ARS	96.68	36.35-127.14

26. TAXATION

Tax Laws Applicable to the Company

The Group develops, purchases, manufactures and markets its products through many companies worldwide. Approximately 97% of the Group's sales in 2023 occurred in global markets outside of Israel. As such, the Group operates through approximately 60 subsidiaries, with each of the Group companies being independent and fulfilling a different role and making a different contribution to the Group's operations and being assessed according to the tax laws in their specific localities, as described below. The Group's effective tax rate could be affected by a significantly different classification or attribution of the proceeds arising from the proportional value of the components of each of the companies in the Group in the various countries, as is recognized in each tax jurisdiction.

The Company is assessed according to the Israeli tax law in accordance with the Income Tax Ordinance (New Version), 5721-1961 (the "**Ordinance**" or the "**Income Tax Ordinance**") and its regulations. The Israeli tax base is territorial and personal, thus applicable to companies defined as Israeli residents as per the provisions of the Income Tax Ordinance and to non-Israeli residents who have income in Israel.

To the best of the Company's knowledge, the foreign subsidiaries held by the Company are controlled and governed outside Israel, and therefore, and pursuant to Section 1 of the Income Tax

Ordinance, are not deemed to be Israeli residents for income tax purposes. *Note that the Israeli and/or foreign tax authorities may not accept the taxation results as generally described in this Section.*

For information regarding the corporate tax rates applicable to the Company in Israel and regarding the tax environment in which the Company operates in Israel, see Note 17 to the Financial Statements.

Israeli taxation of foreign income

Dividends, royalties and interest paid by a foreign company to an Israeli company are generally taxable in Israel. Subject to the provisions of the Ordinance, Israeli taxpayers may be eligible for a foreign tax credit for taxes paid outside of Israel on such income, up to the amount of taxable income.

Transfer prices

As per Section 85a of the Income Tax Ordinance and the Income Tax Regulations (Market Terms Determination), 5767-2006, ("**Transfer Price Regulations**"), a cross-border transaction (in which one of the parties involved is not an Israeli resident), in which the two parties have a "special relationship" as defined therein, is required to be reported in accordance with market conditions and to be taxed accordingly. The Transfer Price Regulations apply to various cross-border transactions, including the various stages of product manufacture to its sale. Rules for ongoing reports have been formulated by virtue of these regulations, and the assessment authorities have also been authorized to demand a market study.

Section 85a and the Transfer Price Regulations adopt the "market conditions" pricing principle by stating that price appropriateness and the terms of cross-border transactions between parties who have a special relationship will be evaluated by comparing them to similar transactions between parties with no such relationship.

Company services or products are priced based on transfer pricing studies conducted to reflect the market price that would have been determined for these services or products were they to be provided to non-group members.

Due to the Group's international activities, taxable income is distributed among many countries with varying tax rates. At the Report date, the various double taxation treaties provide certain benefits on different cross-border income streams amongst the various group members. Different classification or categorization of the proceeds for the value elements of each Group member in the various countries, or of their characteristics, affect the amounts of income accrued and assessed for taxation purposes in each country, and this may indeed have a material effect on the Group's taxation and results. See also the Group Risk Factors in Section 34 of this chapter.

According to the tax laws in countries wherein deferred taxes are recognized, there is, generally, no time limit on the utilization of tax loss carryforwards and of the temporary differences that may be deducted. However, in certain countries there is a time limit on utilization of tax loss carryforwards,

while in other jurisdictions, there is a limit on the level of tax loss carry forwards that may be offset each year (e.g., Brazil, which limits the annual utilization to 30% of taxable income).

Tax Rate

As per the Financial Statements as of December 31, 2023 and Note 17 thereto, in 2023, the Company's pre-tax loss amounted to approximately USD 242 million. For details regarding the theoretical tax expenses considering the statutory tax rate compared to the actual tax expenses see Note 17D of the Financial Statements.

To the best of the Company's knowledge, the statutory corporate tax rates in effect on December 31, 2023 were approximately 28% in Italy; approximately 25% in Spain; approximately 25% in France; approximately 24% in the US; approximately 32% in Germany; approximately 34% in Brazil; and approximately 25% in India. In other countries where the Group operates, the tax rates range between 15% and 40%.

Tax losses which may be used (carried forward) in the following years totaling in approximately USD 632 million as of the balance sheet date, can be realized over a period of several years. The Company's deferred tax asset for accrued losses totals approximately USD 100 million, according to the Company's estimate of a high likelihood for the realization in the upcoming years of the losses regarding which it has a deferred tax asset. The (consolidated) effective tax rate in 2023 was (-5)%. Despite reaching losses before tax, the Company recorded tax expenses in 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.

A portion of the Company's surpluses result from income of Israeli Approved Enterprises and of its foreign subsidiaries. During the fourth quarter of 2022, an election was made to benefit from temporary relief, paying a reduced rate of tax to release the material amount of retained earnings from Approved Enterprises. Irrespective of the above, the Group may be required to pay additional taxation in the case of distribution of dividends by the Group companies. As stated in Note 3N to the Financial Statements, when calculating the deferred taxes, those taxes that may be levied if investments in the consolidated companies are realized were not taken into account, since the Group's policy is to use the majority of the operational surpluses to expand the Group's operations, and, at the time of this Report, the Company intends to hold these investments, and reinvest any surpluses, rather than realize them. For further details, see Note 17 to the Financial Statements.

Tax Assessments

See Note 17F to the Financial Statements.

International Taxation - Pillar 2 Income Taxes

The OECD has published Global Anti-Base Erosion (GloBE) Model Rules (Pillar Two) which aim to ensure that large multinational enterprises pay a minimum level of tax on the income arising in each of the jurisdictions where they operate. The Model Rules provide for a template that jurisdictions can translate into domestic law as part of a common approach to applying top-up taxes on profits arising in a jurisdiction whenever the effective tax rate, determined on a jurisdictional basis in accordance with the Model Rules, is below the minimum rate of 15%. The Group is within the scope of the OECD Pillar Two model rules.

Various countries intend to enact or have enacted tax legislation to either fully or partially comply with Pillar Two, from January 1, 2024. Neither China nor Israel has implemented any part of Pillar 2 as of December 31, 2023 and neither expects to implement the Pillar 2 rules with effect before January 1, 2025.

The Group is in the process of assessing its exposure to Pillar Two, which did not impact the 2023 results but will impact the results from January 1, 2024 onwards. The Group is closely monitoring the legislative developments in each jurisdiction in which it operates.

The Group applies the exception under IAS 12 to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

27. ENVIRONMENTAL RISKS AND REGULATION

The Company is exposed to various environmental risks as a result of its activities, including with regard to air emissions, storage and use of hazardous materials, soil and water contamination, discharge of industrial effluents, and others. As such, the Company's activities are subject to extensive environmental regulation in the different countries in which it has operations. In recent years, the requirements of the environmental laws enforced (or being advanced in the legislative process) have become more stringent, as has the supervision and enforcement of these requirements. The Company expects this trend to continue in the coming years.

The Company holds, as required by laws and regulations, various permits and licenses, such as business licenses, toxins permits, air emissions permits and permits to discharge treated effluents into the sea and rivers. To the best of the Company's knowledge, the Company's environmental permits and licenses are currently valid and in force.

For additional information regarding the risks related to environmental regulation imposed on the Company, see Section 34, "Legislation, standards, regulation and environmental, health and safety exposure" of this chapter.

The Company sees great importance in environmental performance and compliance and invests in time and effort to promote various initiatives in this regard. In addition, the Company has set long-term goals to reduce its carbon footprint, water consumption and hazardous waste including by

voluntarily reporting to ECOVADIS and MAALA, and by publishing an ESG report as detailed below.⁴⁹

As of the date of the Report, there are no material legal and/or administrative proceedings against the Company regarding environmental matters.

Israel

Among the primary environmental laws governing the Company's activities are, *inter alia*, the Abatement of Nuisances Law, 5721-1961; Business Licensing Law, 5728-1968; Water Law, 5719-1959, Prevention of Sea Pollution from Land-Based Sources Law, 5748-1988 ("**Prevention of Sea Pollution from Land-Based Sources Law**"); Hazardous Materials Law, 5753-1993; Clean Air Law, 5768-2008 ("**Clean Air Law**"), and their respective regulations.

The Company continually examines the implications of the environmental laws, taking actions to prevent or mitigate the environmental risks and to reduce the environmental impact that may result from its activities, and investing extensive resources to fulfill those legal provisions that currently, and are further anticipated to, affect it.

Air quality

The Company's plants are subject to air emissions regulations, whether by virtue of the stipulations provided in the business licenses or in the air emissions permits under the Clean Air Law. The Company's plants, which are required to hold air emissions permits, holds valid permits, in force until January 2031.

Discharge of treated effluents into the sea

The Prevention of Sea Pollution from Land-Based Sources Law requires obtaining a permit from the Ministry of Environmental Protection to discharge waste or effluents into the sea from land-based sources. The Adama Agan plant holds such a permit, valid until June 2027. The terms of the new permit are more stringent than the previous permit, as part of the generally more rigorous trend adopted by the Ministry of Environmental Protection in the issuance and terms of permits for discharging into the sea.

Soil and ground water

Hazardous materials are stored and utilized in the Company's plants, together with infrastructures and facilities containing fuels and hazardous materials. The Company takes actions to prevent soil and water pollution by these materials and treats such pollution, if discovered.

The Company's Israeli plants conduct various soil and groundwater testing, monitoring and remediation activities, according to the instructions of the Ministry of Environmental Protection and the Water Authority.

As part of the future planning of the Company, the Company is considering relocating the formulation activities carried out in the Be'er-Sheva plant to the Neot-Hovav plant in the coming years. As such,

⁴⁹ For further information regarding the Company's sustainability activities see Section 31 below.

the Company is coordinating with the Ministry of Environmental Protection as to the cleanup and remediation requirements, according to a plan to be agreed upon. As of the date of this Report, due to the considered relocation of this plant, it is in the stage of conducting soil and groundwater surveys, in coordination with the relevant authorities. Subsequently, the Company will undertake a study of feasible remediation technologies, which will guide the activities when relevant.

Environmental Investments (in Million USD)

	2023	2022	2021
Total investment in environmental facilities, approx.	34	53	41
Current costs (before depreciation), approx.	47	59	54

The Company intends to continue investing in environmental protection, to the extent required and beyond, whether of its own volition or in compliance with contractual commitments, regulatory or legal standards relating to environmental protection, so as to realize its best available policy and comply with any legal requirements. The Company currently expects environmental costs in the years 2024-2026 to total approximately USD 175 million (this is solely an estimation that assumes investment in new facilities, and ongoing maintenance, monitoring and other expenses).

According to the Company's analysis, the primary use of the environmental costs that it incurred in the period of this Report was for the investment in the prevention and mitigation of future environmental damage. For more information regarding the Company's approach to sustainability, see also Section 31 below.

The Company's estimates concerning the amount of environmental-related investments constitutes forward-looking statements based on the Company's budget and operating plans. The Company's estimates regarding the amount of projected environmental investment may not materialize, whether in whole or in part, due to factors that are beyond the Company's control, including changes to the regulatory requirements applicable to the Company and other events including those resulting from realization of the Company's risk assessments, as described in Section 34 of this Report.

Brazil

Adama Brazil - the Group's subsidiary in Brazil - operates two main plants: the larger one, is near Taquari, and the other is in Londrina, both in southern Brazil. To the best of the Company's knowledge, as of the Report date, no environmental permits or licenses held by Adama Brazil have been revoked.

Adama Brazil invests in safety and ecological facilities in its two plants, further conducting independent environmental tests to ensure its compliance with its licenses, testing of the surrounding groundwater and monitoring atmospheric emissions through advanced technological means. Periodic testing of the atmospheric emissions and water sources are performed to prove that the

facilities meet the requirements set forth by the state Ministry of Environment.

As part of its policy of ecological process improvement, Adama Brazil also invests in remediation, changes in production processes, establishment of effluents facility, as well as in byproduct storage and recycling. Adama Brazil is also a member of an organization comprised of a group of companies that take action to treat and dispose of empty used crop protection packaging.

Corporate Policy

The Company attributes great importance to protecting the environment, out of a sense of responsibility to society and the environment, and strives to meet the relevant regulatory requirements and to even go beyond mere compliance, engaging in constant dialogue with stakeholders, including the authorities and the community. Adama Makhteshim, Adama Agan and Adama Brazil are certified under Environmental Management Regulations (ISO 14001) and Industrial Safety and Hygiene Management (ISO 45001).

The Company has significantly enlarged its safety and environmental teams in order to meet the enhanced regulatory and sustainability requirements, while corporate, regional and site levels employees have been appointed as responsible for these matters. The Company has an HSE (Health, Safety and Environment) policy, covering occupational safety process safety and environmental guidelines. In addition, the Company holds a sustainable procurement policy with a suppliers' code of conduct, extending the Company's responsibility for environmental impact along with the products' life cycle. The Company monitors energy and water consumption and has established a reduction goal for each one, and also operates a plastic recycling centers to extend the life cycle of packaging materials. The Company further voluntarily reports environmental and sustainability performance to local and global rating agencies, e.g., ECOVADIS and MAALA.

The Company is insured against sudden, unexpected events of environmental pollution in Israel and overseas. The Company believes, based on the advice of its insurance consultants, that the scope of insurance coverage for such events is appropriate.

The information concerning expected environmental-related investments, future requirements of authorities, implications of legislation, completion and relocation of facilities (including the considered relocation of the formulation activities carried out in the Be'er-Sheva plant to the Neot-Hovav plant) and deadlines expected to be met as detailed in this section constitutes forward-looking statements as defined in the Securities Law, and thus may not materialize, whether in whole or in part, or may materialize in a manner different than expected by the Company, as it essentially relies on Company estimates and expectations, based on past experience and subjective assessments. These assessments may change, in whole or in part, from time to time, inter alia due to developments in the Company's area of operations and regulatory changes regarding environmental matters. There is, therefore, no certainty that the Company's intentions will be realized, or its strategy implemented.

28. RESTRICTIONS AND REGULATORY ARRANGEMENTS

As an integral part of the Company's business activities, it is subject to certain legal and regulatory controls. The following is a summary of the main legal and regulatory restrictions and arrangements relevant to the Company's operations:

- **Registration of active ingredients, formulated products and dietary supplements** - The Company's operations involve the production and marketing of active ingredients and crop protection chemical substances. Producing and marketing these products and materials requires undergoing a statutory registration and/or approval process. See Section 15 above for details.
- **Environmental laws and related quality standards** - The Company's operations involve chemical-industrial processes and are therefore subject to certain environmental laws and related quality standards. See Section 27 above for details.
- **Crop protection laws** - The Company's products manufactured or sold in Israel must be registered according to the Crop Protection Law, 5716-1956, and its related regulations. The purpose of the registration requirement of the Company's products is to protect public health and the environment from potential adverse effects of certain substances contained in crop protection products.
- **Business licenses** - All Company plants require business licenses in their respective locations.
- **Quality control** - Adama Makhteshim, Adama Agan and Adama Brazil qualify for the ISO 9002 quality control standard, which specifies uniform production process standards, as well as overseeing all ancillary processes. Moreover, Adama Makhteshim, Adama Agan and Adama Brazil qualify for the Occupational Health and Safety Standard (ISO 45001).
- **The Law for the Encouragement of Capital Investments** - The provisions of the Law for the Encouragement of Capital Investments and its related regulations, as well as approvals granted for the Company's various investments. For further information, see Note 17 of the Financial Statements.
- **The Israel Land Authority** - Approximately 90% of Israel's real estate is owned by the government of the State of Israel through of the Israel Land Authority ("**ILA**"). Most of the lands on which the Company's Israeli plants are located are leased from the ILA on a long-term basis. Hence, the rights to these lands and related transactions are subject to contractual provisions and regulations regarding change of land designation and land usage rights. Accordingly, the Group may be required to bear certain payments to the ILA.

29. MATERIAL AGREEMENTS

- See Section 24 of this chapter for information regarding the Receivables Financing Facility for the securitization of customer receivables.
- See Section 25 of this chapter for information regarding the Company's debentures.

30. COLLABORATION AGREEMENTS

- The Company has a large number of collaboration agreements with leading multinational companies for the development of product registration data and their submission to relevant regulatory authorities, none of which is material to the Company.
- For details regarding the collaboration of the Company with the Syngenta Group Companies, see Sections 1 and 33.

31. SUSTAINABILITY

ADAMA Group has been engaged for more than a decade in an ongoing commitment to accountability and transparency regarding its operations and business, led by Head of Global Sustainability and Corporate Affairs, embedding the Company's sustainability strategy through a Company-wide Sustainability Network that promotes sustainability throughout the Company's operation regions.

During 2023, the Company published its ESG report for 2022 on a designated website⁵⁰, reflecting its activities and improvements that are the outcome of a long-term investment. The ESG report provides meaningful insights into the challenges and opportunities the Company faces in being not only a global supplier of crop protection products, solutions, and services, but one that aims to bolster food security in a world where populations are rising, resources are dwindling, and energy demands are increasing.

In the report, the Company shares how it integrates sustainability into its business and operations to create long-term value for all the Company's stakeholders: customers, people, communities, shareholders, and society at large.

In addition, the Company adheres to corporate governance principals to ensure checks and balances in the conduct of its affairs, among others, the Company enforces a code of conduct that applies to its people and stakeholders and has adopted internal enforcement programs in several relevant fields of activity.

⁵⁰ as well as by means of an immediate report dated July 26, 2023 (ref: 2023-01-070333)

32. LEGAL PROCEEDINGS

For information about the pending material legal proceedings and material legal proceedings which have concluded as of the date of the Report, see Note 19D to the Financial Statements.

33. THE COMPANY'S GROWTH STRATEGY

The Company strives to be a global leader in the Crop Protection industry, and intends to achieve this aim by execution of the following strategies:

- **Utilize the Company's Differentiated Offering to Strengthen and Grow its Market Position.**

The Company aims to drive the growth of its business through effective commercialization of differentiated, high quality products that meet farmers' needs efficiently. To that end, the Company leverages its extensive R&D and registration capabilities to provide unique yet simple solutions to farmers. In addition, the Company adds value by enhancing the functionality and efficacy of the industry's most successful and commercially proven molecules, by developing new and unique mixtures and formulations. These new products are designed to provide farmers with better solutions to the challenges they face, including weeds, insects and disease, increasing resistance and insufficient pest control related to the use of genetically modified seeds.

Aiming to provide distinct and value-adding benefits to farmers and enhance the sustainability of its business, in addition to its ongoing efforts to expand existing product registrations to additional crops and regions, a key portion of the Company's strategy involves the deliberate shift of its product offering towards more innovative and value-added solutions. Such solutions include higher-margin, higher-value and more complex off-patent products, unique mixtures and formulations as well as innovative, novel products that are protected by patents and other intellectual property rights. As evidence of this effort, the Company has significantly increased the proportion of unique mixtures and formulations in its R&D pipeline over the last several years. Over the coming years, as this shift towards more differentiated and innovative solutions starts to be reflected in the Company's commercial offering, it is expected to be a significant driver of growth in profitability. In furtherance of this strategy, while identifying the most compelling and attractive future opportunities in strategic market segments in the global crop protection market, the Company adopted a strategic product development plan, named the "Core Leap". For details regarding the "Core Leap" strategy, see Section 9 above.

- **Commitment to China.** The Company is striving to become a leading global crop protection company in China, both commercially and operationally.

China is currently the third largest, and one of the fastest growing, agricultural markets in the world. Moreover, in recent decades, China has become the leading manufacturing center for the global crop protection industry – from the sourcing of raw materials and chemical intermediates to the synthesizing of active ingredients and the formulation of finished products.

The Company intends to utilize its positioning under ADAMA Ltd. and status in China and its close collaboration with Syngenta Group, to increase its commercial activity in the country. The Company's commercial teams are working closely with ADAMA Ltd.'s teams and through this, the Company has access to an operational infrastructure and commercial foundation upon which a leading Chinese domestic distribution network has been built, and which the Company believes will make it one of the global crop protection providers with access to a sizable, integrated commercial and operational infrastructure both within and outside of China.

Through the combination with ADAMA Ltd. and the collaboration with the Syngenta Group Companies, the Company aims to achieve cost savings and efficiencies through the vertical integration of manufacturing and formulation together with global supply chain and logistics capabilities. In addition, the Company's global R&D efforts are supported by the R&D center in Nanjing that services the Company's expanded product development needs and enable the introduction of advanced technologies into China and globally.

The Company expects that its unique positioning and profile in China, including the relationship with ADAMA Ltd., Syngenta Group and SinoChem Holdings, should establish it as a partner of choice for companies outside China seeking to access the Chinese domestic market, as well as for Chinese companies looking to expand their global footprint.

- **Collaboration with Syngenta Group Companies.** The Company has engaged with Syngenta Group Companies in collaboration agreements for the sale and distribution of finished products, raw materials supply, joint ventures in the fields of procurement, logistics, production and supply chain as well as in the R&D and products' registration fields, in order to reduce costs, to improve processes and to increase the Company's sales. Such collaborations have and are expected to continue to generate meaningful additional benefits for the Company as well as Syngenta Group. For further details regarding Syngenta Group, see Sections 1 and 13 above.
- **Continue to Strengthen Position in Emerging Markets.** In addition to developing its China commercial and operational platform, the Company enjoys strong and leading positions in key emerging agricultural markets in Latin America, India, Asia and Eastern Europe, with over half of its global sales deriving from these markets. Over the last several years, in order to establish and strengthen direct market access and distribution capabilities in these markets, the Company has made acquisitions in Chile, France, Greece, Paraguay, Peru, Romania, New Zealand, China and the US. Similarly, the Company has a direct go-to-market strategy in many high-growth markets around the world, leveraging a direct sales force and driving demand at the retail and farmer level. The Company intends to continue to invest in its growth in the key emerging markets where it believes there is high growth potential. The Company's strong global platform and leading commercial infrastructure in such markets should allow it to capitalize on worldwide growth opportunities and continue to drive its profitable growth.

- **Grow Revenues and Increase Profitability.** The Company believes that it has the capacity and operational leverage to increase profitability through the focused execution of its strategy within the framework of prudent working capital management. The Company is aiming to increase its revenues and margins consistently over time as it shifts to a more differentiated, higher-margin product portfolio and continues to strengthen its product pipeline with a significant number of higher added-value products, based on AIs with recently expired patents, unique mixtures and formulations, as well as innovative and patent protected products. The Company believes that its unique connection to manufacturing sources in China will, over time, lower costs and improve manufacturing efficiency and distribution logistics and reduce inventory requirements in many markets worldwide.

In recent years, the Company has focused on growing and improving its business, infrastructure and brand. Other than investments with respect to the ongoing development of its China and Israel operations, the Company believes that its existing global infrastructure is largely of sufficient scale to support higher revenues, allowing it to enjoy economies of scale and continually improve profitability over time.

- **Continue to Capitalize on the Global Portfolio Integration and Rebranding Initiative.** In 2014 the ADAMA brand was launched, integrating dozens of legacy brands across the globe to form a single, streamlined sales and distribution entity under a unified brand name. In 2019, following extensive farmer and customer research in 13 major markets, the Company further evolved its brand, creating a unique and compelling brand story that elevates ADAMA's distinct entrepreneurial and agile culture; increases its relevance to its customers (channel partners and growers); and further differentiates the Company from key competitors. The evolved brand positioning, known as "Listen, Learn, Deliver", focuses on a process of listening to customer needs, bringing insights from the field and combining them with the extensive know-how and experience of the Company; and delivering solutions that meet local farmer and customer pain points. The Core Leap strategy discussed above provides the platform needed to create distinct mixtures and formulations based on farmer needs. With this new brand positioning the Company is investing in platforms to ensure ongoing and intimate farmer and customer interactions which will provide the source for future product and solution ideation.
- **Opportunistically Pursue Acquisitions to Enhance Market Access and Strengthen the Product Portfolio.** Throughout its history, the Company has successfully completed and integrated several add-on acquisitions across the globe. The Company intends to continue to pursue bolt-on acquisitions, in-licensing agreements and joint ventures that offer attractive opportunities to enhance its market access and position, as well as strengthen and further differentiate its product portfolio.

The strategy and objectives detailed in this section include forward-looking statements as defined

in the Securities Law, and are based on the Company management's assessments and rely on its accumulated experience with economic (global, local and industry-specific), technological, social and other developments, as well as estimates of the effects of each development on the others. Hence, these aforementioned developments may change or not materialize, in whole or in part, or materialize in a manner different than anticipated by the Company, from time to time, inter alia, due to developments in the markets where the Company operates, its area of operations and the demand for its products. There is therefore no certainty that the Company's intentions will be realized or that its strategy will be successfully implemented. In such eventualities, the Company's management will review the strategy detailed above and its main objectives and assess its compatibility with future developments.

34. RISK FACTORS

The Company believes that it is exposed to several major risk factors, resulting from its economic environment, the industry and the Company's unique characteristics, as described below (the order below does not indicate priority):

Macroeconomic Risk Factors

Exchange rate fluctuations

The Company reports its consolidated financial statements in USD, which is its functional currency, while its operations, sales and purchases of raw materials are carried out in various currencies. Therefore, fluctuations in the exchange rates of the selling currencies against the purchasing currencies impact the Company's results. In the Company's assessment, the Group's most significant currency exposures are to the Euro, the Israeli Shekel and the Brazilian Real. The Company has lesser exposures to other currencies. The strengthening of the US dollar against the other currencies in which the Company operates reduces the dollar value of the Company's sales and vice versa.

On an annual basis, approximately 24% of the Company's sales are to the European market and therefore the impact of long-term trends on the Euro may affect the Company's results and profitability in US dollar terms.

Analyses of currency exposure from foreign currency exchange rate fluctuations against assets, liabilities and cash flow denominated in foreign currencies are performed constantly. High volatility in the exchange rates of these currencies could increase the costs of transactions to hedge against currency exposure, thereby increasing the Company's financing costs.

The Company uses commonly accepted financial instruments to hedge most of its substantial net balance sheet exposure to any particular currency. However, since the Company hedges against

most of its balance sheet exposure but only against part of its economic exposure, exchange rate volatility might impact the Company's results and profitability. As of the date of publication of this Report, the Company has hedged most of its balance sheet exposure.

In addition, as the Company's product sales depend directly on the cyclical nature of the agricultural seasons, the Company's income and its exposure to the various currencies is not evenly distributed over the year. Countries in the northern hemisphere generally have similar agricultural seasons and therefore, in these countries, the highest sales are usually during the first half of the calendar year. During this period, the Company is most exposed to the Euro. In the southern hemisphere, the seasons are generally the opposite and most of the local sales are carried out during the second half of the year. During these months, most of the Company's exposure pertains to the Brazilian Real.

Exposure to interest rate, CPI and NIS exchange rate fluctuations

The debentures issued by the Company are denominated in Israeli Shekel and linked to the Israel Consumer Price Index ("CPI"). As such, an increase in the CPI and/or an appreciation of the shekel exchange rate against the dollar might lead to an increase in the Company's financing expenses. In addition, high volatility of the exchange rate of USD/NIS and expectations of material changes in the inflation rate, may increase the costs of hedging transactions on currency exposure, and as a result, may lead to a further increase in the company's financing costs. As of the date of approval of the financial statements, the Company has hedged most of its exposure to these risks on an ongoing basis, through CPI hedging, and dollar-shekel exchange rate hedging transactions. For further details regarding the Company's hedging policy, see Note 3 of the Financial Statements.

In addition, inflation in several global markets has a cross effect on the business results of the Company, since on one hand, it contributes to the Company's ability to increase the sale price of its products, but on the other hand, it may increase the Company's production costs and operating expenses. As of the date of the Report, the Company is unable to isolate the influence of inflation on its sale prices and its costs. The Company estimates that the cumulative cross influence of inflation does not have a material effect on to its financial results.

Since December 31, 2021, the Company have had dollar denominated liabilities bearing variable London Interbank Offered Rates (LIBOR) interest. As a result, the Company was exposed to changes in the US dollar LIBOR interest rate. The Company prepares a quarterly summary of its exposure to changes in the relevant interest rate benchmarks (which replaced the LIBOR interest rate) and periodically examines hedging the variable interest rate by converting it to a fixed rate. As part of the global reform in interest rate benchmarks, the phasing out of LIBOR (the so-called LIBOR fallback) was scheduled for the end of 2021. As of January 1, 2022, three global interest rate benchmarks has transitioned to alternative risk-free rates while replacing the former benchmark LIBOR: SOFR (USD), ESTR (EUR) and SONIA (GBP). As of the date of approval of the financial

statements, the Company has not carried out hedging for such exposure, since around 85% of the Company's outstanding long-term loans are with fixed rate. In any event, as of the date of the Report, the phasing out of LIBOR does not have a material effect on the Company's business.

In addition, the effect of interest changes on the debt that serves the Company's working capital is seasonal, bears a variable interest, and without material effect on the financing expenses. Thus, the net effect of such increase of interest is not material to the Company's activity.

The Company maintains internal documentation regarding the designation of financial instruments for exposures, reflecting the link between the instruments and the exposure. At least once every quarter, the Company's Board of Directors and its Financial Statements Review Committee discuss the Company's exposure to market risks and the actions taken by the Company's management in this regard. The Company's management examines the control procedures on an ongoing basis and updates them according to the scope of operations and the risk arising from these operations.

Business operations in emerging markets

The Company conducts business - primarily product sales and raw material procurement - *inter alia*, in emerging markets such as Latin America, particularly in Brazil which is the largest single country market in which the Company operates, Eastern Europe, Southeast Asia and Africa. The Company's activity in emerging markets is exposed to risks typical of those markets, including: political and regulatory instability; volatile exchange rates; economic and fiscal instability and frequent revisions of economic legislation; relatively high inflation and interest rates; terrorism or war; restrictions on import and trade; differing business cultures; uncertainty as to the ability to enforce contractual and intellectual property rights; foreign currency controls; governmental price controls; restrictions on the withdrawal and free transfer of money from the country; barter deals, potential entry of international competitors and accelerated consolidations led by large competitors in these markets. Developments in these regions may have a significant effect on the Company's operations. Distress to the economies of these markets could impair the ability of the Company's customers to purchase its products or the ability to market them at international market prices, as well as harm the Company's ability to collect customer debts, in a way that could have a significant adverse effect on the Company's operating results.

The Group's operations in multiple regions allows for the diversification of such risks and for the reduction of its dependency on any particular country. In addition, changes in regulatory requirements or customers' preferences in developed western countries, which may limit the use of raw materials purchased from emerging economies, may require adaptations by of the Company's procurement organization, which might negatively affect its profitability for a certain period.

Industry Risk Factors

Operating in a competitive market

The crop protection industry is highly competitive. Currently, seven multinational companies, including the Company, lead the global industry. Five of these - Bayer, Syngenta, Corteva, BASF and FMC, are Originator Companies, which develop, manufacture and market both patent-protected as well as off-patent products. The Company competes with the original products with the aim of maintaining and increasing its market share. For details regarding the Company's competitive advantages see Section 13 of this chapter.

The Originator Companies possess resources enabling them to compete aggressively, in the short-to-medium term, on price and profit margins, so as to protect their market share. Loss of market share or inability to acquire additional market share from the Originator Companies can affect the Company's position in the market and adversely affect its financial results.

Similarly, the Company also competes in the more decentralized off-patent segment of the market, against other off-patent companies and smaller-scale Originator Companies, which have significantly grown in number in recent years and are materially changing the face of the crop protection industry, the majority of whom have not yet deployed global distribution networks and are only active locally. These companies often price their products aggressively and at times have lower profit margins than the Company, which may adversely impact the Company's sales and product prices. The Company's ability to maintain its revenues and profitability from a specific product in the long term is affected by the number of companies producing and selling comparable off-patent products and the timing of their entrance to the relevant market.

Any delay in developing or obtaining registrations for products and/or delayed penetration into markets and/or growth of competitors that focus on off-patent active ingredients (whether by the expansion of their product portfolio, granting registrations to other manufacturers (including manufacturers in China and India) to operate in additional markets, transforming their distribution network to a global scale or increasing the competition for distribution access), and/or difficulty in purchasing low cost raw materials, may harm the Company's sales, affect its global position and lead to price erosion. For further information about competition in the Company's main area of activity, see Section 13 of this chapter.

Decline in scope of agricultural activities; Climate change and exceptional changes in weather conditions

The scope of general agricultural activities worldwide may be negatively affected by many exogenous factors, some resulting from climate change, including but not limited to extreme weather conditions, natural disasters, a decrease in agricultural commodity prices, government policies and the economic condition of farmers. A material decline in the scope of agricultural activities would by necessary implication cause a decline in the demand for the Company's products, erosion of its

prices and collection difficulties, which may have a significant adverse effect on the Company's results. Extreme weather conditions, both chronic and acute, as well as other damages caused by nature may have an impact on the demand for the Company's products, as well as to price thereof. For example, drought may reduce the need for fungicides, which could result in fewer sales and greater unsold inventories in the market, whereas excessive rain could lead to increased plant disease or weed growth requiring growers to purchase and use more crop protection products. Drought and/or increased temperatures may change insect pest pressures, requiring growers to use more, less, or different insecticides. Climate change may increase the frequency or intensity of extreme weather such as storms, floods, heat waves, droughts and other events that could affect the demand for the Company's products. The Company believes that should extreme weather conditions or a number of such bad seasons occur in succession, without favorable seasons in the interim, its results may sustain significant harm.

Environmental, health and safety legislation, standards, regulation and exposure

Many aspects of the Company's operations are strictly regulated, including in relation to production and trading, and particularly in relation to the storage, treatment, manufacturing, transport, usage and disposal of its products, their ingredients and byproducts, some of which are considered hazardous. The Company's activities involve hazardous materials, as defined in the Hazardous Materials Law, 5753-1993. Defective storage or handling of hazardous materials may cause harm to human life or to the environment in which the Company operates. The regulatory requirements regarding the environment, health and safety could, *inter alia*, include soil and groundwater clean-up requirements; as well as restrictions on the volume and type of emissions the Company is permitted to discharge into the air, water and soil.

The regulatory requirements applicable to the Company vary from product to product and from market to market and tend to become stricter with time. In recent years, both government authorities and environmental protection organizations have been applying increasing pressure, including through investigations and indictments as well as increasingly stricter legislative proposals and class action suits related to companies and products that may potentially pollute the environment. Compliance with these legislative and regulatory requirements and protection against such legal actions requires the Company to commit considerable human and financial resources (both in terms of substantial ongoing costs and in terms of material one-time investments) to meet mandatory environmental standards. In some instances, this may result in delaying the introduction of products into new markets or in adverse effects on the Company's profitability.

In addition, the toughening, material alteration or revocation of environmental licenses or permits, or their stipulations, or the inability to obtain such licenses and permits, may significantly affect the Company's ability to operate its production plants, which in turn may have a material adverse effect on the financial and business results of the Company. The Company may be required to bear

significant civil liabilities (including due to class actions) or criminal liabilities (including high penalties and/or high compensation payments and/or costs of environmental monitoring and rehabilitation), resulting from violation of environmental, health and safety regulations, while some of the existing legislation may impose "strict liability" regime on the Company, *i.e.* the Company will be held liable regardless of proof of negligence or malice.

While the Company invests material sums in adapting its facilities and in constructing special facilities in accordance with environmental requirements, it is currently unable to assess with any certainty whether these investments (current and future) and their outcomes may satisfy current or future requirements, should these be significantly increased or changed. In addition, the Company is unable to predict with any certainty the extent of future costs and investments it may incur in order to meet the requirements of the environmental authorities in Israel or in other countries in which it operates since, *inter alia*, the Company is unable to estimate the extent of potential pollutions, their duration, the extent of the measures required to be taken by the Company in handling them, the division of responsibility among other parties and the amounts recoverable from third parties.

Furthermore, the Company may be the target of bodily injury claims and property damage claims caused by exposure to hazardous materials, which are largely covered under the Company's insurance policies.

In addition, regarding products that are exported to Europe, the Company may be subject to the EU Carbon Border Adjustment Mechanism (CBAM). As of this date, the Company is unable to estimate the exact costs of compliance with the CBAM, *inter alia*, due to market conditions of uncertainty in Israel regarding carbon taxation.

Legislative standard and regulatory changes in product registration

Most of the substances and products marketed by the Company require registration at various stages of their development, production, import, utilization and marketing, and are also subject to strict regulatory supervision by the regulatory authorities in each country. Compliance with the regulatory requirements that vary from country to country, and which are becoming more stringent with time, involves significant time and costs, and rigorous compliance with individual registration requirements for each product. Noncompliance with these regulatory requirements might materially adversely affect the Company's expenses, cost structure and profit margins, as well as penetration of its products in the relevant market, and may even lead to suspension of sales of the relevant product, and recall of those products already sold, or to legal action. Moreover, to the extent new regulatory requirements are imposed on existing registered products (requiring additional investment or leading to the existing registration's revocation) and/or the Company is required to compensate another company for its use of the latter's product registration data, these might amount to significant sums, considerably increasing the Company's costs and adversely affecting its results and reputation. In recent years the industry has been suffering from revocation of registration for many

products around the world. This trend is particularly evident in European countries as well as in many other countries worldwide.

Nevertheless, the Company believes that, in countries where the Company maintains a competitive edge, any toughening of registration requirements may actually increase this edge, since this will make it difficult for its competitors to penetrate the same market, whereas in countries in which the Company possesses a small market share, if any, such toughening may make further penetration of the Company's products into that market more difficult. See Section 15 of this chapter for further information on product registration.

Product liability

Product and producer liability are a risk for the Company. Regardless of their prospects or actual results, product liability lawsuits might involve considerable costs as well as tarnish the Company's reputation, thus potentially impacting its profits. The Company has a third-party and defective product liability insurance cover of up to USD 300 million in aggregate annual damages. However, there is no certainty that the scope of insurance cover is sufficient. Any future product liability lawsuit or series of lawsuits could materially affect the Company's operations and results, should the Company lose the lawsuit, or should its insurance cover not suffice or apply in a particular instance. In addition, while the Company has not currently encountered any difficulty renewing such insurance policy, it is possible that it will encounter future difficulties in renewing an insurance policy for third party liability and defective products on terms acceptable to the Company.

Successful market penetration and product diversification

The Company's growth and profit margins are affected, *inter alia*, by the extent of its success in developing differentiated products and obtaining registrations for them, so as to enable it to gain market share prior to its competitors. Generally, being the first to launch a certain off-patent product affords the Company continuing advantage, even after other competitors penetrate the same market. As such, the Company's revenues and profit margins from a certain new off-patent product could be materially affected by its ability to launch such product ahead of the launch of a comparable product by its competitors.

Should new products fail to meet registration requirements in the different countries or should it take a long period of time to obtain such registrations, the Company's ability to successfully introduce a new product to the relevant market in the future may be affected, since entry into the market prior to other competitors is important for successful market penetration. Furthermore, successful market penetration involves, *inter alia*, product diversification in order to suit each market's changing needs. Therefore, if the Company fails to adapt its product mix by developing new products and obtaining the required regulatory approvals, its future ability to penetrate that market and to maintain its existing market share could be affected. Failure to introduce new products to given markets and meet Company objectives (given the considerable time and resources invested in their development

and registration) might affect the sales of the product in question in the relevant market, the Company's results and margins.

Intellectual property rights of the Company and of third parties

The Company's ability to develop off-patent products is dependent, *inter alia*, on its ability to oppose patents or patent applications of Originator Companies or other third parties, or to develop products that do not otherwise infringe intellectual property rights (in a manner that may involve significant legal and other costs). Originator Companies tend to vigorously defend their products and may attempt to delay the launch of competing off-patent products by registering patents on slightly different versions of products for which the original patent protection is about to expire or has expired, with the aim of competing against the off-patent versions of the original product. The Originator Companies may also change the branding and marketing of their products. Such actions may increase the Company's costs and the risk it entails, and harm or even prevent its ability to launch new products.

The Company is also exposed to legal claims that its products or production processes infringe on third-party intellectual property rights. Such claims may involve time, costs, substantial damages and management resources, impair the value of the Company's brands and its sales and adversely affect its results. Such lawsuits that were concluded involved non-material amounts.

Furthermore, although the Company protects its brands and trade secrets with patents, trademarks and other methods of intellectual property protection, these protective means may not be sufficient for fully safeguarding its intellectual property. Any unlawful or other unauthorized use of the Company's intellectual property rights could adversely affect the value of its intellectual property and reputation. In addition, the Company may be required to take legal action involving financial costs and resources to safeguard its intellectual property rights.

Fluctuations in raw material inputs and prices, and in sales' costs

Approximately 75%-80% of the Company's cost of sales derives from raw material costs. Hence, significant increases or decreases in raw material costs affect the cost of goods sold, and are, due to the length of the Company's inventory cycle, generally reflected in the Company's financials a number of months following such cost fluctuation. Most of the Company's raw materials are distant derivatives of oil prices and therefore, extreme changes in oil prices may affect the costs of raw materials, although only partially.

To reduce exposure to fluctuations in the prices of raw materials, the Company customarily engages in long-term purchase contracts for key raw materials, wherever possible. Similarly, the Company acts to adjust its sales prices, wherever possible, to reflect the changes in the costs of raw materials.

As of the date of approval of the financial statements, the Company has not engaged in any hedging transactions against increases in oil and other raw material costs.

Exposure due to recent developments in the genetically modified seeds market

Any significant development in the market of genetically modified seeds for agricultural crops, including as a result of regulatory changes in certain countries currently prohibiting the use of genetically modified seeds, and/or any significant increase in the sales of genetically modified seeds and/or to the extent new crop protection products are developed for further crops that would be widely used (substituting for traditional products), will affect demand for crop protection products, requiring the Company to respond by adapting its product portfolio to the new demand structure. Consequently, to the extent that the Company fails to adapt its product mix accordingly, this may reduce demand for its products, erode their sales price and by implication affect the Company's results and market share.

Nevertheless, the fact that the Company itself markets some of the products for which herbicide tolerance traits have been developed, acts to mitigate this exposure (albeit only in terms of marketing margins).

In addition, natural and/or biological substances that attack weeds, pests and diseases are potential alternatives for the Company's products, though as of the date of the Report, their efficiency is relatively limited, and they are commercialized in relatively small volumes.

Operational risks

The Company's operations, including its manufacturing activities, rely, *inter alia*, on state-of-the-art computer systems. The Company continually invests in upgrading and protecting these systems from malfunctions and attack. Any unexpected failure of these systems, as well as the integration of new systems, could involve substantial costs and adversely affect the Company's operations until completion of the repair or integration. The potential occurrence of a substantial failure that cannot be repaired within a reasonable time frame may also affect the Company's operations and its results. Currently, the Company has a property and loss-of-profit insurance policy in the scope of approximately USD 2 billion in aggregate annual damages.

As detailed in Section 22 above, the Company's production capacity is affected, among others, by its facilities' output and individual area and time allocation at full capacity. The Company's Multi-purpose facilities provide manufacturing flexibility and enable the Company to prepare for the manufacturing of new products. Although the Company believes that its existing sites have sufficient facilities and land areas to expand its production capacity, if necessary, in the case of immediate or short-term increases in demand for new products supply may be delayed due to lack of capacity to meet demand for such new products.

Data protection and cyber security

During its activity, the Group may be exposed to risks and threats, related to the stability of its information technologies systems, data protection and cyber security, which could appear in many

different forms (such as service denial, misleading employees, malfunction, encryption or data erasing and other cyber-attacks via E-mail or malicious software). An attack on such computerized systems, mainly network based systems, may cause the Group material damages and expenses and even partial suspension and disruption of their proper functioning. In order to minimize the abovementioned risks, the Group invests resources in its technological resilience and in proper protection of its systems. The Company maintains cyber security insurance policy, which is subject to certain loss limits, deductions and exclusions. Therefore, the Company can provide no assurance that all losses related to a cyber security incident will be covered under its policy.

Unique Risk Factors

Raw material supply and/or shipping, port service disruptions and inventory

Lack of raw materials or other inputs utilized in the manufacture of the Company's products may prevent the Company from supplying its products or significantly increase production costs. Moreover, the Company imports raw materials to its production facilities in Israel and/or abroad, from where it then exports the technical or formulated products to its subsidiaries around the world for formulation and/or commercialization purposes. Disruptions in the supply of raw materials from regular suppliers may adversely affect operations until an alternative supplier is engaged. If any of the Company's suppliers are unable to supply raw materials for a prolonged period, including due to ongoing disruptions and/or prolonged strikes and/or infrastructure defects in the operating of a relevant port, and if the Company is unable to engage with an alternative supplier at similar terms and in accordance with the relevant product registration requirements, this may adversely affect the Company's results, significantly affect its ability to obtain raw materials in general, or obtain them at reasonable prices, as well as limit its ability to supply the products and/or meet customer supply deadlines. These might negatively affect the Company, its finances and operating results. In order to reduce this risk, it is the Company's practice to occasionally adjust the volume of its product inventories, or in certain scenarios, to increase the levels of inventory held by the Company to overcome possible supply shortages, logistic challenges and increases in cost of inventory, as mentioned above, in order to support expected future sales. Additionally, in the case of fluctuations in the market prices for inventory held by the Company, this may affect its finances and operating results. In addition, war, regional conflicts, acts of terror and/or governmental instability around the world may negatively impact the Company's operations. This may result, among others, in the suspension of operations or the shutdown of affected facilities, hence causing production and distribution delays, loss of property, injury to employees, and increased insurance premiums.

Failed mergers and acquisitions; difficulties in integrating acquired operations

The Company's strategy includes growth through mergers, acquisitions, investments and collaborations designed, to expand its product portfolio and deepen its presence in certain geographical markets.

Growth through mergers and acquisitions requires assimilation of acquired operations and their effective integration in the Group, including realization of certain forecasts, profitability, market conditions and competition.

Failure to successfully implement the above and/or non-realization of the relevant forecasts may result in not achieving the incremental value forecasted, loss of customers, exposure to unexpected liabilities, reduced value of the intangible assets included in the merger or acquisition as well as the loss of professional and skilled human resources.

Production concentration in limited plants

A large portion of the Company's production operations is concentrated in a relatively small number of locations. Natural disasters, hostilities, labor disputes, substantial operational malfunction or any other material damage might significantly affect Company operations, as a result of the difficulty, the time and investment required for relocating the production operation or any other activity.

International taxation

Approximately 97% of the Company's sales are in markets outside Israel, through several subsidiaries worldwide. These individual companies are assessed in accordance with the tax laws effective in each respective location. The Group's effective tax rate could be affected by a significantly different classification or attribution of the proceeds arising from the proportional value of the components of each of the companies in the Group in the various countries, as is recognized in each tax jurisdiction; changes in the characteristics (including regarding the location of control and management) of these companies; changes in the breakdown of the Company's profits into regions where differing tax rates apply; changes in statutory tax rates and other legislative changes; changes in assessment of the Company's deferred tax assets or deferred tax liabilities; changes in determining the areas in which the Company is taxed; and potential changes in the Company's organizational structure.

Changes in tax regulations and the manner of their implementation, including with regard to the implementation of BEPS (specifically Pillar 2, as defined above), may lead to a substantial increase in the Company's applicable tax rates and have a material adverse effect on its financial position, results and cash flows.

For further information and for listing of the tax laws applicable to the Company, see Section 26 of this chapter.

Risks arising from the Company's debt

The Company finances its business operations by means of its own equity and loans from external sources (primarily traded debentures, bank credit and credit from related parties). The Company's main source for servicing the debt and its operating expenses is by means of the profits from the Group companies' operations. Restrictions applying to the Group companies regarding distribution

of dividends to the Company, or the tax rate applicable on these dividends, may affect the Company's ability to finance its operations and service its debt.

In addition, the Company's Finance Documents, as contained in the bank credit agreements, require meeting certain Financial Covenants, as detailed in Note 20 of the Financial Statements. Failure to meet these covenants due to an exogenous event or non-materialization of Company forecasts, and insofar as the financing parties refuse to extend or update these Financial Covenants as per the Company's capabilities, may lead the financing parties to demand the immediate payment of these liabilities (or part thereof).

Exposure to customer credit risks

The Company's sales to customers worldwide usually involve customer credit as is customary in each market. A portion of these credit lines is insured, while the remainder is exposed to risk, particularly during economic slowdowns in the relevant markets. The Group's aggregate credit, however, is diversified among many customers in dozens of countries, mitigating this risk. In addition, in certain regions, particularly in South America, credit days are particularly long (compared to those extended to customers in regions such as Europe), and on occasion, *inter alia*, owing to agricultural seasons or economic downturns in those countries, the Company may encounter difficulty in timely collection of customer debts, with the collection period being extended over several years.

Generally, such issues arise more often in developing countries where the Company may be less familiar with its customers, the collaterals are of doubtful value and the insurance cover of these customers is likely to be limited. For additional information, see the explanations of the Board of Directors Report and the Company Financial Statements. Credit default by any of the customers may negatively impact the Company's cash flow and financial results.

The Company's working capital and cash flow needs

Similar to other companies operating in the crop protection industry, the Company has substantial cash flow and working capital requirements in the ordinary course of operations. In view of the Company's growth and considering its primary growth regions, the Company's broad product portfolio and the Company's investments in manufacturing infrastructures, the Company has significant financing and investment needs. The Company acts continually to improve the state and management of its working capital. While currently the Company is in compliance with all its Financial Covenants, significant deterioration of its operating results may in the future lead the Company to fail to comply with its Financial Covenants and fail to meet its financial needs. As a result, the Company's ability to meet its goals and growth plans, as well as its ability to meet its financial obligations, may be harmed.

Risks of the business integration and operations in China

The Company believes that it may be exposed to several unique risks relating to the business combination and operations in China, the primary of these being:

- **The Chinese economic, political and social environment and governmental policies** - the business environment in China is impacted by government intervention, growth rates, foreign currency controls and the manner of resource allocation which may have an impact on the Company's business. The Chinese government adopts various measures for the encouragement of economic growth and the allocation of resources, some of which may in the future adversely affect the results of the Company's operations in China.
- **Legislation, standards and regulations changes in China** - Companies in China are subject to extensive regulation, including with regard to registration, production, distribution, pricing, taxation, import and export, environmental matters, health and safety. Historically, the chemical industry in China has been subject to preferential government treatment, however it is not certain that this policy will persist unchanged, or that the legal and economic environment (including with regard to required registrations and permits) that affects the Company's operations in China and the industry, will persist.
- **Foreign currency controls** - the Company may be required, for the purposes of its operations, to convert income received from its operations in China from RMB to other currencies. According to the law in China, certain foreign currency transactions, including payment of foreign currency denominated liabilities, are subject to the requirements of the State Administration for Foreign Exchange.

Contagious disease outbreak

Outbreak of a contagious disease and pandemics, or other adverse public health developments, in territories where significant production activity is taking place or from which raw materials are supplied to a significant extent, may have a material adverse effect on the Company's activity, such that the Company may encounter difficulties with procurement of raw materials and intermediates, experience a certain decrease of activity within its production facilities due to governmental instructions, and be constrained with respect to its logistics and supply lines. In addition, the Company sales could be potentially impacted by a temporary decrease in demand for its products, as well as by temporary disruption of the Company's ability to sell and distribute products as mentioned above.

The Company's assessment of risk factors and the degree of their influence (should they be realized) on the Company's operations:

Risk Factor	Extent of impact on Company overall operations
Macroeconomic risks	
Exchange rate fluctuations	High
Exposure to Interest rate, CPI and NIS exchange rate fluctuations	Medium
Business operations in emerging markets	Medium
Industry risks	
Operating in a competitive market	Medium
Decline in scope of agricultural activities; Climate change and exceptional changes in weather conditions	Medium
Environment, health and safety legislation, standards, regulation and exposure	High
Legislative standards and regulatory changes in product registration	Medium
Product liability	High
Successful market penetration and product diversification	Medium
Intellectual property rights of the Company and of third parties	Low
Fluctuations in raw material inputs and prices, and in sales' costs	High
Developments in the genetically modified seeds market	Medium
Operational risks	
Data protection and Cyber security	Medium
Unique risks	
Raw material supply and/or shipping, port service disruptions and inventory	Medium
Failed mergers and acquisitions; difficulties in integrating acquired operations	Medium
Production concentrated in limited plants	Medium
International taxation	Medium
Risks arising from the Company's debt	High
Exposure to customer credit risks	Medium
The Company's working capital and cash flow needs	High
Risks of the business integration and operations in China	Medium
Contagious disease outbreak	Medium

Chapter B

Board of Directors' Report



Adama Agricultural Solutions Ltd.

**Board of Directors' Report for the Quarter and
the Year Ended December 31, 2023**

Performance in Context of General Crop Protection (CP) Market Environment¹

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 7, 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 the Company 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

Turnaround Plan

As a result of the challenges in the crop protection industry in 2023, as described above (mainly low demand and pressure on pricing resulting from high channel inventory, an outcome of the industry overstocking in 2022 and the current channel opting to hold lower than normal inventory levels in light of global high interest rates) the Company has initiated a turnaround plan to revalue ADAMA through improving the quality of the business.

This turnaround plan has three main pillars:

1. 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;

¹ Sources: Agbio Investor preliminary 2023 market estimation, CCPIA (China Crop Protection Industry Association), peer quarterly financial reports, internal sources.

² For further information see Section 34 of chapter A to this report, "Raw material supply and/or shipping and port services disruptions"

2. Optimizing ADAMA's product portfolio to focus on quality of business through strategic crop segments within the customer market segment of Value Innovation;
3. 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, which have begun with streamlining the Company's senior management team to ensure efficient decision making. Organizational 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.

The Company's assessments with regard to changes in demand for crop protection products, the impact of the current war driven events in Israel and the shipping obstructions on its ability to support its markets or on the Company's business results and the turnaround plan are forward looking statements, as defined in the Securities Law, 1968. Such assessments are based on the information available to the Company as of the date hereof and may not be realized or be realized in a different manner than the Company estimates, inter alia, due to factors that are not in the Company's control.

Results of Operations - Income Statement

Income Statement for the Quarter

In USD Million

	Q4 2023 As Reported	Q4 2022 As Reported	% Change 2023 vs. 2022 As Reported	Q4 2021 As Reported	Q4 2023 Adjustments	Q4 2022 Adjustments	Q4 2021 Adjustments	Q4 2023 Adjusted	Q4 2022 Adjusted	% Change in USD 2023 vs. 2022 Adjusted	% Change CER ³ 2023 vs. 2022 Adjusted	Q4 2021 Adjusted
Revenues	1,043	1,178	- 11%	1,067	-	-	-	1,043	1,178	-11%	-13%	1,202
Gross profit	227	302	-25%	299	2	1	6	228	303	-25%	-30%	352
<i>% of revenue</i>	<i>21.8%</i>	<i>25.6%</i>		<i>28.0%</i>				<i>21.9%</i>	<i>25.7%</i>			<i>29.2%</i>
Operating expenses	216	263	-18%	231	-13	-10	-1	204	253	-20%	-21%	240
Operating income (EBIT)	11	39	-73%	68	14	10	8	25	50	-50%	-90%	112
<i>% of revenue</i>	<i>1.0%</i>	<i>3.3%</i>		<i>6.3%</i>				<i>2.4%</i>	<i>4.2%</i>			<i>9.3%</i>
Finance expenses, net	82	84	-3%	41	-	-	-	82	84	-3%		54
Profit (loss) before taxes	-71	-45		27	14	10	8	-57	-34			58
Net income (loss)	-96	-50		26	12	10	5	-84	-40		94%	33
<i>% of revenue</i>	<i>-9.2%</i>	<i>-4.3%</i>		<i>2.4%</i>				<i>-8.0%</i>	<i>-3.4%</i>			<i>2.7%</i>
EBITDA	75	103	-27%	135	5	1	0	80	104	-23%	-42%	165
<i>% of revenue</i>	<i>7.2%</i>	<i>8.7%</i>		<i>12.6%</i>				<i>7.7%</i>	<i>8.8%</i>			<i>13.7%</i>

³ CER - Constant Exchange Rates

Income Statement for the Year

In USD Million

	2023 As Reported	2022 As Reported	% Change 2023 vs. 2022 As Reported	2021 As Reported	2023 Adjustments	2022 Adjustments	2021 Adjustments	2023 Adjusted	2022 Adjusted	% Change in USD 2023 vs. 2022 Adjusted	% Change CER ³ 2023 vs. 2022 Adjusted	2021 Adjusted
Revenues	4,192	4,925	-15%	4,384	-	-	-	4,192	4,925	-15%	-14%	4,384
Gross profit	966	1,356	-29%	1,202	2	3	37	968	1,359	-29%	-27%	1,239
<i>% of revenue</i>	<i>23.0%</i>	<i>27.5%</i>		<i>27.4%</i>				<i>23.1%</i>	<i>27.6%</i>			<i>28.3%</i>
Operating expenses	870	1,035	-16%	926	-30	-36	-28	839	999	-16%	-18%	898
Operating income (EBIT)	97	320	-70%	275	33	39	66	129	360	-64%	-64%	341
<i>% of revenue</i>	<i>2.3%</i>	<i>6.5%</i>		<i>6.3%</i>				<i>3.1%</i>	<i>7.3%</i>			<i>7.8%</i>
Finance expenses, net	329	293	12%	189	-	-	-	329	293	12%		189
Profit (loss) before taxes	-231	29		88	33	39	66	-198	69			153
Net income (loss)	-242	8		31	30	38	55	-212	46			85
<i>% of revenue</i>	<i>-5.8%</i>	<i>0.2%</i>		<i>0.7%</i>				<i>-5.1%</i>	<i>0.9%</i>			<i>1.9%</i>
EBITDA	335	568	-41%	525	-	4	30	335	572	-42%	-41%	556
<i>% of revenue</i>	<i>8.0%</i>	<i>11.5%</i>		<i>12%</i>				<i>8.0%</i>	<i>11.6%</i>			<i>12.7%</i>

Relevant income statement items contained in this report 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 bondholders 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 Appendix A below.

Analysis of the Company's Results

Revenues

Revenues in the fourth quarter declined by approximately 11% (-13% in CER terms) to \$1,043 million, reflecting a decrease of 15% in prices and an increase of 2% in volumes, attributed mainly to the lower benchmark of weak volume sales in the fourth quarter of 2022. 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 \$4,192 million, a decline of approximately 15% (-14% in CER terms), reflecting a decrease of 7% in both volumes and 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.

Revenue distribution by region

Fourth quarter sales distribution:

Region	Q4 2023 In Million USD	Q4 2022 In Million USD	% Change in USD	% Change in CER ³
Europe, Africa & Middle East (EAME) ⁴	241	293	-17.7%	-17.8%
<i>of which, Israel</i>	26	29	-11.8%	-4.3%
North America	250	290	-13.6%	-13.7%
Latin America	379	431	-12.0%	-15.5%
Asia-Pacific ⁴	172	164	5.0%	5.7%
Total	1,043	1,178	-11.5%	-12.7%

Full year sales distribution:

Region	2023 In Million USD	2022 In Million USD	% Change in USD	% Change in CER ³
Europe, Africa & Middle East (EAME) ⁴	1,225	1,342	-8.8%	-5.7%
<i>of which, Israel</i>	121	145	-17.1%	-8.9%
North America	813	1,013	-19.8%	-19.5%
Latin America	1,292	1,592	-18.9%	-21.5%
Asia-Pacific ⁴	862	977	-11.8%	-7.9%
Total	4,192	4,925	-14.9%	-14.1%

In these tables above, numbers may not sum due to rounding.

⁴ 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.

Noteworthy trends and developments in the various geographies affecting the Company's activities

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.

The Company 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

In **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. The Company focused on improving the quality of the business with differentiated products and reducing the share of highly generic sales.

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

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.

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.

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.

During the year, the Company continued to advance the development of its differentiated product portfolio, obtaining multiple new product registrations and launching several new products.

Gross profit

Reported gross profit in the fourth quarter reached \$227 million (gross margin of 21.8%) compared to \$302 million (gross margin of 25.6%) in the same quarter last year, and reached \$966 million (gross margin of 23.0%) in the full-year period, compared to \$1,356 million (gross margin of 27.5%) last year.

Adjusted gross profit in the fourth quarter reached \$228 million (gross margin of 21.9%) compared to \$303 million (gross margin of 25.7%) in the same quarter last year, and reached \$968 million (gross margin of 23.1%) in the full-year period, compared to \$1,359 million (gross margin of 27.6%) 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.

Gross profit distribution by region

Fourth quarter gross profit regional distribution*:

Region	Q4 2023 In Million USD and % of revenue	Q4 2022 In Million USD and % of revenue	% Change in USD
Europe, Africa & Middle East (EAME) ⁴	93 38.7%	103 35.2%	-10%
<i>of which, Israel</i>	9 33.5%	6 21.5%	37%
North America	91 36.3%	96 33.1%	-5%
Latin America	97 25.7%	100 23.3%	-3%
Asia-Pacific ³	55 31.9%	40 24.3%	38%
Unallocated costs	-108	-36	
Total (Adjusted)	228	303	
Adjustments for unallocated costs	-2	-1	
Total (Reported)	227	302	-25%

Full-Year gross profit regional distribution*:

Region	2023 In Million USD and % of revenue	2022 In Million USD and % of revenue	% Change in USD
Europe, Africa & Middle East (EAME) ⁴	464 37.9%	471 35.1%	-2%
<i>of which, Israel</i>	35 28.8%	42 28.8%	-17%
North America	272 33.4%	331 32.6%	-18%
Latin America	346 26.8%	452 28.4%	-23%
Asia-Pacific ³	236 27.4%	261 26.7%	-9%
Unallocated costs	-350	-156	
Total (Adjusted)	968	1,359	
Adjustments for unallocated costs	-2	-3	
Total (Reported)	966	1,356	-29%

In these tables above, numbers may not sum due to rounding.

The decline in gross profit in the fourth quarter of 2023 mainly reflected the impact of lower prices across all regions, while overall volumes increased slightly, led by increases mainly in LATAM, APAC and North America. This reflected 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.

The decline in gross profit in the full year period reflected the dynamics noted above, while prices are the main driver across all regions except of EAME that managed to keep higher prices during H1. Overall volumes were also lower, with the exception of certain countries in LATAM (not including Brazil).

For further information, see the Gross Profit section above.

Unallocated costs include various costs that cannot be attributed to a specific regional geography and relate to the Company's overall business. These include, among others, costs such as idleness, which reflect unutilized manufacturing capacity and other items

related to the Company's manufacturing operations which cannot be allocated to a specific product.

* *The information provided in the tables hereinabove includes **managerial information** related to the Company's geographical regions' gross profit, reflecting the Company's management viewpoint, which have not and will not be reviewed nor audited by the Company's auditors.*

Operating expenses

Total reported operating expenses in the fourth quarter were \$216 million (20.7% of sales) and \$870 million (20.7% of sales) in the full-year period, compared to \$263 million (22.3% of sales) and \$1,035 million (21.0% of sales) in the corresponding periods last year, respectively.

Adjustments to reported results: The Company recorded certain non-operational items within its reported operating expenses, amounting to \$13 million in the fourth quarter in comparison to \$10 million in Q4 2022, and \$30 million in the full-year period in comparison to \$36 million in 2022. These include mainly non-cash amortization charges in respect of Transfer Assets received from Syngenta related to the 2017 ChemChina-Syngenta acquisition, 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, measures to improve efficiencies and non-cash impacts related to incentive plans. For further details on these non-operational items, please see Appendix A to this report.

Excluding the impact of the abovementioned non-operational charges, adjusted operating expenses in the fourth quarter were \$204 million (19.5% of sales), and \$839 million (20.0% of sales) in the full-year period, compared to \$253 million (21.5% of sales), and \$999 million (20.3% 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.

Financing expenses

Total net financial expenses were \$82 million in the fourth quarter, and \$329 million in the full-year period, compared to \$84 million and \$293 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 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 CPI⁵. Such CPI related expenses on the bonds amounted to \$7 million in the quarter and \$41 million in the full-year period (net of hedging).

⁵ For details, see Section 25 "Financing and Credit" of Chapter A to this Report. For information concerning CPI and foreign currency exposure, see Note 29 to the Company's financial statements included in this Report.

Taxation

The Company reported net tax expenses of \$25 million in the quarter, and \$11 million in the full-year period, compared to net tax expenses of \$5 million and \$21 million in the corresponding periods last year, respectively.

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.

Revenue distribution by operating segment

Fourth quarter

Operating Segment	Q4 2023 in Million USD	%	Q4 2022 in Million USD	%	Change in Million USD	Change %
Crop protection	995	95.4%	1,132	96.1%	-137	-12.1%
Intermediates and Ingredients	48	4.6%	46	3.9%	1	3.2%
Total	1,043	100%	1,178	100%	-135	-11%

Full year

Operating Segment	2023 in Million USD	%	2022 in Million USD	%	Change in Million USD	Change %
Crop protection	4,011	95.7%	4,710	95.6%	-699	-14.8%
Intermediates and Ingredients	180	4.3%	215	4.4%	-35	-16.1%
Total	4,192	100%	4,925	100%	-733	-15%

In these tables above, numbers may not sum due to rounding.

Income Statement distribution by Quarters

In USD Million

	Q4 2023 As Reported	Q3 2023 As Reported	Q2 2023 As Reported	Q1 2023 As Reported	Q4 2023 Adjusted	Q3 2023 Adjusted	Q2 2023 Adjusted	Q1 2023 Adjusted
Revenues	1,043	922	1,107	1,121	1,043	922	1,107	1,121
Gross profit	227	175	254	309	228	176	254	310
<i>% of revenue</i>	<i>21.8%</i>	<i>19.0%</i>	<i>23.0%</i>	<i>27.6%</i>	<i>21.9%</i>	<i>19.0%</i>	<i>23.0%</i>	<i>27.6%</i>
Operating expenses	216	215	213	225	204	209	209	217
Operating income (EBIT)	11	-39	41	84	25	-34	45	92
<i>% of revenue</i>	<i>1.0%</i>	<i>-4.3%</i>	<i>3.7%</i>	<i>7.5%</i>	<i>2.4%</i>	<i>-3.6%</i>	<i>4.1%</i>	<i>8.3%</i>
Finance expenses, net	82	76	96	74	82	76	96	74
Profit before taxes	-71	-115	-55	10	-57	-109	-51	19
Net income	-96	-114	-45	13	-84	-109	-41	21
<i>% of revenue</i>	<i>-9.2%</i>	<i>-12.4%</i>	<i>-4.0%</i>	<i>1.1%</i>	<i>-8.0%</i>	<i>-11.8%</i>	<i>-3.7%</i>	<i>1.9%</i>
EBITDA	75	20	99	141	80	18	96	141
<i>% of revenue</i>	<i>7.2%</i>	<i>2.1%</i>	<i>9.0%</i>	<i>12.6%</i>	<i>7.7%</i>	<i>1.9%</i>	<i>8.7%</i>	<i>12.6%</i>

In general, the Company's gross profitability in the first half of the year is higher than the Company's gross profitability in the second half of the year. The main reason for this is the Company's geographic sales' mix, which differs substantially between the medians. As detailed in Note 1A(2) of the Company's financial statements and in Section 14 of Chapter A of this Report, the difference in the geographic sales' mix as mentioned is due to the fact that the agricultural seasons in the countries located in the Northern Hemisphere (mainly the United States and Europe) occur in the first two quarters of the year, and accordingly, the highest sales in these countries which are characterized by higher profitability, usually take place in the first half of the year.

On the other hand, in the Southern Hemisphere, the seasonal trends are the opposite, and most of the local sales, with relatively low profitability, occur in the second half of the year. Seasonality has no significant effect on the Company's operating expenses and financing expenses.

Financial Condition and Liquidity

Trade working capital

Trade working capital on December 31, 2023, was \$2,178 million, compared to \$2,437 million at the same point last year. Inventory held by the Company reached \$1,753 million as of December 31, 2023, in comparison to \$2,333 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 and investment in fixed assets

Operating cash flow of \$213 million was generated in the quarter, and \$208 million generated in the full-year period, compared to \$271 million generated in the corresponding quarter last year and \$63 million consumed in the last year. 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 \$99 million in the quarter, and \$301 million in the full-year period, compared to \$79 million and \$340 million used 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 in manufacturing capabilities in Israel and investments in intangible assets relating to the Company's global registrations of the Company's products described in the Product Registration section, integration of ERP system as well as the acquisition of AgriNova New Zealand in Q1 2023.

Investments in fixed assets, net of investment grants, amounted to \$39 million in the quarter, and \$184 million in the full-year period, compared to \$54 million and \$244 million in the corresponding periods last year, respectively.

Free cash flow of \$115 million was generated in the quarter and \$93 million was consumed in the full-year period, compared to \$192 million generated in the corresponding quarter last year and \$403 million consumed in 2022, reflecting the aforementioned operating and investing cash flow dynamics.

Current assets

Total current assets as of December 31, 2023, amounted to \$3,953 million compared to \$4,480 million as of December 31, 2022.

Cash, current liabilities and long-term loans

The Company's total financial liabilities include credit from banks and others, as well as the series B debentures (in this report: "**Financial Liabilities**"), were \$2,495 million as of December 31, 2023 (of which 38.2% was short-term), compared to \$2,113 million as of December 31, 2022 (of which 30.2% was short-term).

The Company's balances of cash and short-term investments as of December 31, 2023, were \$632 million, compared to \$531 million as of December 31, 2022.

The Company's net debt, including credit, the impact of hedging transactions attributed to debt, and net of cash and short-term investments, was \$1,787 million as of December 31, 2023, compared to \$1,587 million as of December 31, 2022.

Shareholders' equity

The Company's shareholders' equity was \$2,236 million as of December 31, 2023, compared to \$2,451 million as of December 31, 2022. Equity as a proportion of total assets was 34.2% as of December 31, 2023, compared to 35.5% as of December 31, 2022.

The Company's issued and paid-up share capital for December 31, 2023, is 137,990,881 ordinary shares of NIS 3.12 par value each.

Financial ratios

As of:	2023 December 31	2022 December 31
Ratio of current assets to current liabilities (current ratio)	1.56	1.63
Ratio of current assets, excluding inventory, to current liabilities (quick ratio)	0.89	0.80
Ratio of Financial Liabilities to total balance sheet, gross	38.2%	30.6 %
Ratio of Financial Liabilities to total equity, gross	111.6%	86.2%

Financing sources

The Company finances its business operations from its own equity and external funding sources.⁶

Warning signs

The Company has an ongoing positive cash flow from operating activities, and therefore, as of the date of this report, the Company has no warning signs.

Corporate governance

Directors with accounting and financial expertise

As of the date of publication of this report, five directors were approved by the Board of Directors as having accounting and financial expertise:⁷ Mr. Steven Hawkins (Chairman of the Board of Directors and CEO), Mr. Erik Fyrwald (as well as Mr. Stephen Landsman, which was appointed as an alternate director on behalf of Mr. Fyrwald), Mr. Hengde Qin, Mr. Ron Hyman (external director) and Mr. David George Morgan (external director) .

Independent directors

The Company's Articles of Association does not contain provisions concerning the number of independent directors.

⁶ For details, see Section 25, "Financing and Credit", and Section 24 "Working Capital" of Chapter A of the 2023 Periodic Report.

⁷ In accordance with the Board of Director's decision, according to Section 92(a)(12) of the Companies Law, the minimum number of directors with accounting and financial expertise in the Company is two. This, following consideration of the nature of the Company, its size, scope and complexity of the Company's operations. For additional details with regard to the aforementioned directors, see Regulation 26 of Chapter D to this Report.

Internal Auditor

- During 2023, Mr. Yehoshua Hazenfratz, CPA, served as the Company's internal auditor (the "**Internal Auditor**"), rendering services through Shiff Hazenfratz & Co., Risk Control and Management Consultancy firm. Mr. Hazenfratz was appointed as Internal Auditor on November 6, 2007⁸.
- Mr. Hazenfratz was appointed as Internal Auditor subsequent to the recommendation of the Company's Audit Committee and the approval of the Board of Directors, following examination of his qualifications and experience. Mr. Hazenfratz was found suitable to serve as the Company's Internal Auditor, inter alia considering the scope and complexity of the Company's operations.
- Apart from his position as Internal Auditor of the Company and its subsidiaries in Israel, as detailed below, the Internal Auditor is not employed by the Company, nor does he perform any other role that creates or may create a conflict of interest with the position as Internal Auditor. In addition, to best of the Company's knowledge and based on the declaration of the Internal Auditor, he does not have any material business ties or other material relations with the Company, nor does he hold any securities of the Company or of an affiliate thereof.
- To the best of the Company's knowledge and based on his declaration, the Internal Auditor complies with the applicable legal requirements.⁹
- The individual within the organization supervising the Internal Auditor in 2023 is the Company's CEO.
- The Internal Auditor's audit plan is an annual work plan that is derived from a multi-year work plan based, inter alia, on a risk survey. The plan is prepared by the Internal Auditor, in coordination with, and approval of, the Board of Directors (including amendments thereto), under the supervision of the Chairman of the Board of Directors and CEO, following recommendation of the Company's Audit Committee.

The guiding consideration in preparation of the plan are based on the risk level, in order to identify deficiencies, streamline systems, ensure protection of the Company's assets, and compliance with its procedures and the laws of the countries in which it operates. The Audit plan is adapted to the developments and findings discovered during the Audit. Should the need arise, the Internal Auditor may exercise discretion and deviate from the Audit plan.

- The Internal Audit work plan also includes auditing the implementation of the recommendations of the Internal Auditor and the Audit Committee by the Company's management, or by the Internal Auditor. In addition, the Internal Auditor participates in the review process and discussions of the Audit Committee in connection with material transactions.¹⁰
- The Internal Auditor also serves as the internal auditor of the Group companies in Israel, ADAMA Makhteshim and ADAMA Agan. The auditing of the Group companies outside Israel is carried out by BDO Risk and Assurance Services, a unit of BDO Advisory BV ("**BDO**").
- Material investees of the Company are audited according to a multi-year audit plan that includes a range of auditing topics, once every several years for each investee.

⁸ On February 2012, the Company's Board of Directors approved the continuation of Mr. Hazenfratz's service as Internal Auditor of the Company.

⁹ The Internal Auditor complies with the provisions of Section 146 to the Companies Law and with the provisions of Section 8 to the Internal Audit Law - 1992 ("Internal Audit Law").

¹⁰ As the term is defined in Section 5 to the fourth amendment to the Securities Regulations (Periodic and Immediate Reports) - 1970.

- The scope of the Internal Auditor's service is determined by the Audit Committee based on the audit work plan approved by the Board of Directors. In 2023, the number of internal audit hours at the Company and its subsidiaries totaled approximately 4,914 hours. The scope of the work is set according to the needs of the audit work plan and is not limited by the Company.

	Work hours
Internal audit in the Company and its investees	4,914
Internal audit in the Company's investees	4,493
Internal audit of operations in Israel	2,049
Internal audit of operations outside of Israel	2,865

The hourly scope of the audit work in the Company and its investees is set based on the audit work plan proposed by the Internal Auditor in conjunction with the management and approved by the Audit Committees of the various boards of directors.

- The Internal Auditor and the team of employees under him are required to carry out the audit while strictly complying with the criteria prescribed for conducting a professional, reliable, independent audit that is not dependent on the audited body. As stated by the Internal Auditor, he performs the internal audit in accordance with common professional standards stipulated by law¹¹. The Board of Directors relied on the Internal Auditor's declaration and report concerning his compliance with the applicable provisions of the law and professional standards according to which the audit is carried out.
- The Internal Auditor was given free access¹², including constant and unmediated access to relevant information systems of the Company and of the subsidiaries, including financial information. With regard to the subsidiaries outside Israel, the Internal Auditor examines whether audits have been conducted in each subsidiary and whether there is an annual audit work plan, based on reports from the auditors of the relevant companies.
- At the meetings of the Audit Committee held during 2023 and up to the date of this report, several internal audit reports submitted to the Chairman of the Audit Committee and to the Company's Chairman of the Board of Directors and CEO were discussed.¹³
- In the opinion of the Company's Board of Directors, the scope, nature and continuity of the Internal Auditor's activities and work plan are reasonable and fulfill the Company's internal audit goals.
- The remuneration paid to the Internal Auditor is based on working hours in accordance with the work plan approved by the Board of Directors. At the beginning of each year, the Internal Auditor submits a proposal for the annual audit work plan which includes the planned number of work hours. The Board of Directors determines the audit work plan and the number of work hours, based upon the recommendations of the Audit Committee. The Internal Auditor does not exceed the number of work hours without the consent of the Board of Directors. In the event that additional tasks are allocated to the Internal Auditor during the course of the audit year, the Board of Directors determines the number of work hours for the additional tasks. In 2023, the Internal Auditor's remuneration for his work in Israel amounted to approximately \$111 thousand. The total payment for audit activities outside of Israel amounted to approximately \$343 thousand.

¹¹ Including in accordance with common audit standards of the Institute of Internal Auditors in Israel (IIA).

¹² As specified in section 9 of the Internal Audit Law.

¹³ on January 16, 2023, the Audit Committee discussed two reports issued in January 2023; on August 3, 2023 the Audit Committee discussed two reports issued in August 2023; on September 5, 2023 the Audit Committee discussed two reports issued in September 2023. After the date of the report, on January 16, 2024, the Audit Committee discussed two reports issued in January 2024.

The Company estimates that since the remuneration is based on working hours, such remuneration does not affect the professional considerations of the Internal Auditor.

- On March 25, 2024, Ms. Dana Gottesman-Erich (BDO Consulting firm) was appointed as the Company's Internal Auditor, rendering services through BDO Consulting firm, replacing Mr. Hazenfrantz as Internal Auditor of the Company¹⁴, effective April 15, 2024. The replacement of the Internal Auditor of the Company mainly resulted due the Company's desire to consolidate the entire internal auditing operations of the Company and its subsidiaries under one advisory firm, in order to have a wider and holistic view of the Group's internal audit, bearing in mind, as detailed above, that the auditing of the Group's companies outside Israel is carried out by BDO.
- Ms. Gottesman-Erich was appointed as Internal Auditor subsequent to the recommendation of the Company's Audit Committee and the approval of the Board of Directors, following examination of her qualifications and experience. Ms. Gottesman-Erich was found suitable to serve as the Company's Internal Auditor, inter alia considering the scope and complexity of the Company's operations.

Donations

The Company sees contribution and assistance to the community in Israel and in the countries in which it operates as an integral component of its activities as part of its sustainability approach and policy. This contribution and assistance to the community in Israel, particularly in the south of the country and in communities/areas close to the locations of the Company's plants, and worldwide - with regard to communities in the vicinity of its sites of operation, constitute a key component of the Company's vision and objectives. The Company recognizes that business leadership goes together with social-value leadership.

Social responsibility, involvement with, and contribution to, the community are strategic goals that constitute part of the Company's work plan, which allocates financial resources to this goal annually. Community activities are carried out also with the involvement of Company's employees, while instilling values of social responsibility and environmental protection.

The Company focuses on activities for the benefit of the community in education and in a variety of excellence programs, as well as on bridging gaps and strengthening at-risk populations, in accordance with the Sustainable Development Goals (SDGs) defined by the UN. The Company places special emphasis on the promotion of education in subjects like chemistry, agriculture and sustainability, which are fields that are aligned with the core of the Company's business activities, as well as on investments connected to health, culture, sport, heritage and welfare.

As mentioned above, due to the October 7 events in Israel, the Company has been working to ensure the wellbeing and safety of its employees in Israel and their families, inter alia, by establishing the ADAMA Fund, to support its employees effected by war. The fund has so far supported more than 50 of the Company's employees who were affected by the war, by allocating vouchers for food, clothing and electronic devices, mental care treatments, funding home fortifications and more.

In 2023, the Company made aggregate donations of approximately \$2,118 thousand, of which approximately \$1,499 thousand was in Israel.

¹⁴ According to the Section 153 to the Companies Law, Mr. Hazenfrantz was provided with a reasonable opportunity to present his case to both the Audit Committee and the Board of Directors.

Company's Auditor

As of August 15, 2017, the primary auditors of the Company and its investee companies are the accounting firm Brightman, Almagor, Zohar & Co. from the Deloitte Group ("**Deloitte**").

Fees paid to Deloitte in 2023 for auditing services, services connected to the audit, including tax consultancy services connected to the audit, in Israel, amounted to approximately \$963 thousand (said fees amounted in 2022 to approximately \$1,159 thousand). Deloitte did not provide other services to the Company in Israel during 2023.

Fees paid to Deloitte in 2023 for auditing services outside of Israel amounted to approximately \$2,422 thousand (said fees amounted in 2022 to approximately \$2,416 thousand). Deloitte did not provide other services to the Company outside Israel during 2023.

The fees for auditing services constitute more than half of the total paid to the auditors by the Company in the reporting year. The audit fees are a fixed amount paid on the basis of expected annual work hours. The Company's Board of Directors approves the auditors' fees.

For information about the Company's goodwill impairment assessment as of as of December 31, 2023, see Note 10B of the Company's financial statements.

For information about the debentures held by the public at the reporting date, see Appendix B.

The Company has elected not to include the Separate Financial Data Report of the Company as of the period ending December 31, 2022, in accordance with Regulation 9C and 38D of the Securities Regulations (Periodic and Immediate Reports), 1970, since according to the Company's assessment, the Separate Financial Data Report does not contain any material information to that included in the annual or the quarterly Consolidated Financial Statements Report.

The Company's Board of Directors and management express their gratitude to the Company's management and employees, and thank them for their significant contribution, willingness and ability to successfully cope with the goals and challenges the Company faced in 2023.

Steven Hawkins
Chairman of the Board of
Directors, President & CEO

An Liru
Director

March 25, 2024

Appendixes

Appendix A - Income Statement Adjustments

Fourth quarter

In Million USD

Adjustments Period	Q4 2023	Q4 2022
Net Income (as Reported)	-95.9	-50.2
Adjustments to COGS & Operating Expenses:		
1. Amortization of transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash)	4.8	5.9
2. Incentive plans (non-cash)	-2.1	1.1
3. Amortization of acquisition-related PPA (non-cash), other acquisition-related costs	2.8	2.5
4. Measures to improve efficiencies	7.2	-
5. Other	1.4	0.9
Total Adjustments to Operating Income (EBIT)	14.2	10.4
Total Adjustments to EBITDA	5.4	1.4
Total Adjustments to Income before taxes	14.2	10.4
Adjustments to Taxes:		
3. Deferred Tax due to amortization of acquisition-related PPA (non-cash), other acquisition-related costs	-0.4	-0.3
4. Tax related to measures to improve efficiencies	-1.5	-
5. Taxes due to Other	-	-0.1
Total adjustments to Net Income	12.3	10
Net Income (Adjusted)	-83.6	-40.2

Full year

In Million USD

Adjustments Period	2023	2022
Net Income (as Reported)	-242	8.1
Adjustments to COGS & Operating Expenses:		
1. Amortization of transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash)	20.4	22.9
2. Incentive plans	-8.9	2.8
3. Amortization of acquisition-related PPA (non-cash), other acquisition-related costs	11.4	10.0
4. Measures to improve efficiencies	7.2	-
5. Other	2.6	3.6
Total Adjustments to Operating Income (EBIT)	32.7	39.3
Total Adjustments to EBITDA	-0.5	4
Total Adjustments to Income before taxes	32.7	39.3
Adjustments to Taxes:		
3. Deferred Tax due to amortization of acquisition-related PPA (non-cash), other acquisition-related costs	-1.4	-1.1
4. Tax related to measures to improve efficiencies	-1.5	-
5. Taxes due to Other	-0.1	-0.3
Total adjustments to Net Income	29.6	37.9
Net Income (Adjusted)	-212.4	46

In these tables above, numbers may not sum due to rounding.

Notes:

1. **Amortization of transfer assets received and written-up due to the 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 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.
2. **Incentive plans (non-cash):** The Company granted its employees a long-term incentive (LTI) in the form of 'phantom' options, based on the mother company's share, 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 Parent 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.
3. **Amortization of acquisition-related PPA (non-cash), 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 company acquired, while the related tax expense is also adjusted for, as well as other M&A-related costs.
4. **Measures to improve efficiencies:** The Company recorded costs due to certain measures initiated to improve efficiencies, mainly personnel changes.
5. **Other:** Related mainly to facilities upgrade related costs.

Appendix B - Details of the Company's Debentures (Series B) as of the end of the reported Year

Date of issue	Total par value on date of issue (in NIS millions)	Rating at December 31, 2023	Total par value on date of issue (in NIS millions)	Type of interest	Nominal interest rate	Effective interest rate at reporting date	Market value on December 31, 2023 (in NIS millions)	Dates of interest payments	Dates of principal payments	Linkage basis	Nominal par value at December 31, 2023 (in NIS millions)	CPI-linked nominal par value at December 31, 2023 (in NIS millions)	Carrying value of debenture balances at December 31, 2023 (in USD millions)	Carrying value of interest payable on December 31, 2023 (in USD millions)	Fair value at December 31, 2023 (in USD millions)
Dec. 2006	1,650	iIAA-(d)	3,810	CPI-linked annual interest	5.15%	2.95%	4,364 ^(e)	Twice a year on May 31 and on Nov. 30 in each of the years 2006-2036	Nov. 30 of each of the years 2020-2036	CPI for October 2006	2,852 ^(e)	3,831 ^(e)	1,058 ^(e)	4.6 ^(e)	1,203 ^(e)
Jan. 2012	514														
Jan. 2013	600														
Feb. 2015	533														
Feb-May 2015	267														
May 2020	246														

Notes:

- (a) The trustee for debentures (Series B) is Mishmeret Trust Company Ltd., 48 Menachem Begin Road, Tel Aviv (Tel: 03-6374351; Fax: 03-6374344). Contact person: Rami Sebti, C.P.A. VP, E-mail: Ramis@mtrust.co.il.
- (b) **Series B is considered a material liability of the Company.**
- (c) At the date of the report, the Company was in compliance with all the terms and undertakings under the Deed of Trust, and no conditions existed giving rise to a cause of action for immediate repayment of the debentures.
- (d) On May 24, 2023, S&P Maalot ratified the iIAA- rating of the debentures (Series B) (reference: 2023-01-056091).
- (e) Net of debentures purchased by a wholly-owned subsidiary, which, as of the end of the reported period, holds 55,925,765 par value debentures (Series B), accounting for 1.78% of total issued debentures (Series B).

Appendix C - Exchange Rate Data for the Company's Principal Functional Currencies

Principal Functional Currencies	2023 December 31	2022 December 31	Change December 31	2023 Q4 Average	2022 Q4 Average	Change Q4 Average	2023 Annual Average	2022 Annual Average	Change Annual Average
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%	56 bp	5.38%	4.51%	87 bp	5.38%	2.41%	297 bp

Chapter C

**Financial Statements as of December 31,
2023**

Adama Agricultural Solutions Ltd.

Consolidated Financial Statements
As of December 31, 2023

in US Dollars

Adama Agricultural Solutions Ltd.

Consolidated Financial Statements As Of December 31, 2023

in US Dollars

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**Independent Auditors' Report to the Shareholders of
Adama Agricultural Solutions Ltd.**

Regarding Audit of Components of Internal Control over Financial Reporting in accordance with Section 9B(c) of the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited components of internal control over financial reporting of **Adama Agricultural Solutions Ltd.** and its subsidiaries (hereinafter together- "the Company") as of December 31, 2023. Those components of control were determined as explained in the following paragraph. The Board of directors and management of the Company are responsible for maintaining effective internal control over financial reporting and for their evaluation of the effectiveness of the components of internal control over financial reporting attached to the periodic report as of the above date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting, based on our audit.

The components of internal control over financial reporting that were audited were determined pursuant to Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting" thereto (hereafter- "Audit Standard (Israel) 911"). These components are: (1) Organization level control, including control over the financial closing and reporting process and information technology general controls; (2) controls over sales; (3) controls over purchase; (4) controls over inventory; (5) controls over treasury (all together referred to hereafter as "the Audited Components of Control").

We did not check the effectiveness of the components of internal control over financial reporting of consolidated subsidiary, whose assets and revenues included in consolidation constitute approximately 2% and 6%, of the corresponding amounts in the consolidated financial statements as of December 31, 2023 and for the year then ended. The effectiveness of the component of internal control over the financial report of this subsidiary was audited by other auditors, whose report was furnished to us, and our conclusion, insofar as it relates to the effectiveness of the components of internal control over financial reporting of this subsidiary, is based on the reports of the other auditors.

We conducted our audit in accordance with Audit Standard (Israel) 911. That Standard requires that we plan and perform the audit with the purpose of identifying the Audited Components of Control, and obtain reasonable assurance as to whether those components of control were maintained effectively in all material respects. Our audit included obtaining an understanding regarding internal control over financial reporting, identification of the Audited Components of Control, evaluation of the risk that a material weakness exists in the Audited Components of Control, and examination and evaluation of the effectiveness of the planning and operation of such components of control, based on the estimated risk. Our audit regarding such components of control also included the performance of other such procedures that we considered necessary under the circumstances. Our audit only referred to the Audited Components of Control, as opposed to internal control over all of the material processes in connection with the financial reporting, and therefore our opinion refers only to the Audited Components of Control. In addition, our audit did not refer to the mutual effects between the Audited Components of Control and those that are not audited, and therefore, our opinion does not take into consideration such possible effects. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion in the context described above.

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Because of inherent limitations, internal control over financial reporting in general and components thereof in particular, may not prevent or detect misstatements. Also, projections based on the present evaluation of effectiveness are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, based on our audit and the reports of the other auditors, the Company effectively maintained the audited components of control in all material respects, as of December 31, 2023.

We also have audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2023 and 2022, and for each of the three years in the period ending on December 31, 2023, and our report as of March 25, 2024, expressed an unqualified opinion on those financial statements based on our audit and the reports of the other auditors.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, March 25, 2024

Auditors' Report to the Shareholders of Adama Agricultural Solutions Ltd.

Introduction

We have audited the accompanying consolidated statements of financial position of Adama Agricultural Solutions Ltd. (hereafter – "the Company") as of December 31, 2023 and 2022, and the consolidated statements of profit and loss and other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of certain consolidated companies as of December 31, 2023 and the year ended at that date, whose assets included in consolidation constitute approximately 2% of the total consolidated assets as of December 31, 2023, and whose revenues included in consolidation constitute approximately 6% of the total consolidated revenues for the year ended December 31, 2023. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

Basis for Opinion

We conducted our audits in accordance with Generally Accepted Auditing Standards in Israel, including standards prescribed by the Auditors' Regulations (Auditor's Mode of Performance) – 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statements presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2023 and 2022, and the results of their operations, changes in equity and their cash flows for each of the three years in the period ended December 31, 2023, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements) – 2010.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "An Audit of Components of Internal Control over Financial Reporting", the Company's

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components of internal control over financial reporting as of December 31, 2023 and our report dated March 25, 2024 included an unqualified opinion on the effective maintenance of those components.

Key Audit Matters

Key audit matters communicated below are those matters that were communicated or required to be communicated to the Company's Board of Directors and that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters include, among others, any matter that: (1) relates, or may relate, to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. The communication of those matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the key audit matter below, providing a separate opinion on the key audit matter or on the accounts or disclosures to which it relates.

Cutoff of revenue recognition

Key Audit Matter Description

The Company's revenues are mainly contributed by the sales of goods in about 100 countries all over the world, through approximately 60 subsidiaries worldwide. As stated in Note 22 (Revenues), The Company's consolidated revenue for 2023 was 4,191,837 (\$ thousands) which was significant to the financial statements. As stated in Note K 3, The Company recognizes revenues when transferring control of goods to a customer. Therefore, we considered the appropriateness of cutoff for revenue recognition as a key audit matter.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to cutoff for revenue recognition included the following, among others:

- A. For selected subsidiaries, testing and assessing the design, implementation, and operating effectiveness of internal controls relating to the cutoff of revenue recognition from principal activities.
- B. Evaluating management's revenue recognition policy reflecting management's determination of when control has passed to the customer, evaluating the data and assumptions used in management's judgment over when transfer of control has occurred, and testing the transfer of control by agreeing relevant information, including associated terms and conditions, to underlying contracts entered by the Company.
- C. Performing cutoff tests by selecting samples from revenues recorded in the current year, checking the supporting documents such as sales invoices and inventory transfer documents and checking whether the revenue is recorded in the correct accounting period.

Goodwill allocated to the crop protection (Agro) CGU

Key Audit Matter Description

As disclosed in Note A 10 and note B 10, the carrying amount of goodwill allocated to the crop protection (Agro) CGU is USD 278,455 (\$ thousands) as of December 31, 2023. As disclosed in Note F(1) 3, A(1) 3 and Note B 10, In performing the impairment test for the cash-generating units (“CGUs”) of crop protection products which include goodwill, the management uses DCF model to determine the recoverable amount of the CGU, which relies on management’s judgments and estimates. Due to the fact that goodwill impairment test requires significant management estimates and judgements in the value in use calculation, including cash flow projections and discount rate, we identified the goodwill allocated to the crop protection (Agro) CGU as key audit matter.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to goodwill allocated to the crop protection (Agro) CGU included the following, among others:

- A. We tested the effectiveness of controls over management’s goodwill impairment evaluation, including those over the determination of the recoverable amount of crop protection CGU, such as controls related to management’s selection of the discount rate and forecasts of future revenue and operating margin.
- B. Testing the key assumptions applied in the cash flow projections to determine whether it conforms with historical data, approved financial budgets, and operating plans. Evaluating the reasonableness of key assumptions such as projected revenue growth rate and gross margin.
- C. Using our internal valuation specialists to assess the appropriateness of management's estimations applied in the discount rates and terminal growth rate used in the value in use calculations.
- D. Performing sensitivity analysis for possible adverse changes in key assumptions in the impairment test model.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, March 25, 2024

Adama Agricultural Solutions Ltd.
Consolidated Statements of Financial Position
(\$ thousands)

<u>Item</u>	<u>Note</u>	<u>December 31, 2 0 2 3</u>	<u>December 31, 2 0 2 2</u>
Current assets:			
Cash and cash equivalents		609,618	506,603
Short-term investments		22,663	24,866
Trade receivables	4	1,127,340	1,245,759
Trade receivables as part of securitization transactions not yet eliminated	4	19,747	27,788
Subordinated note in respect of sale of trade receivables	4	106,561	85,001
Prepaid expenses		24,180	23,776
Financial and other assets, including derivatives	5	307,385	242,935
Tax deposits less provision for taxes	17	29,701	31,453
Inventories	6	1,706,122	2,291,772
Total current assets		3,953,317	4,479,953
Long-term investments, loans and receivables:			
Investments in equity-accounted investee companies		4,444	3,786
Other financial investments and receivables	7	74,200	74,834
Non-financial assets, including non-current inventory	8	48,832	45,797
Total long-term investments, loans and receivables		127,476	124,417
Fixed assets:			
Cost	9	2,807,541	2,616,075
Less - accumulated depreciation		1,476,908	1,377,712
Total fixed assets		1,330,633	1,238,363
Deferred tax assets	17	207,070	160,330
Intangible assets			
Cost	10	2,754,414	2,619,779
Less - accumulated amortization		1,837,677	1,712,985
Total intangible assets		916,737	906,794
Total non-current assets		2,581,916	2,429,904
Total assets		6,535,233	6,909,857

The accompanying notes are an integral part of these financial statements.

Adama Agricultural Solutions Ltd.
Consolidated Statements of Financial Position
(\$ thousands)

<u>Item</u>	<u>Note</u>	<u>December 31, 2 0 2 3</u>	<u>December 31, 2 0 2 2</u>
Current liabilities			
Loans and credit from banks and other lenders	11	897,669	578,800
Current maturities of debentures	15	81,415	81,219
Trade payables	12	838,565	1,265,896
Other payables	13	621,886	720,382
Current tax liabilities	17	27,677	32,844
Put options to holders of non-controlling interests		66,149	72,866
Total current liabilities		<u>2,533,361</u>	<u>2,752,007</u>
Long-term liabilities			
Long-term loans from banks	14	229,986	369,307
Debentures	15	976,947	1,055,841
Other long-term liabilities	16	448,877	149,182
Deferred tax liabilities	17	29,408	31,372
Employee benefits	18	75,204	94,248
Put options of holders of non-controlling interests		5,024	6,536
Total long-term liabilities		<u>1,765,446</u>	<u>1,706,486</u>
Total liabilities		<u>4,298,807</u>	<u>4,458,493</u>
Equity			
Share capital		125,595	125,595
Share premium		623,829	623,829
Capital reserves		(341,418)	(375,997)
Retained earnings		1,828,420	2,077,937
Total equity attributable to the owners of the Company	21	<u>2,236,426</u>	<u>2,451,364</u>
Total liabilities and equity		<u>6,535,233</u>	<u>6,909,857</u>

Steve Hawkins
Chairman of the Board
of Directors, President & CEO

Efrat Nagar
Chief Financial Officer

An Liru
Director

Date of approval of the financial statements: March 25, 2024

The accompanying notes are an integral part of these financial statements.

Adama Agricultural Solutions Ltd.**Consolidated Statements of Income****(\$ thousands)**

Item	Note	For the year ended December 31,		
		2023	2022	2021
Revenues	22	4,191,837	4,925,191	4,384,208
Cost of sales	23	3,225,691	3,569,490	3,182,350
Gross profit		966,146	1,355,701	1,201,858
Other income		(11,902)	(4,195)	(5,689)
Selling and marketing expenses	24	699,560	798,565	741,514
General and administrative expenses	25	109,781	177,293	131,181
Research and development expenses	26	53,858	56,248	54,454
Other expenses		18,210	7,447	4,944
Operating expenses, net		869,507	1,035,358	926,404
Operating income		96,639	320,343	275,454
Financing expenses		489,999	498,949	320,306
Financing income		(161,478)	(206,373)	(131,635)
Financing expenses, net	27	328,521	292,576	188,671
Share of income of equity-accounted investee companies		908	1,552	918
Profit (loss) before taxes on income		(230,974)	29,319	87,701
Income taxes	17	11,027	21,269	57,016
Profit (loss) for the year attributable to the owners of the Company		(242,001)	8,050	30,685

The accompanying notes are an integral part of these financial statements.

Adama Agricultural Solutions Ltd.
Consolidated Statements of Comprehensive Income
(\$ thousands)

<u>Item</u>	For the year ended December 31,		
	<u>2 0 2 3</u>	<u>2 0 2 2</u>	<u>2 0 2 1</u>
Profit (loss) for the year	(242,001)	8,050	30,685
Items that may be reclassified subsequent to profit or loss:			
Foreign currency translation differences for foreign operations	34,144	(31,691)	(27,168)
Effective portion of changes in fair value of cash flow hedges	(2,916)	(21,386)	14,486
Net change in fair value of cash flow hedges transferred to profit or loss	9,342	9,178	29,702
Taxes related to items that may subsequently be reclassified to profit or loss	(718)	1,253	(5,348)
Total items that may be reclassified subsequent to profit or loss	<u>39,852</u>	<u>(42,646)</u>	<u>11,672</u>
Items that will not be reclassified subsequent to profit or loss:			
Re-measurement of defined benefit plan	1,831	12,728	(2,000)
Taxes related to items that will not be reclassified subsequently to profit or loss	(151)	(1,427)	460
Total items that will not be reclassified subsequent to profit or loss	<u>1,680</u>	<u>11,301</u>	<u>(1,540)</u>
Total comprehensive income (loss) for the year attributable to the owners of the Company	<u>(200,469)</u>	<u>(23,295)</u>	<u>40,817</u>

The accompanying notes are an integral part of these financial statements.

Adama Agricultural Solutions Ltd.
Consolidated Statement of Changes in Equity
(\$ thousands)

For the year ended December 31, 2023

Item	Share capital	Share premium	Capital reserves (1)	Retained earnings	Total equity attributable to the owners of the Company
Balance as of January 1, 2023	125,595	623,829	(375,997)	2,077,937	2,451,364
Total comprehensive income for the year:					
Loss for the year	-	-	-	(242,001)	(242,001)
Components of other comprehensive income:					
Foreign currency translation differences for foreign operations	-	-	34,144	-	34,144
Effective portion of change in fair value of cash flow hedges	-	-	(2,916)	-	(2,916)
Net change in fair value of cash flow hedges transferred to statement of income	-	-	9,342	-	9,342
Re-measurement of defined benefit plan	-	-	-	1,831	1,831
Taxes on other comprehensive income	-	-	(718)	(151)	(869)
Other comprehensive income (loss) for the year, net of tax	-	-	39,852	1,680	41,532
Total comprehensive loss for the year	-	-	39,852	(240,321)	(200,469)
Transactions with holders of non controlling interest	-	-	(5,274)	-	(5,274)
Exercise of options granted to employees of a subsidiary	-	-	1	-	1
Dividends to non-controlling interests holders holding a put option	-	-	-	(9,196)	(9,196)
Balance as of December 31, 2023	125,595	623,829	(341,418)	1,828,420	2,236,426

(1) Including treasury shares that were cancelled in the amount of \$245,548 thousand. See Note 21E.

The accompanying notes are an integral part of these financial statements.

Adama Agricultural Solutions Ltd.
Consolidated Statement of Changes in Equity
(\$ thousands)

For the year ended December 31, 2022

Item	Share capital	Share premium	Capital reserves (1)	Retained earnings	Total equity attributable to the owners of the Company
Balance as of January 1, 2022	125,595	623,829	(334,643)	2,065,789	2,480,570
Total comprehensive income for the year:					
Profit for the year	-	-	-	8,050	8,050
Components of other comprehensive income:					
Foreign currency translation differences for foreign operations	-	-	(31,691)	-	(31,691)
Effective portion of change in fair value of cash flow hedges	-	-	(21,386)	-	(21,386)
Net change in fair value of cash flow hedges transferred to statement of income	-	-	9,178	-	9,178
Re-measurement of defined benefit plan	-	-	-	12,728	12,728
Taxes on other comprehensive income	-	-	1,253	(1,427)	(174)
Other comprehensive income (loss) for the year, net of tax	-	-	42,646))	11,301	(31,345)
Total comprehensive income for the year	-	-	(42,646)	19,351	(23,295)
Transactions with holders of non controlling interest	-	-	1,292	-	1,292
Dividends to non-controlling interests holders holding a put option	-	-	-	(7,203)	(7,203)
Balance as of December 31, 2022	125,595	623,829	(375,997)	2,077,937	2,451,364

(1) Including treasury shares that were cancelled in the amount of \$245,548 thousand. See Note 21E.

The accompanying notes are an integral part of these financial statements.

Adama Agricultural Solutions Ltd.
Consolidated Statement of Changes in Equity
(\$ thousands)

For the year ended December 31, 2021

Item	Share capital	Share premium	Capital reserves (1)	Retained earnings	Total equity attributable to the owners of the Company
Balance as of January 1, 2021	125,595	623,829	(346,315)	2,043,195	2,446,304
Total comprehensive income for the year:					
Profit for the year	-	-	-	30,685	30,685
Components of other comprehensive income:					
Foreign currency translation differences for foreign operations	-	-	(27,168)	-	(27,168)
Effective portion of change in fair value of cash flow hedges	-	-	14,486	-	14,486
Net change in fair value of cash flow hedges transferred to statement of income	-	-	29,702	-	29,702
Re-measurement of defined benefit plan	-	-	-	(2,000)	(2,000)
Taxes on other comprehensive income	-	-	(5,348)	460	(4,888)
Other comprehensive income (loss) for the year, net of tax	-	-	11,672	(1,540)	10,132
Total comprehensive income for the year	-	-	11,672	29,145	40,817
Dividends to non-controlling interests holders holding a put option	-	-	-	(6,551)	(6,551)
Balance as of December 31, 2021	125,595	623,829	(334,643)	2,065,789	2,480,570

(1) Including treasury shares that were cancelled in the amount of \$245,548 thousand. See Note 21E.

The accompanying notes are an integral part of these financial statements.

Adama Agricultural Solutions Ltd.

Consolidated Statement of Cash Flows

(\$ thousands)

<u>Item</u>	For the year ended December 31,		
	2 0 2 3	2 0 2 2	2 0 2 1
<u>Cash flows from operating activities</u>			
Profit (loss) for the year	(242,001)	8,050	30,685
Adjustments:			
Depreciation and amortization	230,402	243,688	249,460
Loss (gain) from realization of fixed and intangible assets, net	(149)	(594)	1,779
Amortization of discount/premium and debt issuance costs	(584)	(648)	(782)
Impairment of assets	8,179	4,380	73
Share of income of equity-accounted investee companies	(908)	(1,552)	(918)
Share-based payments	(8,471)	(6,784)	2,087
Revaluation of put and call options related to acquired subsidiaries	7,531	6,326	10,501
Revaluation of long-term liabilities	2,824	(97,541)	70,562
Loss (gain) in respect of hedging transactions on debentures	55,871	173,252	(50,304)
Change in provision for income tax and tax advances, net	(4,892)	3,505	(886)
Decrease (increase) in deferred taxes, net	(52,296)	(86,050)	5,535
Changes in assets and liabilities:			
Decrease (increase) in trade and other receivables	112,810	(26,402)	243,138
Decrease (increase) in inventories	613,027	(647,739)	(178,628)
Increase (decrease) in trade and other payables	(498,691)	371,067	219,361
Change in employee benefits	(14,979)	(6,162)	7,305
Net cash from (used in) operating activities	207,673	(63,204)	608,968
<u>Cash flows from investing activities</u>			
Acquisition of fixed assets	(188,592)	(244,031)	(200,716)
Additions to intangible assets	(105,631)	(85,863)	(111,137)
Short-term investments, net	2,202	(5,567)	(19,125)
Long-term investments, net	5,460	(6,879)	(7,855)
Investment grant received	5,076	-	1,042
Proceeds on disposal of fixed and intangible assets	2,242	2,481	324
Investment in an equity instrument held at FVTOCI	(402)	-	(348)
Dividends received from equity-accounted investees	658	472	134
Acquisition of subsidiaries excluding cash acquired	(21,699)	-	-
Investment in equity-accounted investee	-	(39)	-
Net cash used in investing activities	(300,686)	(339,426)	(337,681)

The accompanying notes are an integral part of these financial statements.

Adama Agricultural Solutions Ltd.
Consolidated Statement of Cash Flows
(\$ thousands)

<u>Item</u>	For the year ended December 31,		
	2 0 2 3	2 0 2 2	2 0 2 1
<u>Cash flows from financing activities</u>			
Receipt of long-term loans from banks and others	278,147	97,801	310,000
Repayment of debentures	(80,424)	(83,049)	(85,890)
Repayment of long-term loans and liabilities from banks and others	(119,364)	(74,692)	(83,275)
Increase (decrease) in short-term liabilities to banks and others, net	298,899	356,929	(45,844)
Repayment of lease liabilities	(24,968)	(24,219)	(25,024)
Proceeds (payment) in respect of hedging transactions on debentures	(130,711)	(161,270)	120,812
Dividends paid to holders of non-controlling interests	(9,196)	(7,203)	(6,551)
Realization of call option in a subsidiary	(17,000)	-	-
Other	645	1,292	-
Net cash from financing activities	196,028	105,589	184,228
Net increase (decrease) in cash and cash equivalents	103,015	(297,041)	455,515
Cash and cash equivalents at the beginning of the year	506,603	803,644	348,129
Cash and cash equivalents at the end of the year	609,618	506,603	803,644
Additional information for cash flows from operating activities:			
Interest paid in cash	(154,519)	(118,024)	(99,865)
Interest received in cash	34,954	13,954	4,379
Taxes paid in cash, net	(68,590)	(105,378)	(50,169)

The accompanying notes are an integral part of these financial statements.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 1 - General

A. Description of the Company and its Activities:

- (1) Adama Agricultural Solutions Ltd. (hereinafter - "the Company") is an Israel-resident company incorporated in Israel located at Golan Street in Airport City Park. The consolidated financial statements of the Company as at December 31, 2023 include those of the Company and its subsidiaries (hereinafter together - "the Group") as well as the Company's rights in an associated company and in joint ventures. The Group operates in Israel and abroad and is engaged in the development, manufacture and commercialization of crop protection products, As well as intermediate materials for other industries, food additives and synthetic aromatic products, primarily for export.

As of December 31, 2023, the Company is 100% held by ADAMA Ltd. The Company is a reporting entity.

- (2) Sales of crop protection products are directly dependent on the agricultural seasons and crop cycles. Therefore, the Company's income is split equally over the year, and accordingly there are variations between the first and second halves of the year. Countries in the Northern Hemisphere are characterized by similar generally timing of agricultural seasons, with these countries usually having their highest sales in the first half of the calendar year, whereas the agricultural season is the opposite in the Southern Hemisphere (except to some extent in Australia), where most sales occur in the second half of the year. The Company believes that the Group's global activity and the diversification across the markets in which it operates mitigates to a large extent the inherent seasonality in the business.
- (3) On October 7, 2023, an unprecedented attack was launched against Israel, which thrust Israel into a state of war. ADAMA is headquartered in Israel and has three manufacturing sites in the country. Following October 7, 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. In addition, 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 and higher shipping costs, with shipping lines being diverted around Africa. 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.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 1 - General (Cont'd)

B. Definitions:

In these financial statements:

- | | | |
|---------------------------|---|--|
| The Company | - | Adama Agricultural Solutions Ltd. |
| The Group | - | Adama Agricultural Solutions Ltd. and its investee companies. |
| Subsidiaries | - | Companies of which the financial statements are fully consolidated, directly or indirectly, with the financial statements of the Company. |
| Investee Companies | - | Subsidiaries and associated companies or joint arrangements wherein the Company's investment is stated, directly or indirectly, by means of the equity method of accounting. |
| Related Party | - | As defined in IAS 24 (2009) "Relating Party Disclosures". |
| Interested Parties | - | As defined in Paragraph (1) of the definition of an "Interested Party" in Section 1 of the Israeli Securities Law, 1968. |
| CPI | - | The Consumer Price Index in Israel as published by the Central Bureau of Statistics. |
| Dollar | - | The United States Dollar. |
| NIS | - | The New Israeli Shekel. |

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 2 - Basis for Preparation of Financial Statements

A. Declaration of Compliance with the International Financial Reporting Standards:

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter - "IFRS") and in accordance with the Israeli Securities Regulations (Annual Financial Statements), 2010.

The consolidated financial statements were authorized for issue by the Company's Board of Directors on March 25, 2024.

B. Basis of Measurement:

The consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities:

- Financial instruments, derivative and other assets and liabilities measured at fair value.
- Deferred tax assets and liabilities, measured at undiscounted amounts.
- Provisions.
- Assets and liabilities relating to employee benefits.

For additional information regarding the measurement of these assets and liabilities see Note 3 - Significant Accounting Policies.

C. Use of Estimates and Judgment:

The preparation of financial statements in accordance with IFRS requires management to use judgments, estimates and assumptions that affect the implementation of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of accounting estimates used in the preparation of the Group's financial statements requires the Company's management to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Company prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances to each estimate.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected thereby.

Information regarding assumptions made by the Group with respect to the future and other significant reasons for uncertainty with regard the estimates, which possess a significant risk that they may result in a material adjustment to the carrying amounts of assets and liabilities in the coming years, is included in the following notes:

- **Contingent liabilities** - when assessing the possible outcomes of legal claims filed against the Company and its investee companies, the companies relied on the opinions of their legal advisors. These assessments by the legal advisors are based on their professional judgment, considering the stage of the proceedings and the legal experience accumulated regarding the respective matters. Since the results of the claims will be determined by the courts, the outcomes could be different from the assessments.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 2 - Basis for Preparation of Financial Statements (Cont'd)

C. Use of Estimates and Judgment: (Cont'd)

- **(Cont'd)**

In addition to said claims, the Group is exposed to unasserted claims, inter alia, where there is doubt as to interpretation of the respective agreement and/or legal provision and/or manner of implementation. This exposure is brought to the Company's attention in several ways, among others, by means of contact made to Company personnel. In assessing the risk deriving from the unasserted claims, the Company relies on internal assessments by the parties dealing with these matters and by management, who assess the probability of a claim being filed, and the chances of its success, if filed. The assessment is based on experience gained with respect to the filing of claims and the analysis of the allegations on their merits. Naturally, in view of the preliminary stage of the clarification of the legal claim, the actual outcome could be different from the assessment made before the claim was filed. For further information regarding the Company's exposure to claims - see Note 19 regarding contingent liabilities.

- **Impairment of assets** - the Company evaluates the need for goodwill impairment at least once a year, on a fixed date. In addition, at each reporting date the Company evaluates whether events have occurred or there have been changes in circumstances that indicate that impairment has occurred in one or more of the other non-monetary assets. If there are signs of impairment, an examination is executed as to whether the amount at which the investment in the asset is stated can be recovered from the discounted cash flows expected from that asset and, if necessary, an impairment provision is recorded up to the recoverable amount. The discounted cash flows are calculated using a pre-tax discount rate that represents the market's assessment of the time value of money and the specific risks attributed to the asset. Determination of the estimated cash flows is based on the past experience of this asset or similar assets, and the Company's best assessment of the economic conditions that will prevail during the remaining estimated useful life of the asset. Changes in the Company's assessments, as noted, could lead to material changes in the book value of the assets and the operating results.
- **Estimated useful life of intangible assets** - intangible assets that have a defined useful life are amortized systematically over their estimated useful life. The amortization period reflects the best estimate of the period in which future economic benefits are expected to accrue to the Company. Use of other assumptions could lead to a different assessment of the estimated period in which future economic benefits are expected to be received.
- **Expected credit losses** - the Company's trade receivables are stated net of expected credit losses. The expected credit losses are examined regularly by the Company's management and are determined primarily by the familiarity with the customer, its quality and the collateral amount the customer provides. Changes in the assumptions used to calculate the allowance could lead to material changes in the allowance required.

For additional information regarding expected credit losses - see Note 4.

- **Income taxes** - the Company and Group companies are assessed for income tax purposes in a large number of jurisdictions and, therefore, the Company's management is required to use considerable judgment in determining the total provision for taxes and attribution of income, calculated according to the best estimate of the amounts expected to be paid to the relevant tax authorities in each jurisdiction. Deferred taxes are calculated at the tax rates expected to be in effect when they are realized. Some of the Group companies create deferred tax assets in respect of losses carried forward for tax purposes in instances where it is expected to utilize these losses in the foreseeable future.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 2 - Basis for Preparation of Financial Statements (Cont'd)

C. Use of Estimates and Judgment: (Cont'd)

- **(Cont'd)**

Changes in these assumptions could lead to material changes in the book values of the tax assets and tax liabilities and in the operating results.

For additional information regarding deferred taxes and taxes on income - see Note 17.

- **Employee benefits** - the Group's liabilities for long-term post-employment and other benefits are calculated according to the estimated future amount of the benefit to which the employee will be entitled in consideration for his services during the current and prior periods. The benefit is stated at present value net of the fair value of the plan's assets, based on actuarial assumptions. Changes in the actuarial assumptions could lead to material changes in the book value of the liabilities and in the operating results.

For additional information regarding employee benefits - see Note 18.

- **Derivative financial instruments** - the Group enters into transactions in derivative financial instruments for the purpose of hedging risks related to foreign currency and inflation. The derivatives are recorded at their fair value. The fair value of derivative financial instruments is based on quotes from financial institutions. The reasonableness of the quotes is examined by discounting the future cash flows, based on the terms and time to maturity of each contract, while using market interest rates of a similar instrument as of the measurement date. Changes in the assumptions and the calculation model could lead to material changes in the fair value of the assets and liabilities and in the operating results.
- **Inventories** - inventories are measured in the financial statements at the lower of cost or net realizable value. Net realizable value is an estimate of the selling price in the ordinary course of business, net of the estimated cost to completion and the costs required for executing the sale. The selling price is estimated on the basis of the expected selling price at the time of realization of inventories. A reduction in the expected selling price could lead to an impairment of the inventories and operating results accordingly.

Note 3 - Significant Accounting Policies

The accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements and have been applied consistently by the Group entities. In this note, matters have been marked in bold with respect to which the Group has chosen accounting alternatives permitted in the accounting standards.

A. Basis for Consolidation:

(1) Business combinations:

The Group applies the acquisition method with respect to all business combinations. The acquisition date is the date on which the acquirer obtains control over the acquiree.

The identifiable assets acquired and liabilities assumed are measured at fair value, except for certain assets and liabilities measured according to other standards (such as deferred taxes, measured according to IAS 12). Goodwill is recognized as the difference between the fair value of the consideration transferred and the net amount attributed to the identifiable assets acquired and the liabilities assumed.

The consideration transferred includes the fair value of any contingent consideration (such as earnout arrangements with the former shareholders). After the acquisition date, the Group recognizes changes in the fair value of contingent consideration classified as a financial liability at fair value through profit or loss.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 3 - Significant Accounting Policies (Cont'd)

A. Basis for Consolidation: (Cont'd)

(1) Business combinations: (Cont'd)

(2) Structured entities which are not consolidated:

The Group operates with structured entities for purposes of securitization trade receivables. For details see Note 4.

(3) Non-controlling interests:

Issuance of a put option to non-controlling interests:

A put option issued by the Group to holders of non-controlling interests that is settled in cash is recognized as a liability at the present value of the exercise price. In subsequent periods, changes in the value of the liability in respect of a put option issued commencing from January 1, 2010 are recognized in profit or loss according to the effective interest method. Changes in re-measurements of liabilities in respect of a put option issued by the Group to non-controlling interests before January 1, 2010, continue to be recognized in goodwill and are not recognized in profit or loss. **The Group's share of a subsidiary's profits includes the share of non-controlling interests to which the Group issued a put option, even where the non-controlling interests have access to the returns arising from the interests in the investee.**

Dividends distributed to non-controlling interests in a subsidiary that hold a put option are recognized directly in equity.

B. Functional Currency and Presentation Currency:

(1) General:

The Dollar is the currency that represents the principal economic environment in which the Group operates. Accordingly, the dollar is the functional currency of the Company and most of the Group's companies and presentation currency in these financial statements.

(2) Foreign currency transactions:

Transactions in foreign currency are translated into the Group companies' functional currency according to the exchange rate in effect on the transaction dates. Monetary assets and liabilities denominated in foreign currency on the reporting date are translated into the functional currency according to the exchange rate prevailing on that date. Exchange rate differences are recognized directly in "financing expenses" in the consolidated statement of income.

Non-monetary items denominated in foreign currency and measured based on historical cost are translated using the exchange rate in effect on the date of the transaction.

(3) Foreign operations:

The assets and liabilities of foreign operations, including goodwill and adjustments to fair value recorded at acquisition, are translated into Dollars according to the exchange rates prevailing on the reporting date. Income and expenses of foreign operations are translated into Dollars according to the exchange rates that were in effect on the dates of the transactions.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 3 - Significant Accounting Policies (Cont'd)

B. Functional Currency and Presentation Currency (Cont'd):

(3) Foreign operations (Cont'd)

Foreign currency differences in respect of the translation are recognized in other comprehensive income and are presented in equity as part of capital reserves.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the Translation Reserve related to that foreign operation is reclassified to profit or loss as a part of the gain or loss on the disposal.

C. Financial Instruments:

(1) Non-derivative financial instruments:

Initial recognition of financial assets:

All financial assets are initially recognized at fair value net of transaction costs, except financial instruments that are classified as fair value through profit or loss, which are recognized at their fair value and the transaction costs are recognized directly as expenses in the profit or loss.

Non-derivative financial assets include mainly trade and other receivables, and cash and cash equivalents.

(a) Classification of financial assets into categories and the accounting treatment of each category:

Trade and other receivables and other debt instruments that are held in order to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) on specified dates are subsequently measured at amortized cost, using, when material, the effective interest method.

All other financial assets, including trade receivable to be sold according to securitization agreements (see note 4), are subsequently measured at fair value through profit or loss (FVTPL).

(b) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

As for derecognition of trade receivable sold under securitization agreements, see details in note 4.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 3 - Significant Accounting Policies (Cont'd)

C. Financial Instruments (Cont'd):

(2) Non-derivative financial liabilities:

Non-derivative financial liabilities include bank overdrafts, loans and borrowings from banks and others, marketable bonds, lease liabilities and trade and other payables.

Those financial liabilities are initially recognized at fair value less transaction costs. Subsequent to the initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

(3) CPI-linked liabilities measure at amortized cost:

The value of CPI-linked financial assets and liabilities that are measure at amortized cost are revalued in every period, according to the actual rate of increase/decrease in the CPI.

(4) Derivative financial instruments, including hedge accounting:

The Group uses derivative financial instruments to hedge its risks related to foreign currency and inflation.

Derivative financial instruments are initially recognized at fair value; attributable transaction costs are recognized in profit or loss as incurred.

Cash-flow hedges:

With respect to a cash-flow hedge, a forecasted transaction that constitutes a hedged item must be highly probable and must give rise to exposure to changes in cash flows that could ultimately affect profit or loss, for example forecast purchases of inventory or forecast sales to customers.

Subsequent to the initial recognition, changes in the fair value of derivatives used to hedge cash flows are recognized through other comprehensive income directly in a hedging reserve, with respect to the part of the hedge that is effective. Regarding the portion of the hedge that is not effective (over-hedge only), that portion is recognized immediately in profit and loss as financing income or expense.

The amount accumulated in the hedging reserve is reclassified to profit and loss in the period in which the hedged cash flows impact profit or loss and is presented in the same line item in the statement of income as the hedged item.

Economic hedge

Hedge accounting is not applied with respect to derivative instruments used to economically hedge financial assets and liabilities denominated in foreign currency or CPI linked. Changes in the fair value of such derivatives are recognized in profit or loss as financing income or expenses.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 3 - Significant Accounting Policies (Cont'd)

C. Financial Instruments: (Cont'd)

(5) Share capital:

Ordinary shares:

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and options for shares are recognized as a deduction from equity.

Treasury shares:

When share capital recognized in equity is repurchased by the Group, the amount of the consideration paid, including direct costs, net of the tax effect, is deducted from equity and classified as treasury shares.

Upon cancellation of the treasury shares, the amount of the consideration paid for them is deducted from the capital reserves.

D. Fixed Assets:

(1) Recognition and measurement:

Fixed-asset items are measured at cost less accumulated depreciation and accrued impairment losses. Cost includes expenditures that can be directly attributed to purchase or construction of the asset. The cost of self-constructed assets includes the cost of the materials and direct labor costs, as well as additional costs that are directly attributable to bringing the asset to the position and condition necessary for it to function as intended by management, as well as an estimate of the costs to dismantle and remove the item, to restore its location and capitalized borrowing costs. The cost of purchased software, which is an integral part of operating the related equipment, is recognized as part of the cost of such equipment.

When major parts of a fixed asset item (including costs of major periodic inspections) have different useful lives, they are accounted for as separate items (major components) of fixed assets.

Changes in the obligation to dismantle and remove the items and to restore the site on which they are located, other than changes deriving from the passing of time, are added to or deducted from the cost of the asset in the period in which they occur.

(2) Depreciation:

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of every fixed-asset item. Freehold lands are not depreciated.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 3 - Significant Accounting Policies (Cont'd)

D. Fixed Assets (Cont'd):

(2) Depreciation (Cont'd):

The estimated useful life for the current period and comparative periods is as follows:

<u>Item</u>	<u>Period</u>	<u>Note</u>
Buildings	25-50 years	
Facilities and equipment	22 years	
Furniture, equipment and accessories	7-17 years	primarily 14 years
Motor vehicles	5-7 years	
Computers and auxiliary equipment	3-5 years	

The estimates of depreciation method, useful lives and residual values are reviewed at least at the end of each reporting year and adjusted prospectively where necessary.

E. Intangible Assets:

(1) Goodwill:

Goodwill that arises upon business combinations is presented as part of intangible assets. For information regarding measurement of goodwill upon initial recognition - see Paragraph A(1) of this note.

In subsequent periods, goodwill is measured at cost less accrued impairment losses.

(2) Research and development and product registration:

Research and development (R&D) activities - the Group's R&D activities mainly include chemical R&D and chemical engineering development of production processes for off-patent active ingredients, including the necessary biological, agronomical and toxicology data necessary to meet regulatory requirements, and development of registration dossiers for the active ingredients. This activity, for the most part, does not meet the conditions necessary for capitalization as an internally generated intangible asset. Therefore, these expenses are recorded directly in profit and loss as research and development expenses.

Product registration activities - the materials and products marketed by the Group require registration at various stages of their production and marketing in each country where the Group intends to market them. Obtaining a registration requires meeting health, safety and environmental standards. The product registration activities are carried out at a more advanced stage, after the R&D activities described above have been completed, when there is a high probability that the required registrations will indeed be obtained in the target markets and the products can be marketed.

Purchased registrations are recorded as an intangible asset according to the cost of purchase, while in relation to self-construction of a registrations, a distinction is made between two types of registration costs:

- Costs that are capitalized as an intangible asset (product registration) - these costs associated with building a registration portfolio of generic products, in which the Group has a high certainty that it will complete the construction of the portfolio, receive the registration and obtain future economic benefits from it. The Group has ability to estimate the expected costs for building the registration portfolio and the Group's history of succeeding in obtaining such licenses is very high.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 3 - Significant Accounting Policies (Cont'd)

E. Intangible Assets (Cont'd):

(2) Research and development and product registration (Cont'd):

- Costs that do not meet the definition of an intangible asset - costs of this type mainly include annual fees to the authorities, costs associated with preliminary stages of field trials that are done to prove feasibility and salary expenses that cannot be specifically attributed to the capitalized registration assets. These expenses are recorded directly in profit and loss.

(3) Other intangible assets:

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accrued impairment losses.

(4) Subsequent costs:

Subsequent costs are recognized as an intangible asset only where they increase the future economic benefit embodied in the asset in respect of which they were expended. All other costs are recognized in profit or loss as incurred.

(5) Amortization:

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use. Goodwill is not systematically amortized, but is assessed annually at a minimum for impairment since it has an indefinite useful life.

Intangible assets generated within the Group are not systematically amortized as long as they are not available for use, i.e. they are not yet in the condition required in order that they will be able to be used as intended by Management.

The estimated useful life for the current period and comparative periods is as follows:

- Product registration - primarily 8 years.
- Intangible assets on purchase of products - primarily 7-11.
- Marketing rights, tradename and trademarks - 4-10 years and 30 years for a specific trademark in acquired subsidiary.
- Software - 3-5 years and 12 years for ERP.
- Customer relations - 5-10 years.

The amortization methods, useful lives and residual values are reviewed at least at the end of each reporting year and are adjusted where necessary.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 3 - Significant Accounting Policies (Cont'd)

F. Inventory:

Inventory is measured at the lower of cost or net realizable value. **The cost of the inventories of raw materials, packaging materials, spare parts, maintenance materials and purchased materials is determined according to a weighted-average formula**, which includes the costs of acquiring the inventory and bringing it to its current location and condition. **The cost of finished products and of products in process is determined on the basis of average production costs, including materials, labor and factory expenses.**

The cost includes the allocable part of the production overhead, based on normal capacity.

Net realizable value is the estimated selling price during the ordinary course of business, after deduction of the estimated completion costs and the estimated costs required to execute the sale.

Long-term inventory is such that the Company only expects to realize over a period exceeding 12 months.

G. Impairment:

(1) Non-derivative financial assets:

As for trade receivables which are not measured in FVTPL, the Group estimates the Expected Credit Losses (ECL) on these financial assets using a provision matrix based on the Group's historical credit loss experience throughout the instrument's lifetime adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The examination whether to recognize ECL is based on the risk (probability) for default from the initial recognition in the financial instrument, and not only when there is objective evidence for impairment in the reporting date or when the default occurs.

See also note 29(b).

(2) Non-financial assets:

Timing of impairment testing:

If impairment indications exist, the recoverable amount of an asset or cash-generating unit (CGU) is calculated. Once a year and on the same date, or more frequently if there are indications of impairment, the Group estimates the recoverable amount of each cash generating unit that contains goodwill.

Allocation of goodwill to cash-generating units:

The Company allocated goodwill to its operating segments – Crop protection (Agro) and intermediates and ingredients (see note 30), since there is not a lower level at which the goodwill is monitored for internal reporting purposes.

Goodwill acquired in a business combination is allocated to the operating segment at which the acquiree operate, which is expected to benefit from synergies of the combination.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 3 - Significant Accounting Policies (Cont'd)

G. Impairment (Cont'd):

(2) Non-financial assets (Cont'd):

Measurement of recoverable amount:

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market participant assessments of the time value of money and the specific risks attributed to the asset or cash generating unit, for which the estimated future cash flows expected to derive from the asset or cash generating unit were not adjusted.

Recognition of impairment losses:

Impairment losses are recognized only if the carrying amount of an asset or the cash generating unit exceeds its estimated recoverable amount and such losses are recognized in profit and loss as other expenses. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to these units (impairment which cannot be reversed in subsequent reporting periods) and then to reduce the carrying amounts of the other assets in the cash generating unit, on a pro rata basis.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 3 - Significant Accounting Policies (Cont'd)

H. Employee Benefits:

(1) Post-employment benefits:

The Group has a number of post-employment benefit plans. The plans are generally funded by deposits with insurance companies or in funds managed by a trustee, and they are classified either as defined contribution plans or as defined benefit plans.

(a) Defined contribution plans:

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an expense in profit or loss in the periods during which related services are rendered by employees.

(b) Defined benefit plans:

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's actuarial obligation in respect of defined benefit plans is calculated separately for each plan by estimating the future amount of the benefit to which an employee will be entitled as compensation for his services during the current and past periods. This benefit is presented according to present value after deducting the fair value of the plan assets.

The discount rate is determined according to the yield as of the date of the report on high quality, CPI-linked corporate debentures, which are denominated in NIS, and the maturity dates of which approximate the terms of the Group's obligation.

The calculations are performed by a licensed actuary using the "projected unit credit method".

The Group determines the net interest on the net defined benefit liability (asset) in respect of a defined benefit by multiplying the net liability (asset) in respect of a defined benefit by the discount rate used to measure the defined benefit obligation as determined at the beginning of the annual reporting period, or at the beginning of the last interim period in which the discount rate was updated. **Interest costs on a defined benefit obligation and interest income on plan assets are recognized in profit or loss as financing income and expenses, respectively.**

Remeasurement of the net defined benefit liability (assets) includes actuarial gains and losses and the return on plan assets (excluding interest). Remeasurements are recognized immediately, directly in retained earnings through other comprehensive income and are not reclassified in the following periods through profit or loss.

(2) Other long-term employee benefits:

Other long-term employee benefits are measured on the same basis as defined benefit plans (see paragraph (1)(b) above), except that actuarial gains and losses are recorded in profit and loss (at the same line items at which expenses for employee benefits are presented) in the period in which they arise.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 3 - Significant Accounting Policies (Cont'd)

H. Employee Benefits:

(3) Termination benefits:

Termination benefits to employees are recognized as an expense when the Group has clearly undertaken, with no real chance of cancellation, to terminate employees before they reach the customary retirement age according to a formal, detailed plan.

If the benefits are payable more than 12 months after the end of the reporting period, they are discounted to their present value. The discount rate used is the yield on the reporting date on highly rated corporate debentures denominated in the same currency, that have maturity dates approximating the terms of the Group's obligation.

(4) Short-term benefits:

Obligations for short-term employee benefits are measured on a non-discounted basis, and the expense is recorded when the related service is provided. A provision for short-term employee benefits in respect of cash bonuses is recognized in the amount expected to be paid where the Group has a current legal or constructive obligation to pay the said amount for services provided by the employee in the past and the amount can be estimated reliably.

(5) Cash-settled share-based payments:

The fair value of cash-settled share-based payment awards granted to employees is recognized as a salary expense in profit or loss, with a corresponding increase in liability over the vesting period. The liability is remeasured according to fair value at each reporting date, until the date of settlement and the change is recorded as a salary expense in profit or loss. The fair value of the liability is measured using the binomial model.

I. Revenues:

Sale of goods:

Revenue of the Group is primarily from the sale of goods.

The Group recognizes revenue when transferring control of goods to a customer (typically transfer of the significant risks and rewards of ownership), at the amount of the transaction price, which is the amount of consideration to which a Group expects to be entitled in exchange for transferring goods to a customer, excluding amounts collected on behalf of third parties.

The timing of transferring the control of goods changes according to the specific terms of the sale contract. Regarding sales of products, transfer of the control of goods generally occurs when the products arrive at the customer's warehouse, while for certain overseas shipments the transfer occurs when the products are loaded on the shipper's transport vehicles.

Significant financing component:

The Group does not adjust the amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between transfer of a good to a customer and payment by the customer for that good will be one year or less.

Variable consideration:

Variable consideration includes sales with a right of return (see below), refunds, discounts, volume rebates etc. the amounts of variable consideration are estimated using the Group's past experience in the relevant markets. The Group includes in the transaction price the amounts of variable consideration only to the extent that it is highly probable that a significant reversal in the

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 3 - Significant Accounting Policies (Cont'd)

I. Revenues (Cont'd):

Variable consideration (Cont'd):

amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Sale with a right of return:

For sales with a right of return, the Group recognizes revenue at the amount of consideration to which the Group expects to be entitled (i.e. excluding the products expected to be returned). For any amounts received (or receivable) for which the Group does not expect to be entitled, the Group does not recognize revenue when it transfers products to customers and instead recognizes those amounts as a refund liability. An asset recognized for the Group's right to recover products from a customer on settling a refund liability is initially measured by reference to the former carrying amount of the products (inventory) less any expected costs to recover those products.

At the end of each reporting period, the Group updates the measurement of the refund liability and the asset for changes in expectations about the amount of refunds and the products to be returned, and recognizes corresponding adjustments as revenue (or reductions of revenue) and cost of sales, respectively.

J. Income Taxes:

Taxes on income include current and deferred taxes. Current tax and deferred taxes are recognized in profit or loss except to the extent that they relate to a business combination, or are recognized in other comprehensive income to the extent they relate to items recognized in other comprehensive income.

Current taxes:

Current tax is the amount of tax expected to be paid (or received) on the taxable income for the year, calculated using the applicable tax rates based on the laws enacted or substantively enacted as of the date of the report. Current taxes also include taxes in respect of prior years.

Offset of current tax assets and liabilities:

The Group offsets current tax assets and liabilities if there is a legally enforceable right to offset current tax liabilities and assets, and the Group intends either to settle the current tax liabilities and assets on a net basis or to realize the asset and settle the liability simultaneously.

Uncertain tax positions:

A provision for uncertain tax positions, including additional tax and interest expenses, is recognized when it is more likely than not that the Group will have to use its economic resources to settle the obligation.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 3 - Significant Accounting Policies (Cont'd)

J. Income Taxes Expense: (Cont'd)

Deferred taxes:

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes, except for temporary differences arising from the following, for which no deferred taxes are recognized:

- The initial recognition of goodwill.
- Investments in subsidiaries, joint arrangements and associates, to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future, either by way of selling the investment or by way of distributing taxable dividends in respect of the investment.

Income taxes that would have applied in the event of realizing investments in subsidiaries were not taken into account since it is the Company's intention to hold these investments and not realize them.

Moreover, The Group may be required to pay additional income taxes in case of distribution of dividends by its subsidiaries. These additional taxes were not included in the financial statements, since the Group's policy is not to distribute a dividend in the foreseeable future that creates an additional tax liability.

- Pillar Two income taxes (see details in note 17).

Deferred taxes are measured at the tax rates expected to apply to the temporary differences when they are utilized, based on the laws that have been enacted or substantively enacted as of the reporting date.

A deferred tax asset is recognized in respect of tax loss carryforwards, tax benefits and deductible temporary differences, where it is expected that in the future there will be taxable income against which they can be utilized. Deferred tax assets are reviewed at every reporting date and are reduced to the extent it is not expected that the related tax benefits will be realized.

Deferred tax assets that were not recognized are reevaluated at each reporting date and recognized if it becomes probable that future taxable profits will be available against which they can be utilized.

Inter-company transactions:

Deferred tax in respect of inter-company transactions in the consolidated financial statements is recorded according to the tax rate applicable to the procuring company.

Offset of deferred tax assets and liabilities:

The Group offsets deferred tax assets and liabilities if there is a legally enforceable right to offset current tax liabilities and assets, and these relate to the same taxable income taxed by the same tax authority for the same taxable entity, or different taxable entities where these intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be settled concurrently.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 3 - Significant Accounting Policies (Cont'd)

K. Environmental Costs:

The current costs for operation and maintenance of facilities for the prevention of environmental pollution, and projected provisions for environmental rehabilitation costs stemming from current or past activities are recorded as expenses in profit and loss (cost of sales). The costs of constructing facilities to prevent environmental pollution, which increase the life expectancy of a facility or its efficiency, or decrease or prevent the environmental pollution, are added to the cost of the fixed assets and are depreciated according to the Group's regular depreciation policies.

L. Amendments to IFRS Accounting Standards that are effective for the current year

Amendments to IAS 12 Income Taxes— International Tax Reform—Pillar Two Model Rules

The IASB amended the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

The group has adopted the amendments to IAS 12 for the first time in the current year. For further details, please see note 17.

Amendment to IAS 1 Presentation of Financial Statements — Disclosure of Accounting Policies

The amendment changes the requirements in IAS 1 with regards to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of the general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The group has adopted the amendments to IAS 1 for the first time in the current year.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 4 - Trade Receivables

Composition (\$ thousands):

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Foreign	1,159,215	1,269,401
Domestic (Israel)	19,846	17,966
Total current trade receivables	<u>1,179,061</u>	<u>1,287,367</u>
Less - Expected credit losses	(51,721)	(41,608)
Total current trade receivables, net	<u>1,127,340</u>	<u>1,245,759</u>
<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current trade receivables	1,179,061	1,287,367
Non-current trade receivables	9,707	11,847
Trade receivable as part of securitization transaction not yet eliminated	19,747	27,788
Less - Expected credit losses	(51,721)	(41,608)
Total trade receivables	<u>1,156,794</u>	<u>1,285,394</u>

See Note 29B below for details regarding credit risk.

- A.** The Company and certain subsidiaries entered into a securitization transaction with Rabobank International for sale of trade receivables (hereinafter - "the Securitization Program" and/or "the Securitization Transaction").

Pursuant to the Securitization Program, the companies will sell their customer receivables, in different currencies, to a foreign company that was set up for this purpose and that is not owned by the Group (hereinafter - "the Acquiring Company"). Acquisition of the trade receivables by the Acquiring Company is financed by Cooperative Rabobank U. A.

The trade receivables included as part of the Securitization Transaction are trade receivables that meet the criteria provided in the agreement.

Every year the credit facility is re-approved in accordance with the Securitization Program. As at the date of the report, the Securitization Agreement was approved up to October 25, 2024.

The maximum scope of the securitization is adjusted for the seasonal changes in the scope of the Company's activities, as follows: during January - \$300 million, during February - \$350 million, during the months of March through August - \$400 million, during the months of September through October - \$300 million and during the months of November through December - \$275 million. In addition the company has a permanent uncommitted facility of \$50 million which will be applicable each period. The proceeds received from those customers whose debts were sold are used for acquisition of new trade receivables.

The price at which the trade receivables are sold is the amount of the debt sold less a discount calculated based on, among other things, the expected length of the period between the date of sale of the customer receivable and its anticipated repayment date.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 4 - Trade Receivables (Cont'd)

A. (Cont'd)

In the month following acquisition of the debt, the Acquiring Company pays most of the debt in cash while the remainder is recorded as a subordinated liability that is paid after collection of the debt sold. If the customer does not pay its debt on the anticipated repayment date, the Company bears interest up to the earlier of the date on which the debt is actually repaid or the date on which the treatment is transferred to the insurance company (the actual costs are not significant and are not expected to be significant).

The Acquiring Company bears 95% of the credit risk in respect of the customers whose debts were sold and will not have a right of recourse to the Companies in respect of the amounts paid in cash, except regarding debts with respect to which a commercial dispute arises between the companies and their customers, that is, a dispute the source of which is a claim of non-fulfillment of an obligation of the seller in the supply agreement covering the product, such as: a failure to supply the correct product, a defect in the product, delinquency in the supply date, and the like.

The Acquiring Company appointed a policy manager to manage the credit risks involved with the trade receivables sold and to manage an undertaking with an insurance company.

Pursuant to the Receivables Servicing Agreement, the Group companies handle collection of the trade receivables as part of the Securitization Transaction for the benefit of the Acquiring Company.

As part of the agreement, the Company committed to comply with certain financial covenants, primarily the ratio of the liabilities to equity and profit ratios (see Note 20D below).

The accounting treatment of sale of the trade receivables included as part of the Securitization Program is:

The Company is not a controlling entity with regard the Acquiring Company and therefore is not consolidated the Acquiring Company in its financial statements.

The Company continues to recognize the trade receivables included in the Securitization Program based on the extent of its continuing involvement therein.

A subordinated note is recorded in respect of the portion of trade receivables included in the Securitization Program with respect to outstanding cash proceeds, however the Company has transferred the credit risk.

The continuing involvement and subordinated note recorded in the balance sheet as part of the "other receivables" line item.

The loss from sale of the trade receivables is recorded at the time of the sale in the statement of income in the "financing expenses" category.

B. A subsidiary in Brazil (hereinafter - "the Subsidiary") entered into the following securitization agreements:

- (1)** Since 2016, a securitization transaction with Rabobank Brazil for sale of customer receivables (hereinafter "FIDC-Donegal agreement") is in place. Under the FIDC-Donegal agreement, the Subsidiary will sell its receivables to a securitization structure (hereinafter - "the Entity") that was formed for this purpose where the Subsidiary has subordinate rights of 5% of the Entity's capital.

As at the report date, the FIDC-Donegal agreement was approved up to September 30, 2024. The maximum securitization scope as of December 31, 2023 is BRL 385 million (\$54 million).

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 4 - Trade receivables

B. (Cont'd)

(1) (Cont'd)

On the date of the sale of the customer receivables, the Entity pays the full amount which is the debt amount sold net of discount calculated, among others, over the expected length of the period between the date of sale of the customer receivable and its anticipated repayment date.

The Entity bears 95% of the credit risk in respect of the customers whose debts were sold such that the Entity has the right of recourse to 5% of the unpaid amount. The Subsidiary has a pledged deposit with regards to the Entity's right of recourse.

The Subsidiary continues to recognize the trade receivables sold to the Entity based on the extent of its continuing involvement therein (5% right of recourse) and also recognizes an associated liability in the same amount.

In "FIDC-Donegal agreement" the Subsidiary handles the collection of receivables included in the securitization for and on behalf of the Entity

- (2)** During 2021, the Subsidiary has entered into an additional securitization agreement (hereinafter - "FIDC - Liverpool agreement") with Itau Bank and Farm investments, for sale of customer receivables to a securitization structure that was formed for this purpose where the Subsidiary has mezzanine quotes of 10.5% of the entity's capital.

As at the report date, the FIDC-Liverpool agreement was approved up to November 10, 2024. The maximum securitization scope as of December 31, 2023 is BRL 311 million (\$44 million).

The Entity bears 100% of the credit risk in respect of the customers whose debts were sold (non-recourse), therefore the Subsidiary has no continuing involvement in those account receivables sold.

In "FIDC-Liverpool agreement" the collection of receivables is being handled by the Entity.

In all the agreements above, the Subsidiary does not control the entities and therefore the entities are not consolidated in the Group's financial statements.

The loss from the sale of the trade receivables is recorded at the time of sale in the statement of income in the "financing expenses" category.

Note 5 - Financial and Other Assets, Including Derivatives (*)

Composition (\$ thousands):

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Receivables in respect of transactions in derivatives	120,030	33,571
Claims from the government in respect of participations and tax refunds	94,453	102,888
Receivables within ADAMA Ltd. group (**)	56,271	59,354
Advances to suppliers	14,893	13,978
Other	21,738	33,144
Total	<u>307,385</u>	<u>242,935</u>

(*) All financial assets are measured at amortized cost, except for derivative transactions that are measured at fair value.

(**) For details regarding transactions with related parties, see Note 28

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 6 - Inventories

Composition (\$ thousands):

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Finished goods and commercial inventory	1,019,186	1,342,628
Work in progress	216,230	302,301
Raw materials	412,684	588,877
Packaging materials	28,633	30,253
Spare parts and maintenance materials	29,389	27,713
Total current inventory	<u>1,706,122</u>	<u>2,291,772</u>
Additional information:		
Merchandise in transit (included in the inventories balance)	<u>25,472</u>	<u>25,020</u>
Current inventory	1,706,122	2,291,772
Non-current inventory	<u>47,216</u>	<u>40,735</u>
Total inventory	<u>1,753,338</u>	<u>2,332,507</u>

The Group wrote-down inventory mainly due to slow moving and defective inventory and inventory for which the net realizable value is less than its cost.

The balance of the write-down was \$55 million and \$37 million as of December 31, 2023 and December 31, 2022, respectively.

Note 7 - Other Financial Investments and Receivables

Composition (\$ thousands):

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Long-term investments, loans and receivables	64,493	62,987
Non-current trade receivables	<u>9,707</u>	<u>11,847</u>
Total	<u>74,200</u>	<u>74,834</u>

Note 8 - Non-Financial Assets, including Non-Current Inventory

Composition (\$ thousands):

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current inventory	47,216	40,735
Non-financial assets	<u>1,616</u>	<u>5,062</u>
Total	<u>48,832</u>	<u>45,797</u>

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 9 - Fixed Assets

A. Movement in the Carrying Amount (\$ thousands):

<u>Item</u>	<u>Land and buildings</u>	<u>Facilities and equipment</u>	<u>Motor vehicles</u>	<u>Computers and office equipment</u>	<u>Total</u>
Cost:					
At January 1, 2023	435,916	2,056,838	62,310	61,011	2,616,075
Additions (1)	48,440	139,970	21,372	6,852	216,634
Disposals	(6,894)	(2,957)	(13,993)	(1,324)	(25,168)
At December 31, 2023	<u>477,462</u>	<u>2,193,851</u>	<u>69,689</u>	<u>66,539</u>	<u>2,807,541</u>
Accumulated depreciation:					
At January 1, 2023	198,651	1,102,953	27,748	48,360	1,377,712
Additions (1)	25,740	73,140	17,463	5,647	121,990
Disposals	(6,167)	(2,685)	(12,661)	(1,281)	(22,794)
At December 31, 2023	<u>218,224</u>	<u>1,173,408</u>	<u>32,550</u>	<u>52,726</u>	<u>1,476,908</u>
Carrying amount at December 31, 2023	<u>259,238</u>	<u>1,020,443</u>	<u>37,139</u>	<u>13,813</u>	<u>1,330,633</u>
Related to:					
Leased assets	68,106	2,999	21,792	249	93,146
Non-leased assets	191,132	1,017,444	15,347	13,564	1,237,487
Carrying amount at December 31, 2023	<u>259,238</u>	<u>1,020,443</u>	<u>37,139</u>	<u>13,813</u>	<u>1,330,633</u>

<u>Item</u>	<u>Land and buildings</u>	<u>Facilities and equipment</u>	<u>Motor vehicles</u>	<u>Computers and office equipment</u>	<u>Total</u>
Cost:					
At January 1, 2022	395,412	1,866,244	55,199	57,430	2,374,285
Additions (1)	61,213	194,534	21,853	6,467	284,067
Disposals	(20,709)	(3,940)	(14,742)	(2,886)	(42,277)
At December 31, 2022	<u>435,916</u>	<u>2,056,838</u>	<u>62,310</u>	<u>61,011</u>	<u>2,616,075</u>
Accumulated depreciation:					
At January 1, 2022	191,829	1,038,308	25,842	46,537	1,302,516
Additions (1)	20,481	65,798	14,348	4,665	105,292
Disposals	(13,659)	(1,153)	(12,442)	(2,842)	(30,096)
At December 31, 2022	<u>198,651</u>	<u>1,102,953</u>	<u>27,748</u>	<u>48,360</u>	<u>1,377,712</u>
Carrying amount at December 31, 2022	<u>237,265</u>	<u>953,885</u>	<u>34,562</u>	<u>12,651</u>	<u>1,238,363</u>
Related to:					
Leased assets	58,814	3,339	22,272	303	84,728
Non-leased assets	178,451	950,546	12,290	12,348	1,153,635
Carrying amount at December 31, 2022	<u>237,265</u>	<u>953,885</u>	<u>34,562</u>	<u>12,651</u>	<u>1,238,363</u>

(1) Includes effect of foreign currency translation differences in respect of foreign operations.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 9 - Fixed Assets (Cont'd)

B. Additional Information:

(1) The facilities of Adama Makhteshim are situated on lands in Naot Hovav (including structures, offices, facilities and warehouses) by virtue of lease agreements for various periods ending between the years 2023-2062 including a renewal option, and on land in Beer Sheva, leased from the Israel Land Authority (ILA), with a built area that includes structures, offices, facilities, warehouses and Lycored's facility, a wholly owned subsidiary of the Company.

The facilities of Adama Agan are located in Ashdod. A large portion of the land is owned by the Company and a minority is leased from ILA for lease periods ending between the years 2050-2054.

The land contains a built area that includes, inter alia, production facilities, warehouses, storage areas, engineering services, technical equipment, offices and laboratories. In addition, Adama Agan leases from various lessors, who are third parties not related to the Company, spaces adjacent to the plant area, for the purposes of parking and storage in return for immaterial amounts.

In April 2006, the Company entered into an agreement with the City of Ashdod, for a total period of 24 years subject to receiving the required regulatory approvals, under which the Company may use a certain area for the purpose of the establishment and operation of a sewage treatment plant. The Company pays annual usage fees for use of this land.

Facilities of Investees companies outside of Israel are located on land which is partly owned and partly leased.

(2) Regarding liens - see note 20.

C. Non-cash Additions of Fixed Assets:

The Group's credit due to purchases of fixed assets as of December 31, 2023 is \$21,492 thousand (2022 - \$21,440 thousand).

The total additions to right-of-use assets as a result of new leases during 2023 amounted to \$35,355 thousand (2022 - \$43,724 thousand).

D. Investment Grants:

Investment grants received for the purchase of fixed assets (\$ thousands):

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings and equipment in the Group's plants	<u>126,669</u>	<u>121,593</u>

The investment grants that were deducted from the cost of the buildings and equipment in the Group's plants were received for investments in an "approved enterprise" over the course of many years. In order to ensure compliance with the grant conditions, a floating lien was recorded on the assets of the subsidiaries in Israel in favor of the State of Israel. For some of the investments, if the Group does not comply with the conditions for receipt of the grant, it will have to refund the amount of the grants, fully or partially, plus interest and linkage differences as per law.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 9 - Fixed Assets (Cont'd)

E. Additional Details:

The Group has fully-depreciated assets that are still in use. The cost of these assets as of December 31, 2023 is \$681 million (December 31, 2022 - \$593 million).

Part of the land in Israel has not yet been registered in the name of the Group companies at the Land Registry Office, primarily due to registration procedures or technical problems.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 10 - Intangible Assets

A. Composition (\$ thousands):

<u>Item</u>	<u>Product registration</u>	<u>Goodwill</u>	<u>Intangible assets on purchase of products(1)</u>	<u>Software</u>	<u>Marketing rights, tradename and trademarks</u>	<u>Customer relations</u>	<u>Other</u>	<u>Total</u>
Cost:								
At January 1, 2023	1,319,012	319,205	600,530	163,526	102,087	60,804	54,615	2,619,779
Additions (2)	80,687	14,492	-	23,498	4,565	7,852	6,230	137,324
Disposal	(1, 455)	-	-	(1,234)	-	-	-	(2,689)
At December 31, 2023	<u>1,398,244</u>	<u>333,697</u>	<u>600,530</u>	<u>185,790</u>	<u>106,652</u>	<u>68,656</u>	<u>60,845</u>	<u>2,754,414</u>
Accumulated amortization:								
At January 1, 2023	975,653	44,493	456,960	103,360	64,174	34,980	33,365	1,712,985
Additions (2)	75,482	737	26,766	12,573	3,272	5,694	1,711	126,235
Disposal	(309)	-	-	(1,234)	-	-	-	(1,543)
At December 31, 2023	<u>1,050,826</u>	<u>45,230</u>	<u>483,726</u>	<u>114,699</u>	<u>67,446</u>	<u>40,674</u>	<u>35,076</u>	<u>1,837,677</u>
Carrying amount at December 31, 2023	<u>347,418</u>	<u>288,467</u>	<u>116,804</u>	<u>71,091</u>	<u>39,206</u>	<u>27,982</u>	<u>25,769</u>	<u>916,737</u>

(1) Intangible assets on purchase of products primarily includes consideration paid pursuant to agreements from 2001 and 2002 (fully depreciated), 2017 and 2018 attributed to rights in intellectual property, trademarks, trade name, technological know-how, and information with respect to customers and suppliers of raw materials.

(2) Including effect of foreign currency translation differences in respect of foreign operations.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 10 - Intangible Assets (Cont'd)

A. Composition (\$ thousands): (Cont'd)

<u>Item</u>	<u>Product registration</u>	<u>Goodwill</u>	<u>Intangible assets on purchase of products(1)</u>	<u>Software</u>	<u>Marketing rights, tradename and trademarks</u>	<u>Customer relations</u>	<u>Other</u>	<u>Total</u>
Cost:								
At January 1, 2022	1,256,690	317,151	600,530	148,532	102,017	60,842	51,999	2,537,761
Additions (2)	63,292	2,054	-	15,980	70	(38)	2,616	83,974
Disposal	(970)	-	-	(986)	-	-	-	(1,956)
At December 31, 2022	<u>1,319,012</u>	<u>319,205</u>	<u>600,530</u>	<u>163,526</u>	<u>102,087</u>	<u>60,804</u>	<u>54,615</u>	<u>2,619,779</u>
Accumulated amortization:								
At January 1, 2022	898,024	45,087	422,984	92,469	61,585	30,313	30,763	1,581,225
Additions (2)	78,064	(594)	33,976	11,867	2,589	4,667	2,602	133,171
Disposal	(435)	-	-	(976)	-	-	-	(1,411)
At December 31, 2022	<u>975,653</u>	<u>44,493</u>	<u>456,960</u>	<u>103,360</u>	<u>64,174</u>	<u>34,980</u>	<u>33,365</u>	<u>1,712,985</u>
Carrying amount at December 31, 2022	<u>343,359</u>	<u>274,712</u>	<u>143,570</u>	<u>60,166</u>	<u>37,913</u>	<u>25,824</u>	<u>21,250</u>	<u>906,794</u>

- (1) Intangible assets on purchase of products primarily includes consideration paid pursuant to agreements from 2001 and 2002 (fully depreciated), 2017 and 2018 attributed to rights in intellectual property, trademarks, trade name, technological know-how, and information with respect to customers and suppliers of raw materials.
- (2) Including effect of foreign currency translation differences in respect of foreign operations.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 10 - Intangible Assets (Cont'd)

B. Additional information:

The Group allocates goodwill to two cash generating units ("CGU"), Crop Protection (Agro) and a non-core activity included in the Intermediates and ingredients segment. At the end of the year, or more frequently whether indicators for impairment exists, the Group estimates the recoverable amount of each CGU for which goodwill has been allocated to using the DCF model, based on:

- The actual results of 2023, 2024 workplan and the forecast results for the next 4 years.
- The discount rate (9.1% WACC) based on the company's cost of equity and cost of debt, taking into account comprehensive risk factors.
- The annual growth rate (1.5%) based on the management projections and market expectations.

The carrying amount of goodwill is mainly allocated to Agro CGU. Total amount of goodwill allocated to the Agro CGU amounts to \$278 million. The goodwill allocated to non-core CGU is not significant.

As of December 31, 2023, the value in use of the CGUs to which goodwill has been allocated to, exceeds its carrying amount.

Note 11 - Loans and Credit from Banks and Other Lenders

A. Composition (\$ thousands):

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Credit from banks and others:		
Overdrafts	513	3,411
Short -term credit from related parties (*)	300,000	100,000
Short-term credit (**)	430,154	328,320
Total overdrafts and short-term credit	<u>730,667</u>	<u>431,731</u>
Current maturities of long-term loans from banks	143,369	124,982
Current maturities of lease obligations	23,633	22,087
Total	<u>897,669</u>	<u>578,800</u>

(*) See Note 28

(**) Interest rate for 2023 is mainly between 5.60% - 13.75%.

B. Regarding financial covenants - see Note 20B.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 12 - Trade Payables

Composition (\$ thousands):

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Trade payables	770,562	1,136,594
Post-dated checks	68,003	129,302
Total	<u>838,565</u>	<u>1,265,896</u>

Note 13 - Other Payables

Composition (\$ thousands):

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Liabilities to employees and other liabilities in respect of salaries and wages	111,433	188,619
Liabilities for discounts	133,470	128,517
Accrued expenses	86,581	91,591
Advances from customers	58,586	105,288
Provision for returns	38,351	22,711
Payables in respect of transactions in derivatives	85,813	78,327
Government institutions	24,111	25,761
Payables in respect of intangibles assets	16,267	15,293
Accrued interest expenses	16,970	9,661
Other	50,304	54,614
Total	<u>621,886</u>	<u>720,382</u>

Note 14 - Long-Term Loans from Banks

A. Composition (\$ thousands):

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Loans from banks (*)	373,355	494,289
Less - current maturities	143,369	124,982
Total	<u>229,986</u>	<u>369,307</u>

(*) Interest rate for 2023: 1.73% - 9.28%.

B. See Note 20B for details of the Group covenants commitments.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 15 - Debentures

A. Linkage Base and Interest Rates:

<u>Item</u>	<u>Linkage terms</u>	<u>Interest rate %</u>	<u>Effective interest rate %</u>	<u>Par value NIS thousands As of December 31, 2023</u>	<u>Total \$ thousands As of December 31, 2023</u>
Debentures - Series B	CPI	5.15	5.15	2,852,055	1,058,362

Series B debentures, in amount of NIS 3,810 million par value (3,730 million par value, net of self-purchased), linked to the CPI and bear interest at the base annual rate of 5.15%. The debenture principal shall be repaid in 17 equal payments in the years 2020 through 2036.

According to the terms of the Series B debentures, from November 30, 2020 through 2023, the Company repaid a total of NIS 877.6 million par value Series B debentures, which amounted to about \$329.2 million, as payments of the debenture principal of Series B.

B. Repayment Dates:

<u>Period</u>	<u>\$ thousands</u>
First year (current maturities)	81,415
Second year	81,415
Third year	81,415
Fourth year	81,415
Fifth year and thereafter	732,702
Total	1,058,362

Note 16 - Other Long-Term Liabilities

Composition (\$ thousands):

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Lease liability	93,547	83,889
Liabilities in respect of claims	6,337	5,563
Liability in respect of tax contingencies	16,556	12,982
Long-term loan from related parties (*)	332,378	50,000
Other provisions and liabilities	23,692	18,835
Total	472,510	171,269
Less current maturities of lease obligation	23,633	22,087
Total other long-term liabilities	448,877	149,182

(*) See Note 28

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 17 - Income Taxes

A. Details regarding the tax environment of the Group

(1) Corporate Tax Rates:

- The tax rates in Israel relevant to the Company for 2020-2023 is 23%.
- The subsidiaries outside of Israel are assessed based on the tax laws in the country of their residence.

(2) Benefits in Israel under the Law for the Encouragement of Capital Investments:

The Israeli enterprises are entitled to tax benefits under the Israeli Law for the Encouragement of Capital Investments, 1959. The Israeli enterprises have retained earnings that have been generated under the status of "Approved Enterprise" or "Beneficiary Enterprise". In the event that a dividend is distributed from these retained earnings, such dividend may be liable to tax at the time of distribution.

(3) Amendment to the Law for the Encouragement of Capital Investments, 1959:

Since 2013, the Israeli enterprises are taxed under the "Preferred Enterprise" regime. The benefits include a grants track for enterprises located on Area A. The tax rate on preferred income as from 2017 tax year is 7.5% for Development Area A and 16% for the rest of the country.

The amendment further determined that no tax shall apply to dividend distributed out of preferred income to Israel resident company shareholder.

On December 21, 2016, the Israel legislature passed the second and third reading of the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) - 2016 in which the Encouragement Law was also amended (hereinafter: "the Amendment"). The Amendment is effective as from January 1, 2017 and added new tax benefit tracks for a "Preferred Technological Enterprise" and a "Special Preferred Technological Enterprise" which award reduced tax rates to a technological industrial enterprise for the purpose of encouraging activity relating to the development of qualifying intangible assets.

The benefits will be awarded to a "preferred company" that has a "Preferred Technological Enterprise" or a "Special Preferred Technological Enterprise" with respect to taxable "preferred technological income" per its definition in the Encouragement Law. Regulations that provide a nexus formula for allocating eligible profits govern these regimes.

Income of a Preferred Technological Enterprise of a Special Preferred Technological Enterprise will be subject to a reduced corporate tax rate of 6% regardless of the development area in which the enterprise is located.

On November 15, 2021 the Economic Efficiency Law (Legislative Amendments for the 2021 and 2022 Budget Years) - 2021 was published as well as a Temporary Order to the Law for the Encouragement of Capital Investments - 1959 (hereinafter: "the temporary order"), which offers a reduced tax rate arrangement to companies that received an exemption from corporate tax under the aforesaid law. The temporary order provided that companies that choose to apply the temporary order, which is effective until November 14, 2022, will be entitled to a reduced tax rate on the "release" of exempt profits (hereinafter: "the beneficiary corporate tax rate"). The release of exempt profits makes it possible to distribute them at a reduced rate of corporate tax at the company level based on the rate of the profits being distributed pursuant to the conditions set forth in the Amendment.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 17 - Income Taxes (Cont'd)

A. Details regarding the tax environment of the Group (Cont'd)

(3) Amendment to the Law for the Encouragement of Capital Investments, 1959 (cont'd):

During the fourth quarter of 2022, certain Israeli subsidiaries had elected to release its retained earnings and committed to pay a reduced corporate tax totally amounted to approximately 15 million dollars. Such amount was recorded as tax expenses in the Company's financial statements of the fourth quarter of 2022.

(4) Benefits Under the Law for the Encouragement of Industry (Taxes), 1969:

Under the Israeli Law for the Encouragement of Industry (Taxes) 1969, the Company is an Industrial Holding Company and some of its subsidiaries in Israel are "Industrial Companies". The main benefit under this law is the filing of consolidated income tax returns (the Company files a consolidated income tax return with Adama Makhteshim and commencing 2017, also with Adama Agan), amortization of know-how over 8 years and higher depreciation rates.

(5) Pillar Two – Income taxes

The OECD has published Global Anti-Base Erosion (GloBE) Model Rules (Pillar Two) which aim to ensure that large multinational enterprises pay a minimum level of tax on the income arising in each of the jurisdictions where they operate. The Model Rules provide for a template that jurisdictions can translate into domestic law as part of a common approach to applying top-up taxes on profits arising in a jurisdiction whenever the effective tax rate, determined on a jurisdictional basis in accordance with the Model Rules, is below the minimum rate of 15%. The Group is within the scope of the OECD Pillar Two model rules.

Various countries in which the group operates intend to enact or have enacted tax legislation to either fully or partially comply with Pillar Two, from January 1, 2024. Israel has not implemented any part of Pillar 2 as of December 31, 2023 and does not expect to implement the Pillar 2 rules with effect before January 1, 2025.

The Group is in the process of assessing its exposure to Pillar Two, which did not impact the 2023 results but will impact the results from January 1, 2024 onwards. The Group is closely monitoring the legislative developments in each jurisdiction in which it operates.

Quantitative information to indicate the exposure to Pillar Two top-up taxes is currently not known or reasonably estimable.

IAS 12 has been amended to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD. The group has adopted the IAS 12 amendments upon their release on May 23, 2023 and applies the IAS 12 exception to not recognize or disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 17 - Income Taxes (Cont'd)

B. Deferred Tax Assets and Liabilities:

(1) Deferred tax assets and liabilities recognized:

Deferred taxes are calculated at the tax rate expected to be in effect on the date of the reversal, as stated above. Deferred taxes for subsidiaries operating outside of Israel were calculated according to the relevant tax rates in each country.

The deferred tax asset balance for tax loss carry forwards is from different subsidiaries in the group, mainly in Brazil. Deferred tax assets were recognized since there is an expectation of future taxable income against which it will be possible to offset the tax loss carry forwards not yet utilized or in the amount of the tax reserves.

According to the existing tax laws in the countries in which deferred taxes were recognized, there is no time limit on the utilization of deductible temporary differences. However, Brazil does limit the amount of tax loss carry forwards that may be offset every year (30% of annual taxable income).

The main supporting evidence used by the Company for the purpose of recognizing a tax asset is based on the characteristics of the industry in which the company operates, including: the agrochemicals industry is characterized by stability and the agrochemicals are a key factor to make world's needed food production possible.

The movement in deferred tax assets and liabilities is attributed to the following items (\$ thousands):

<u>Item</u>	<u>Fixed assets and intangible assets</u>	<u>Employee benefits</u>	<u>Tax loss carry forwards</u>	<u>Inventories</u>	<u>Other⁽¹⁾</u>	<u>Total</u>
Deferred tax assets (liability) at January 1, 2022	(86,216)	23,100	12,423	41,246	52,203	42,756
Changes recognized in the statement of income	4,766	931	5,285	49,296	25,983	86,261
Changes recognized in other comprehensive income	<u>54</u>	<u>(656)</u>	<u>(140)</u>	<u>(43)</u>	<u>718</u>	<u>(67)</u>
Deferred tax assets (liability) at December 31, 2022	(81,396)	23,375	17,568	90,499	78,904	128,950
Classification due to change in the accounting standard	(5,427)	-	-	-	5,427	-
Changes recognized in the statement of income	(7,434)	(4,547)	81,988	(5,210)	(12,740)	52,057
Newly consolidated subsidiaries	(3,629)	-	-	-	344	(3,285)
Changes recognized in other comprehensive income	<u>(324)</u>	<u>(146)</u>	<u>70</u>	<u>(1)</u>	<u>341</u>	<u>(60)</u>
Deferred tax assets (liability) at December 31, 2023	<u>(98,210)</u>	<u>18,682</u>	<u>99,626</u>	<u>85,288</u>	<u>72,276</u>	<u>177,662</u>

⁽¹⁾ Mainly trade receivable.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 17 - Income Taxes (Cont'd)

B. Deferred Tax Assets and Liabilities (Cont'd):

(1) Deferred tax assets and liabilities recognized (Cont'd):

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Presented in:		
Deferred tax assets	207,070	160,330
Deferred tax liabilities	(29,408)	(31,372)
Total	<u>177,662</u>	<u>128,958</u>

(2) Unrecognized deferred tax assets (\$ thousands):

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Tax losses for which deferred tax assets were not recognized	<u>194,069</u>	<u>32,977</u>

Deferred tax assets were recognized only to the extent that it is probable that foreseeable future taxable profit will be available against which the Group can utilize.

C. Components of income taxes expenses (income) (\$ thousands):

<u>Item</u>	<u>For the year ended December 31,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current tax expenses (income):			
Current year	56,760	95,457	51,795
Adjustments for previous years, net	6,324	12,073	(431)
Total current tax expenses	<u>63,084</u>	<u>107,530</u>	<u>51,364</u>
Deferred tax expenses (income):			
Creation and reversal of temporary differences	(52,037)	(86,021)	6,138
Change in the tax rate	(20)	(240)	(486)
Total deferred tax expenses (income)	<u>(52,057)</u>	<u>(86,261)</u>	<u>5,652</u>
Total income taxes expenses	<u>11,027</u>	<u>21,269</u>	<u>57,016</u>

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 17 - Income Taxes (Cont'd)

D. Reconciliation Between the Theoretical Tax and the Tax Expense:

Following is reconciliation between the theoretical tax and the tax expense included in the statement of income (\$ thousands):

<u>Item</u>	<u>For the year ended December 31,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Profit before taxes on income (loss)	(230,974)	29,319	87,701
Company's statutory tax rate	23%	23%	23%
Tax calculated according to statutory tax rate	(53,124)	6,743	20,171
Tax benefits from Approved Enterprises	(984)	(3,980)	(1,071)
Difference between measurement basis of income for financial statement and for tax purposes	1,302	4,252	5,382
Taxable income (loss) and temporary differences at other tax rate	23,288	(8,932)	27,091
Taxes in respect of prior years	6,324	12,073	(431)
Temporary differences and losses in the current year for which deferred taxes were not created	23,851	5,369	419
Utilization of tax losses from prior years for which deferred taxes were not created	(734)	(122)	(8)
Creation/ reversal of deferred taxes regarding losses carry forward and temporary differences from previous years	517	(63)	(1,560)
Non-deductible expenses and other, net differences	10,886	6,689	7,806
Neutralization of tax calculated in respect of the Company's share in results of equity accounted investees	(279)	(520)	(297)
Effect of change in tax rate in respect of deferred taxes	(20)	(240)	(486)
Total income taxes	<u>11,027</u>	<u>21,269</u>	<u>57,016</u>
Effective tax rate	<u>(4.77%)</u>	<u>72.54%</u>	<u>65.01%</u>

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 17 - Income Taxes (Cont'd)

E. Income Taxes in Respect of Other Comprehensive Income:

<u>Item</u>	<u>Before tax</u>	<u>Tax benefit (expense)</u>	<u>Net of tax</u>
For the year ended December 31, 2023:			
Effective portion of changes in fair value of cash flow hedges	(2,916)	277	(2,639)
Net changes in fair value of cash flow hedges transferred to the statement of income	9,342	(995)	8,347
Re-measurement of defined benefit plan	1,831	(151)	1,680
Total for the year ended December 31, 2023	8,257	(869)	7,388
For the year ended December 31, 2022:			
Effective portion of changes in fair value of cash flow hedges	(21,386)	5,067	(16,319)
Net changes in fair value of cash flow hedges transferred to the statement of income	9,178	(3,814)	5,364
Re-measurement of defined benefit plan	12,728	(1,427)	11,301
Total for the year ended December 31, 2022	520	(174)	346
For the year ended December 31, 2021:			
Effective portion of changes in fair value of cash flow hedges	14,486	22	14,508
Net changes in fair value of cash flow hedges transferred to the statement of income	29,702	(5,370)	24,332
Re-measurement of defined benefit plan	(2,000)	460	(1,540)
Total for the year ended December 31, 2021	42,188	(4,888)	37,300

F. Final Tax Assessments:

Final tax assessments - Adama Agan, Adama Makhteshim and the Company up to and including the year ended 2020.

G. Carry Forward Tax Losses and Deductions:

The amount of the carryforward tax losses that can be utilize as at the balance sheet date is \$632 million.

The Group has recognized a deferred tax asset of approximately \$100 million with respect of carryforward unutilized tax losses, based on management's assessment that it is probable that these losses will be utilize in future years.

H. Additional Information:

Tax demands in an immaterial amount were filed against the company The Group did not record a provision for tax demands it estimates the chances of acceptance thereof are lower than those of their rejection.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 18 - Employee Benefits

Employee benefits include post-employment benefits, other long-term benefits, short-term benefits, termination benefits and share-based payments. Likewise, the Company has a defined contribution plan for some of its employees, which is subject to Section 14 of the Israeli Severance Pay Law, 1963.

Severance pay and retirement grants in Israel:

The Company and its subsidiaries in Israel make regular deposits with "Nativ" (the Pension Fund of the Workers and Employees of the Histadrut Ltd.) and insurance companies, conferring pension rights or severance pay upon reaching retirement age. Amounts deposited in the pension fund are not included in the consolidated statements of financial position because they are not managed or controlled by the companies.

Employees dismissed before reaching retirement age, to which Section 14 of the Severance Pay Law does not apply, will be eligible for severance benefits, calculated on the base of their most recent salary. In cases where the amounts accumulated in the pension fund are not sufficient to cover the calculated severance benefits, the companies will cover the deficit.

In addition to the above-mentioned pension rights, most employees are entitled to receive retirement grants at the rate of 2.33% of their salary at retirement age. The accrual in the balance sheet covers the companies' obligations to pay retirement grants as mentioned above, as well as the full projected liability to pay severance benefits to some of their employees for the period prior to the date on which these employees joined the pension plan, during which period no deposits had been made in the fund in the name of the employee.

Early retirement pension:

The financial statements include a liability for payment of pension benefits to a number of employees whose employment was terminated before they reached retirement age. The liability was calculated on an actuarial basis considering the period from the date their employment was terminated until the date stipulated in the agreement, on the base of the present value of the pension payments.

Employee Benefits (\$ thousands):

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of unfunded obligations	31,998	35,976
Present value of funded obligations	23,376	26,888
Total present value of obligations	55,374	62,864
Less - fair value of plan's assets	(8,455)	(10,051)
Total recognized liability for defined benefit plan, net	46,919	52,813
Liability in respect of early retirement	9,421	9,177
Liability for other short-term benefits	38,047	26,522
Liability for other long-term benefits	22,204	35,563
Total employee benefits, net	<u>116,591</u>	<u>124,075</u>
Presented as part of the following items:		
Other payables	41,387	29,827
Long-term employees benefits	75,204	94,248
Total	<u><u>116,591</u></u>	<u><u>124,075</u></u>

Liabilities in respect of salaries, accompanying benefits and bonuses are included in other payables. Liabilities in respect of long-term bonuses and cash plan to employees based on performance are included in Long-term employees benefits.

Not including share-based payments, see Note 21D.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 18 - Employee Benefits (Cont'd)

Post-employment benefit plans - defined benefit plan

A. Movement in the Net Liability and Assets, Net in Respect of Defined Benefit Plans and Their Components (\$ thousands):

Item	Defined benefit obligation 2 0 2 3	Defined benefit obligation 2 0 2 2	Fair value of plan assets 2 0 2 3	Fair value of plan assets 2 0 2 2	Total 2 0 2 3	Total 2 0 2 2
Balance as of January 1	62,864	87,472	10,051	13,533	52,813	73,939
Expense/income recognized in profit and loss:						
Current service cost	3,614	3,727	-	-	3,614	3,727
Past service cost	253	-	253	-	-	-
Interest costs	2,400	1,866	392	290	2,008	1,576
Changes in exchange rates and others	(1,570)	(9,512)	(284)	(1,521)	(1,286)	(7,991)
Included in other comprehensive income:						
Actuarial gains from changes in the demographic assumptions	116	(441)	-	-	116	(441)
Actuarial losses (gains) from changes in the financial assumptions	(742)	(10,743)	-	-	(742)	(10,743)
Other actuarial gains	(1,219)	(2,273)	(162)	(325)	(1,057)	(1,948)
Actual return less interest income	(111)	(115)	37	(519)	(148)	404
Foreign currency translation differences in respect of foreign operations	60	(182)	(2)	(51)	62	(131)
Additional movements:						
Benefits paid	(9,170)	(6,935)	(2,271)	(1,873)	(6,899)	(5,062)
Contributions paid by the Group	-	-	441	517	(441)	(517)
Classification from short term	(1,121)	-	-	-	(1,121)	-
Balance as of December 31	55,374	62,864	8,455	10,051	46,919	52,813

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 18 - Employee Benefits (Cont'd)

Post-employment benefit plans - defined benefit plan (Cont'd)

B. Actuarial Assumptions and Sensitivity Analysis:

The principal actuarial assumptions at the reporting date (weighted average) (%):

<u>Item</u>	For the year ended December 31,		
	<u>2 0 2 3</u>	<u>2 0 2 2</u>	<u>2 0 2 1</u>
Discount rate on December 31	<u>2.7</u>	<u>2.0</u>	<u>(0.4)</u>

The future mortality rate assumptions are based on published statistical data and acceptable mortality rates.

Possible reasonable changes in the discount rate, as of the date of the report assuming the other assumptions remain unchanged, would have affected the defined benefit obligation as follows:

As of December 31, 2023 (\$ thousands):

<u>Item</u>	<u>Increase of 1%</u>	<u>Decrease of 1%</u>
Change in defined benefit obligation	<u>(3,732)</u>	<u>4,439</u>

As of December 31, 2022 (\$ thousands):

<u>Item</u>	<u>Increase of 1%</u>	<u>Decrease of 1%</u>
Change in defined benefit obligation	<u>(4,321)</u>	<u>5,175</u>

C. Impact of the Plan on the Group's Future Cash Flows:

The Company's estimation for expected deposit to defined benefit plan in 2024 is \$403 thousand.

D. Post-Employment Benefit Plans - Defined Contribution Plans:

For the year ended December 31 (\$ thousands):

<u>Item</u>	<u>2 0 2 3</u>	<u>2 0 2 2</u>	<u>2 0 2 1</u>
Amount recognized as an expense in respect of defined contribution plan	<u>6,201</u>	<u>6,352</u>	<u>5,831</u>

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 19 - Commitments and Contingent Liabilities

A. Commitments:

- (1) As of December 31, 2020 and each year thereafter, following the Company's Remuneration Committee's approval, the Company engaged in an annual Directors and Officers liability insurance policy for a one-year term, which the last term thereof ended December 21, 2023, under which the liability of directors and officers of the Company and its subsidiaries in Israel and abroad, as may be from time to time (including directors and officers who may be considered as controlling shareholders), will be insured.

On December 18, 2023, (following the approval of the Board of Directors and the approval of the Remuneration Committee and the Audit Committee) the Company's General Meeting of the shareholders resolved to approve as a framework decision, the Company's engagement in annual directors and officers liability insurance policies for directors and officers. The insurance coverage includes a joint layer with Syngenta, after the Company was added to the Syngenta D&O insurance policy, which provides shared coverage of up to \$175 million per each insurance occurrence and in the aggregate for the insurance period, and a separate layer that covers the Group alone for up to \$10 million per each insurance occurrence and in the aggregate for the insurance period. The current term of the shared coverage ends April 30, 2024, and the separate layer ends December 31, 2024. The above insurance provides coverage for the liability of directors and officers of the Company and its subsidiaries in Israel and abroad, as may be from time to time (including directors and officers who may be considered as controlling shareholders). The terms of the policy adhere to the terms of the framework resolution and of the Company's Compensation Policy.

- (2) Following approvals by the General Meeting of the shareholders of the Company, the first being on October 8, 2007 the Company granted letters of indemnity and exemption to Company officers (including officers who may be considered as controlling shareholders). Accordingly, such letters of indemnity were amended, from time to time, in order to comply with relevant legislation amendments.
- (3) For details regarding undertakings of the Company and its subsidiaries as part of a securitization agreement - see Note 4.
- (4) For details regarding undertakings with related and interested parties, see Note 28.

B. Contingent Liabilities:

In accordance with the Israeli Law for the Encouragement of Capital Investments, 1959, certain Company's subsidiaries received grants from the State of Israel in respect of investments in fixed assets made as part of plant expansion plans, approved by the Investment Center. Receipt of the grants is conditional upon fulfilment of the conditions of the Letter of Approval which include, among others, export at certain rates. If the companies do not comply with the required conditions, they will be required to repay the grant amounts, together with interest from the date of their receipt. The managements of these subsidiaries are of the opinion that these are in compliance with the conditions of the approvals. See also note 9D.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 19 - Commitments and Contingent Liabilities (Cont'd)

C. Environmental Protection:

- (1) The manufacturing processes of the Company, and the products it produces and markets, entail environmental risks that impact the environment. The Company invests substantial resources in order to comply with the applicable environmental laws and attempts to prevent or minimize the environmental risks that could occur as a result of its activities. To the best of the Company's knowledge, at the balance sheet date, none of its applicable permits and licenses with respect to environmental issues have been revoked. The Company has insurance coverage for sudden, unexpected environmental contamination in Israel and abroad. The Company estimates, based on the opinion of its insurance consultants, that the scope of its insurance coverage for said events is adequate.
- (2) The Company's plants in Israel conduct various soil surveys, risk surveys and remediation activities regarding the treatment of soil or ground water at the plants, in accordance with the instructions of the Ministry of Environmental Protection and the Water Authority.

D. Claims Against Subsidiaries:

In the ordinary course of business, legal claims were filed against subsidiaries, including claims for patent infringement. The Company, inter alia, like other companies operating in the crop protection market, is exposed to class actions for large amounts, which it must defend against while incurring considerable costs, even if these claims have no basis in the first place. In the opinion of the Company's management, which is based, inter alia, on the opinions of its legal advisors regarding the prospects of the proceedings, the financial statements include adequate provisions where necessary to cover the exposure resulting from the claims.

- (1) On October 20, 2020, a claim and a motion for its approval as a class action (the "**Motion**") was filed against Monsanto Company and Bayer AG (the "**Manufacturers**") as well as against ADAMA Agan, a wholly-owned subsidiary of the Company, with respect to an herbicide bearing the brand name Roundup, which is produced by the Manufacturers and distributed in Israel in small quantities by the subsidiary. The applicants argue that the product allegedly poses a risk to users or those who have been exposed to it. The Company and the subsidiary reject the allegations against the subsidiary in the Motion and in the statement of claim. Based on the opinion of the Company's external counsels given this preliminary stage, as of the date of the financial statements, the Motion and claim are not expected to have any non-negligible effect on the Company's financial results. In addition, and as the Company is an authorized distributor of the Manufactures, the Manufactures undertook to fully indemnify, defend and hold harmless ADAMA Agan, for any monetary compensation or any other remedy it will have to make in connection with the Motion.
- (2) In June 2021, a lawsuit was filed against a subsidiary of the Company, alleging two patents owned by a large competitor of the Company, have been infringed by such subsidiary. Among the claims, the plaintiff seeks preliminary and permanent injunctions to prevent the subsidiary from manufacturing, using or commercializing any product that infringes the plaintiff's patents, and seeks actual damages and profits loss. The said preliminary injunctions were granted by the court in favor of the plaintiff.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 19 - Commitments and Contingent Liabilities (Cont'd)

D. Claims Against Subsidiaries (Cont'd)

(2) (Cont'd)

The subsidiary has filed appeals against such preliminary injunctions, which were rejected.

Prior to such claims, and on-going, the subsidiary filed several lawsuits against the said plaintiff seeking to declare the said patents are invalid and the subsidiary does not infringe them. In May 2023, an additional lawsuit (including a preliminary injunction) was filed by the same large competitor against said subsidiary, alleging infringement of the same two patents for a different product. The said preliminary injunction was rejected by the court, and plaintiff's appeals with respect thereto are pending.

All these lawsuits are pending as of the approval date of the financial statements. At this stage, the claims filed by the plaintiff are not expected to have a material effect on the Company.

Certain claims relating to alleged product liability damages were issued to a Company's subsidiary. Based on the opinion of the Company's external counsel, given their current stage, it is too early to assess these claims.

- (3)** Various immaterial claims have been filed against Group companies in courts throughout the world, in immaterial amounts, for causes of action primarily involving employee-employer relations and various civil claims, for which the Company did not record a provision in the financial statements. The claims that in the estimation of Company's management, based on its legal advisors' opinion, have lower chances of succeeding than being rejected, amount to a negligible amount. Furthermore, claims were filed against the Company for product liability damages, for which the Company has adequate insurance coverage, such that the Company's exposure in respect thereof is limited to the deductible amount or the amount thereof does not exceed the deductible amount.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 20 - Liens and Financial Covenants

A. Liabilities to Banks Secured by Liens:

The Company and its subsidiaries have made commitments to banks not to register liens on their assets in favor of other parties, except for creation of floating liens in unlimited amounts on all of their assets related to receipt of investment grants (to secure fulfillment of the conditions of investment grants received, see Note 4), and except for liens within the scope of the securitization agreement - see Note 4.

B. The main financial covenants included in the financing agreements as of December 31, 2023, are as follows:

(1) The ratio of the interest-bearing financial liabilities (net debt) to the Company's equity shall not exceed 1.25. As of December 31, 2023 the ratio was 0.5.

(2) The ratio of the interest-bearing financial liabilities (net debt) to earnings before financing expenses, taxes, depreciation and amortization (EBITDA) for 12 months shall not exceed a ratio 4.

During 2023, the Company has been granted consent letters from its financing banks, according to which for the periods ending December 31, 2023 through December 31, 2024, the ratio of the interest-bearing financial liabilities (net debt) to the Company's EBITDA shall not exceed a ratio between 4.5 to 5 (depends on the reporting period, for one of the banks).

As of December 31, 2023, the ratio of the Company's interest-bearing financial liabilities (net debt) to the EBITDA for 12 months was 3.5.

(3) The Company's equity will be no less than \$1.22 billion. As of December 31, 2023 the Company's equity amounted to \$2,240 million.

(4) The financing documents of one of the banks further require that the retained earnings, according to the financial statements on every date, shall be no less than \$700 million. As of December 31, 2023, the retained earnings were \$1,828 million.

C. (1) Pursuant to agreements the Company reached with the bank with which it signed the securitization agreement and with the banks to which the Company is required to maintain financial covenants by virtue of the financing agreements, the balance of the debt under the securitization agreement is not included as part of the financial liabilities for purposes of examining the financial covenants.

(2) The financing agreements also include sections providing that a transfer of control (as this term is defined in the relevant financing agreements), in the Company and/or in the subsidiaries Adama Makhteshim and Adama Agan that is made without obtaining the advance written consent of the relevant banks, will constitute grounds for calling the full amount of the relevant liabilities for immediate repayment.

D. The securitization agreement of trade receivables of the Company and its subsidiaries (as described in Note 4B) include the Company's commitment to maintain financial ratios, of which the key commitments are below:

(1) The ratio between the Company's interest-bearing financial liabilities (net debt) and its equity will not exceed 1.25. As of December 31, 2023, the ratio was 0.5.

(2) The ratio between the Company's interest-bearing financial liabilities (net debt) and the EBITDA for 12 months will not exceed 4. As of December 31, 2023, this ratio was 3.5.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 20 - Liens and Financial Covenants (Cont'd)

D. (Cont'd)

In December 2023, the net debt to EBITDA Financial Covenant was amended to a ratio not exceeding: 4.5 - as of December 31, 2023; 5 - as of March 31, 2024; 4.8 - as of June 30, 2024 through December 31, 2024; and 4 - as of March 31, 2025 going forward.

The securitization agreement, similar to other agreements with banks, contain Cross Default clauses, whereby the party to whom the Company has undertaken in the agreement will be allowed to demand immediate repayment of the debts under circumstances wherein an event transpires entitling another lender of the Company and/or its subsidiaries to call its debts for immediate repayment, in full or part, provided that the amount of the debts and obligations of the Company and/or subsidiaries toward that other financing parties exceeds the minimum amount as prescribed in various financing agreements.

As of December 31, 2023, the total amount of credit extended to the Company under the finance agreements with the banks which include cross-default event is USD 615 million.

Furthermore, as stated above, the Company has undertaken, under the terms of the letters of consent toward financing parties to comply with additional criteria which the Company believes, at the report date, do not significantly restrict the Company's activities.

At December 31, 2023, the Company was in compliance with the financial covenants prescribed by the financing banks under the terms of the financing documents, consent letters and the securitization agreement (as amended), and during the report period, complied with all the financial covenants and the limitations applicable to it prescribed in the financing documents and in the securitization agreement.

Note 21 - Equity

A. Share Capital and Premium on Shares:

<u>Item</u>	<u>Ordinary shares 2023</u>	<u>Ordinary shares 2022</u>
Share capital issued and paid-up at December 31, in thousands of shares of NIS 3.12 par value	137,991	137,991
Authorized share capital, in thousands of shares	300,000	300,000

The holders of the ordinary shares have the right to receive dividends as declared from time to time and the right to vote at the Company's General Meetings based on one vote per share.

B. Translation Reserve of Foreign Operations:

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

C. Hedging Reserve:

The hedging reserve comprises the effective portion of the net cumulative change in the fair value of cash flow hedging instruments that relate to hedged transactions that have not yet occurred.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 21 - Equity (Cont'd)

D. Share-Based Payments:

- (1) In February 2019, the Remuneration Committee and the Company's Board of Directors (as well as the General Meeting with respect to the former CEO, and an officer who also serves as a director) approved the allocation of 77,864,910 phantom warrants to officers and employees in accordance with the long-term phantom compensation plan (hereinafter - "the 2019 Plan"), out of which 75,814,897 phantom warrants were granted at the grant date of February 21, 2019. During 2019, 1,206,081 additional Phantom warrants were granted.

The warrants vest in four equal portions, with the first and second quarters vesting after two years, the third quarter after three years and the fourth quarter after four years from January 1, 2019. The warrants will be exercisable, in whole or in part, in accordance with the terms of the 2019 Plan, and subject to the achievement of financial targets as determined in the plan. The warrants will be exercisable until the end of 2025.

Upon exercise of each warrant, the offeree will be entitled to receive cash payment equal to the difference between the base price as determined at the time of the grant and the closing price of one share of ADAMA Ltd. (the parent company) on the Shenzhen Stock Exchange, as at the exercise date up to the ceiling determined under the plan.

The fair value of the aforesaid granted warrants was estimated using the binomial model for pricing options.

The cost of the benefit embodied in the warrants allocated, based on the fair value at the grant date, amounted to a total of approximately \$ 28 million. The liability at the end of the reporting period was recorded according to the vesting period as determined in the plan, taking into account the extent of the service that the employees provided until that date and the parent company's share price at the end of the reporting period.

The parameters used to measure the fair value at the grant date are as follows:

<u>Item</u>	<u>Data</u>
Stock price (RMB)	10.85
Exercise increment (RMB)	10.03/10.85
Expected volatility	43.97%
Risk-free interest rate	3.06%
Fair value as of February 21, 2019 (\$ in thousands)	27,701

Following is the movement in the phantom warrant:

<u>Item</u>	<u>Phantom warrants 2 0 2 3</u>	<u>Phantom warrants 2 0 2 2</u>
Balance as of January 1	30,196,487	55,720,575
Exercised during the year	(198,228)	(20,085,474)
Forfeited during the year	(938,250)	(5,438,614)
Total existing options in cycle as of December 31	<u>29,060,009</u>	<u>30,196,487</u>

The 2019 Plan salary income recorded in 2023 is \$5,938 thousand (2022 - \$6,024 thousand salary expenses). The total liability of the plan as of December 31, 2023 is \$1,592 thousand (as of December 31, 2022 - \$7,530 thousand).

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 21 - Equity (Cont'd)

D. Share-Based Payments: (Cont'd)

- (2) In September 2019, the Remuneration Committee and the Company's Board of Directors (as well as the General Meeting with respect to the former CEO, and an office holder who also serves as a director) approved the cancellation of 45,503,271 warrants allocated under the 2017 plan against the allocation of 28,258,248 warrants in accordance with the long-term phantom compensation plan (hereinafter - "The Alternative Warrants" and "The Alternative Plan"). The cancellation and allocation date was September 26, 2019. During 2019, an additional 90,130 Alternative Warrants were granted.

The Alternative Warrants vest in four equal portions, with the first quarter vesting after one year, the second quarter after two years, the third quarter after three years and the fourth quarter after four years from October 1, 2019. The Alternative Warrants will be exercisable, in whole or in part, in accordance with the terms of the Alternative Plan, and subject to the achievement of financial targets as determined in the Alternative Plan. The Alternative Warrants will be exercisable until October 1, 2026.

Upon exercise of each warrant, the offeree will be entitled to receive cash payment equal to the difference between the base price as determined at the time of the grant and the closing price of one share of the parent company - ADAMA Ltd. on the Shenzhen Stock Exchange, as at the exercise date up to the ceiling determined under the plan.

The fair value of the total granted Alternative Warrants at the allocation date was equal to the fair value of the total warrants canceled from the 2017 Plan.

The cost of the benefit embodied in the aforementioned allocated warrants, based on the fair value at the cancellation and allocation date, amounted to a total of approximately \$10 million. The liability in the financial statements at the end of the reporting period was recorded at the fair value estimated using the binomial option pricing model and by the vesting period from the original grant date of the 2017 Plan to the end of the service period determined by the Alternative Plan, taking into account the extent of the service that the employees provided until that date and the parent company's share price at the end of the reporting period.

The parameters used to measure the fair value at the allocation date are as follows:

<u>Item</u>	<u>Data</u>
Stock price (RMB)	9.23
Exercise increment (RMB)	9.43
Expected volatility	40.29%
Risk-free interest rate	3.14%
Fair value as of September 26, 2019 (\$ in thousands)	9,733

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 21 - Equity (Cont'd)

D. Share-Based Payments: (Cont'd)

(2) (Cont'd)

Following is the movement in the phantom warrants of The Alternative Plan:

<u>Item</u>	<u>Phantom warrants 2023</u>	<u>Phantom warrants 2022</u>
Balance as of January 1	12,172,969	18,710,787
Exercised during the year	(82,739)	(5,221,396)
Forfeited during the year	(908,227)	(1,316,422)
Total existing options in cycle as of December 31	<u>11,182,003</u>	<u>12,172,969</u>

The Alternative Plan salary expenses recorded in 2023 is \$2,502 thousand (2022 -1,422 thousand). The total liability of the plan as of December 31, 2023 is \$1,006 thousand (as of December 31, 2022 - \$3,508 thousand).

E. Buy-Back of Shares:

Following the Company's commitment under the terms of the 2011 merger agreement with China National Chemical Corporation group, such that on the closing date there will be no dormant shares in the Company's capital, on October 9, 2011, the Company's Board of Directors approved the cancellation of all 14,198,095 shares in Company capital owned by the Company.

Following cancellation of the above-mentioned treasury shares, the cost of the Company's shares that were held by the Company and a subsidiary, totaling \$245,548 thousand, is presented as part of the capital reserves in the statement of changes in equity. The balance of distributable earning as of December 31, 2023 is \$1,832,389 thousand.

Note 22 - Revenues

Composition (\$ thousands):

<u>Item</u>	<u>For the year ended December 31,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Sales outside of Israel	4,070,480	4,780,674	4,259,374
Sales in Israel	121,357	144,517	124,834
Total	<u>4,191,837</u>	<u>4,925,191</u>	<u>4,384,208</u>

See Note 30b for details of sales distribution by geographic regions.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 23 - Cost of Sales

Composition (\$ thousands):

<u>Item</u>	For the year ended December 31,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Materials and commercial inventory	2,127,797	3,475,411	2,662,450
Other production expenses	172,845	216,361	177,514
Salaries and related expenses	142,661	154,578	154,366
Outsourcing	110,302	131,641	121,935
Depreciation	78,372	81,418	80,063
Total	2,631,977	4,059,409	3,196,328
Change in finished goods, commercial inventory and work in process	593,714	(489,919)	(13,978)
Total cost of sales	3,225,691	3,569,490	3,182,350

Note 24 - Selling and Marketing Expenses

Composition (\$ thousands):

<u>Item</u>	For the year ended December 31,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Salaries and related expenses	256,193	290,186	269,239
Depreciation and amortization	129,503	144,666	152,441
Commissions and delivery costs	125,937	166,103	139,399
Advertising and sales promotion	48,324	52,237	46,280
Warehouse	26,039	22,939	23,773
Registration	19,963	22,941	19,105
Insurance	15,274	16,894	15,542
Professional services	15,861	16,774	15,233
Other	62,466	65,825	60,502
Total selling and marketing expenses	699,560	798,565	741,514

Note 25 - General and Administrative Expenses

Composition (\$ thousands):

<u>Item</u>	For the year ended December 31,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Salaries and related expenses	36,778	96,196	81,605
IT system	16,789	16,414	14,783
Professional services	14,369	14,365	14,398
Depreciation and amortization	13,615	12,754	12,209
Insurance, tax and fees	4,649	3,701	3,471
Bad and doubtful debts	7,415	14,622	(557)
Other	16,166	19,241	5,272
Total general and administrative expenses	109,781	177,293	131,181

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 26 - Research and Development Expenses

Composition (\$ thousands):

<u>Item</u>	For the year ended December 31,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Salaries and related expenses	26,238	29,679	28,502
Field trials	5,001	6,654	7,041
Professional services	4,472	6,113	5,833
Materials	2,238	1,519	1,938
Other	15,909	12,283	11,140
Total research and development expenses	<u>53,858</u>	<u>56,248</u>	<u>54,454</u>

Note 27 - Financing Expenses (Income), Net

Composition (\$ thousands):

<u>Item</u>	For the year ended December 31,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Financing Income:			
Net change in fair value of derivatives	35,650	-	115,473
Interest income on investments from banks and others	48,756	23,223	6,305
Exchange rate differences, net	66,092	171,975	7,526
Interest income on trade receivables	2,279	2,018	1,896
Other income	8,701	9,157	435
Total financing income	<u>161,478</u>	<u>206,373</u>	<u>131,635</u>
Financing expenses:			
Exchange rate differences, net	81,945	47,745	133,208
Interest expenses on debentures	56,329	63,034	68,400
Interest expenses on short and long-term loans	97,727	42,851	30,583
CPI expenses on debentures	37,168	61,239	32,977
Loss in respect of sale of trade receivables	40,024	33,076	14,526
Net change in fair value of derivatives	151,476	229,523	21,100
Interest expenses on employment benefits	2,653	2,107	2,348
Interest on lease liabilities	4,931	3,791	3,940
Revaluation of put/call options for non-controlling interests	7,356	6,580	10,845
Other expenses	10,390	9,003	2,379
Total financing expenses	<u>489,999</u>	<u>498,949</u>	<u>320,306</u>
Financing expenses, net	<u>328,521</u>	<u>292,576</u>	<u>188,671</u>

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 28 - Transactions and Balances with Related and Interested Parties

A. Transactions with Interested Parties:

Since July 2017, the Company has been directly wholly owned by ADAMA Ltd., whose shares are traded on the Shenzhen Stock Exchange. As of June 2020, ADAMA Ltd. is a member of Syngenta Group Co. Ltd. (hereinafter- "Syngenta Group"), and as of August 2021, following the combination between ChemChina and Sinochem, Syngenta Group, and subsequently the ADAMA Ltd., are ultimately controlled by Sinochem Holdings.

Negligible transactions:

As determined by Regulation 41(a3)(1) of the Securities Regulations (Annual Financial Reports), 2010 (hereinafter - "the Financial Reports Regulations"), on March 10, 2009, the Company's Board of Directors first adopted guidelines and regulations updated from time to time, as detailed below, for classifying transactions of the Group with interested parties as negligible transactions. These guidelines and regulations, as shall be updated from time to time, will also function to examine the extent of the scope of disclosure in the Periodic Report and in the Prospectus (including in the Shelf Offering Reports) regarding transactions by the Company, corporations under its control and related companies with a controlling shareholder, or transactions in which a controlling shareholder has a personal interest in its approval as determined in Regulation 22 of the Securities Regulations (Immediate and Periodic Reports) 1970 ("Periodic Reports Regulations") and in Regulation 54 of the Securities Regulations (Prospectus Details and Prospectus Draft - Structure and Form), 1969 ("Prospectus Details Regulations") (the types of transactions determined by the Financial Reports Regulations, the Periodic Reports Regulations and the Prospectus Details Regulations mentioned above, hereinafter - "Interested Party Transactions"). It is hereby clarified that as per the Company's opinion, transactions made by the Company or companies in its Group with companies controlled by the Government of China that are not part of Sinochem Holdings ("SH Group"), which are made during the regular and current course of the Company's business, do not constitute transactions in which the controlling shareholder in the Company has a personal interest in, and are therefore excluded from these Regulations.

Types of transactions that might constitute negligible transactions:

During the regular course of business, the Group, especially in light of the branched out holdings structure of the Group and its varied activities, implements or may implement Interested Party Transactions, including engagements with companies under Sinochem Holdings control, as part of the business combination in China and the Company's commercial and manufacturing activities in China (mainly with ADAMA Ltd.) as well as transactions aimed to promote the Company's global commercial activity (including through engagements with Syngenta), mainly in the form of registration, marketing, sales, purchase, distribution and agency transactions of crop protection products, raw materials, active ingredients, intermediate materials, mixtures and formulations used in the Company's products production process in the field of its activity, contractual engagements with suppliers for the development, production and marketing of ingredients and products in the field of the Company's activity, supply agreements for the purchase or sale of active ingredients, intermediates, mixtures and formulations and/or end products, registration support, distribution agreements, Data Compensation agreements, information sharing agreements, Task Force agreements, as well as transactions for the grant and/or receipt of various types of services (such as logistic services, engineering planning, construction and infrastructure contracting, legal, financial and other headquarters services, marketing and advertisement engagements and professional consultancy services in the Company's field of activity), purchase or rental of goods, chattels or real estate (such as insurance products and packaging). In the majority of instances these are transactions that are not material to the Company, both in quantitative and in qualitative terms, and are usually made on the same terms as business transactions with third parties.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 28 - Transactions and Balances with Related and Interested Parties (Cont'd)

A. Transactions with Interested Parties: (Cont'd)

Quantitative and qualitative criteria for classification of a transaction as negligible:

Accordingly, an Interested Party Transaction that is not extraordinary (according to the definition of the term in the Companies Law) will be considered negligible if it conforms to the following two part test: (1) a qualitative test - if in terms of its character, essence and effect on the Company it is not material to the Company and there are no special considerations arising from the circumstances of the matter that attest to the material nature of the transaction; (2) a quantitative test - (a) for the purposes of immediate reporting: the amount of each individual transaction shall not exceed 0.1% of the Company's consolidated shareholders equity according to its latest financial statements, and in respect of continuing transactions- the transaction shall be examined according to the annual transaction amount or the total transaction amount for the entire period of the engagement, whichever is lower; (b) for the purpose of periodic reports - if the total amount of transactions of the same type (in annual terms) ("transactions aggregate") is less than 0.5% of the Company's shareholders equity according to its latest financial statements (for the avoidance of doubt, the aggregate of transactions for purchasing/selling products, raw materials, active ingredients and formulations will be examined per each supplier/client individually).

With respect to multi-year transactions, the amount of the transaction for purposes of evaluating negligibility will be calculated on an annual basis.

It should be noted that even if the Interested Party Transaction conforms to the quantitative test above, such transaction will not be considered negligible if qualitative considerations attest to its material nature, whether due to its effect on the Company or due to the importance of its disclosure to the investing public.

For the purpose of periodic reports, financial reports and prospectus (including shelf offering reports), the negligibility of the aggregate of transactions will be examined on an annual basis (that is while combining all transactions of the interest holder of the same type, and subject to the aforementioned with regards to the method of examination of the aggregate of transactions for the purchase /sale of products, raw materials, active ingredients and formulations).

If the Company does not have available information that enables an examination of the classification of Interested Party Transactions as negligible transactions, then the cumulative total of all the transactions of that type as a negligible transaction will be deemed a negligible transaction, unless one of the following two conditions are met: (a) the transaction itself, as an individual transaction, is not negligible; or (b) the cumulative total of the transactions is material for the Company.

Separate transactions that are inter dependent, such that in effect they are part of the same transaction (for example, management of concentrated negotiations regarding the entirety of transactions), will be examined as one transaction.

The sum of the transactions classified as negligible by corporations held by the Company will be considered negligible also on the Company level. Transactions classified as negligible by corporations held by the Company will be examined according to the relevant criteria on the Company level.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 28 - Transactions and Balances with Related and Interested Parties (Cont'd)

A. Transactions with Interested Parties: (Cont'd)

Quantitative and qualitative criteria for classification of a transaction as negligible (Cont'd):

It is hereby clarified that a transaction made not during the regular course of the Company's business, or not at market value, or that may fundamentally affect the profitability of the Company, its equity or obligations, will not be classified as a negligible transaction.

Every year, the Audit Committee will survey the implementation methods by the Company of this regulation and will conduct a sample examination of the transactions classified as negligible according to the regulations. During this sample examination, the Audit Committee will, among other things, examine the pricing methods and other terms of the transaction, as the case may be and will check the effect of the transaction on the business status of the Company and the results of its activities. The actions of the Audit Committee according to this clause, including the said sample examination, its implementation method and the summary of its findings and conclusions will be disclosed in the Company's periodic report. The Company's Board of Directors shall be updated regarding the procedure and its principles as part of the financial statements' approval process.

The Company's Audit Committee will examine the need to update the provisions of these regulations from time to time taking into account the Interested Party Transactions made by the Company and changes in the relevant statutes.

Based on the Company's consolidated financial statements for 2023, the incomes and expenses involved with interested party transactions, as stated, which were classified as negligible in accordance with the provisions of this procedure, amounted to approximately \$13,848 and \$19,380 thousand, respectively.

Transactions included in Section 270(4A) of the Companies Law, 1999 ("the Companies Law"):

(1) Transactions included in Section 270(4A) to the Companies Law:

- (a)** To facilitate the business integration and the operational merger within its framework between the Company and ADAMA Ltd., on December 28, 2017, the authorized organs of the Company first approved the engagement of the Company in services agreements, which were amended from time to time, with ADAMA Ltd. and a subsidiary thereof (hereinafter together in this section - ADAMA Ltd.) as a transaction with a controlling shareholder, whereby the Company shall provide ADAMA Ltd. the following services: (a) senior management services, to be performed by officers of the Company, to an extent of up to 20% of a full-time office; (b) headquarters services, including operational, administrative, legal, commercial, finance and other services with respect to the activities of ADAMA Ltd., including due to its being a listed company; (c) a grant of a license to ADAMA Ltd. for the use of the brand "ADAMA" (hereinafter - "the Agreements").

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 28 - Transactions and Balances with Related and Interested Parties (Cont'd)

A. Transactions with Interested Parties: (Cont'd)

Transactions included in Section 270(4A) of the Companies Law: (Cont'd)

(1) Transactions included in Section 270(4A) to the Companies Law: (Cont'd)

(a) (Cont'd)

The total consideration in respect of the Agreements is not material. The initial period of the Agreements was for three years from October 1, 2017, renewing for additional periods of three years each. For the fulfilment of the business combination, the requisite organs of the Company approved the adjustment to the volume of the aforementioned officers' employment as well as the grant of indemnification for the provision of the services to ADAMA Ltd. and for double-tax exposure, should such eventuate. It should be noted that the senior officers who provide the senior management services are entitled to additional remuneration for their position as officeholders therein, to be paid by the Company and recharged back to ADAMA Ltd.

(b) On December 3, 2015, the shareholders of the Company (following the approval of the Board of Directors from December 3, 2015, and the approval of the Audit Committee from December 1, 2015) approved an engagement of the Company's (indirect) subsidiary in China in a commercial collaboration agreement with several agrochemical companies controlled by CNAC (currently, ultimately controlled by Sinochem Holdings) including ADAMA Ltd. (hereinafter - "CNAC companies") under which the Company, through its subsidiary shall gradually become the exclusive distributor of formulated agrochemical products of CNAC companies in China. At the end of 2016, the above agreement was extended to include active ingredients in addition to formulated products.

(c) On February 25, 2021, the General Meeting of the shareholders of the Company (following the approval of the Company's Audit Committee and Board of Directors dated February 21, 2021 and February 22, 2021, respectively, and subsequent to the classification, for the sake of caution, of the transaction by the Audit Committee as an extraordinary transaction in which the controlling shareholder has a personal interest, as such term is defined under the Companies Law), approved the engagement of the Company in an arrangement whereby the Company will agree to delay the initial sale of certain products, subject to an arrangement with such third party.

(d) On October 27, 2021, the Board of Directors approved (following the approval of the Company's Audit Committee dated October 25, 2021) the Company, through one of its subsidiaries, entering into committed credit facilities agreements with Syngenta Group, or any of its subsidiaries, of \$50 million short-term credit facility, and additional \$50 million long-term credit facility, with an annual fixed interest rate of 2.7%. On December 14, 2022, the Board of Directors approved (following the approval of the Company's Audit Committee dated December 4, 2022) an increase the short-term credit facility to \$350 million. The annual interest rate of the short-term credit facility is SOFR+1.8% margin. On August 28, 2023, the Board of Directors approved (following the approval of the Company's Audit Committee dated August 17, 2023) the Company, through one of its subsidiaries, entering into an additional committed credit facility agreement with Syngenta Group, or any of its subsidiaries, in the amount of RMB 2 billion (approximately \$282 million) with an annual interest rate of LPR (Loan Prime Rate variable interest as controlled by People's Bank of China) - 0.65% margin. As of December 31, 2023, the aggregate amount of credit facilities extended by Syngenta Group to the Company amounts to approximately \$682 million, out of which approximately \$50 million are unutilized.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 28 - Transactions and Balances with Related and Interested Parties (Cont'd)

A. Transactions with Interested Parties: (Cont'd)

Transactions included in Section 270(4A) of the Companies Law: (Cont'd)

(1) Transactions included in Section 270(4A) to the Companies Law: (Cont'd)

(e) On October 27, 2021, the Board of Directors further approved (following the approval of the Company's Audit Committee dated October 25, 2021) the engagement of the Company in a cost contribution agreement with Syngenta Group, whereby costs of functions performed by Syngenta Group Headquarters for the benefit of its business units (including the Company) will be allocated, directly or indirectly by means of allocation key.

(2) Transactions not included in Sections 270(4A) of the Companies Law and that are not negligible:

(a) The Company acquired from ADAMA Ltd. and/or other companies in the SH Group raw materials and/or products on market terms and in the ordinary course of business in cumulative amounts that are not significant to the Company. Starting from the second half of 2016, the Company purchases raw materials and/or products under a supply agreement for export that was approved for 5 years, thereafter renewing each year for additional 1 year terms, under which ADAMA Ltd. and ADAMA Anpon (Jiangsu) Ltd. (previously named: Jiangsu Anpon Electrochemical Co., Ltd.), from the SH Group (hereinafter "Anpon") will supply all the products that the Company purchases in China for export, all under market terms and in amounts which are not material for the Company. The agreement was classified by the audit committee as a non-extraordinary transaction.

In January 2018, the Company entered into an agreement with Anpon for the production and supply, lease and management of the formulation facility built by the Company in Huai'an. The engagement in the agreement was classified by the Company's Audit Committee as a non-extraordinary transaction.

(b) During 2021, the Company and Syngenta Group companies entered into various transactions such as agreements for the purchase or sale of raw materials, products and/or data, in the ordinary course of business, at market terms and in cumulative amounts that are not material to the Company. Those transactions were classified by the Company's Audit Committee as non-extraordinary transactions.

(c) Following the appointment of Mr. Steve Hawkins as Company's President and CEO in addition to his position as Chairman of the Company's Board of Directors, replacing Mr. Ignacio Dominguez, the General Meeting of the shareholders of the Company approved, effective as of May 1, 2023, the Company entering into an agreement with ADAMA Ltd. according to which Mr. Hawkins will be seconded to ADAMA Ltd. for the purpose of acting as latter's President and CEO, while ADAMA Ltd. being charged with a quarterly fee as a percentage of the total employer cost of the Company in respect of Mr. Hawkins, in the rate of 50%. Such agreement replaced the former agreement signed by and between the parties relating to the secondment of Mr. Dominguez.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 28 - Transactions and Balances with Related and Interested Parties (Cont'd)

Transactions with Interested Parties: (Cont'd)

Transactions included in Section 270(4A) of the Companies Law: (Cont'd)

(2) Transactions not included in Sections 270(4A) of the Companies Law and that are not negligible (Cont'd):

Provided below are details of transactions with related and interested parties (\$ thousands):

<u>Item</u>	For the year ended December 31,		
	2 0 2 3	2 0 2 2	2 0 2 1
Interested Parties:			
Revenues	190,091	276,087	173,846
Expenses	397,236	697,018	521,032
Equity-Accounted Investee Companies:			
Revenues	10,994	15,558	14,476

B. Benefits to Interested Parties (\$ thousands):

<u>Item</u>	For the year ended December 31,		
	2 0 2 3	2 0 2 2	2 0 2 1
Salaries and related benefits to interested parties employed by the Group	1,450	3,797	4,288
Number of interested parties	2	1	2
Share based payments to interested parties employed by the Group	(641)	(10)	60
Number of interested parties	1	1	2
Fees to other directors	531	622	569
Number of directors	4	4	4

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 28 - Transactions and Balances with Related and Interested Parties (Cont'd)

C. Balances with Related and Interested Parties (\$ thousands):

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Interested Parties:		
Trade and other receivables	84,193	116,686
Trade and other payables	877,379	355,002
Equity-Accounted Investee Companies:		
Trade receivables	3,319	3,694

D. Benefits to a Group of Officers and Senior Management in Israel and Abroad:

Senior executives in the Group are entitled to benefits beyond regular salaries. These benefits include annual bonuses, short and long-term incentives and social and salary-related benefits.

The benefits attributed to the key management personnel are comprised as follows (\$ thousands):

<u>Item</u>	For the year ended December 31,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Direct salary	4,112	2,255	1,933
Post-employment benefits and others	4,437	1,598	1,335
Short-term bonuses and long-term incentives (*)	1,916	12,686	8,707
Share-based payments	(3,493)	267	567
Total	<u>6,972</u>	<u>16,806</u>	<u>12,542</u>

(*) The bonuses and incentive plans are based on financial targets.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 29 - Financial Instruments

A. General:

The Group has extensive international operations, and, therefore, it is exposed to credit risks, liquidity risks and market risks (including currency risk, interest risk and other price risk). In order to reduce the exposure to these risks, the Group uses financial derivatives instruments, including forward transactions, swaps and options (hereinafter - "derivatives").

Transactions in derivatives are undertaken with major financial institutions in and outside of Israel and, therefore, in the opinion of Group Management the credit risk in respect thereof is low.

This note provides information as to the Group's exposure to each of the above risks, and the Group's objectives, policies and processes regarding the measurement and management of the risk. Additional quantitative disclosure is included throughout the consolidated financial statements.

The Board of Directors has overall responsibility for establishing and monitoring the framework of the Group's risk management policy. The Chief Financial Officer reports on a regular basis regarding these risks.

The Group's risk management policy was established to (1) identify and analyze the risks facing the Group; (2) set appropriate controls and risk limits; (3) monitor risks and adherence to limits. The policy and methods for managing the risks are reviewed regularly, in order to reflect changes in market conditions and the Group's activities. The Group aims to develop a disciplined and constructive control environment in which all the employees understand their roles and obligations.

B. Credit Risk:

Credit risk is the risk of financial loss to the Group should a customer or counterparty to a financial instrument fail to meet its contractual obligations. Hence, credit risk derives primarily from trade receivables and other receivables as well as from cash in banks.

The Group primarily considers the following list of information in assessing changes in credit risk:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- Existing or forecasted adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor.

Trade and other receivables:

The Group's revenues are derived from a large number of widely dispersed customers in many countries. Customers include multi-national companies and manufacturing companies, as well as distributors, agriculturists, agents and agrochemical manufacturers who purchase the products as finished goods or as intermediate products for their own requirements.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 29 - Financial Instruments (Cont'd)

B. Credit Risk: (Cont'd)

Trade and other receivables: (Cont'd)

The Company entered into an agreement for the sale of trade receivables in a securitization transaction. For details - see Note 4.

In June 2022, a two-year agreement with an international insurance company was renewed until May 31, 2024. The amount of the insurance coverage was fixed at \$150 million cumulative per year. The indemnification is limited to 90% of the debt.

The Group's exposure to credit risk is influenced primarily by the personal characterization of each customer, and by the demographic characterization of the customer's base, including the risk of insolvency of the industry and geographic region in which the customer operates.

Company management has prescribed a credit policy whereby the Company performs current ongoing credit evaluations of existing and new customers, and every new customer is examined thoroughly regarding the quality of his credit before offering him the Group's customary shipping and payment terms. The examination made by the Group includes an outside credit rating, if any, and in many cases receipt of documents from an insurance company. A credit limit is prescribed for each customer, setting the maximum open amount of the trade receivable balance. These limits are examined annually. Customers that do not meet the Group's criteria for credit quality may do business with the Group based on prepayment or against furnishing of appropriate collateral.

Most of the Group's customers have been doing business with it for many years. In monitoring customer credit risk, the customers were grouped according to a characterization of their credit risk, geographical location, industry, aging of receivables, maturity, and existence of past financial difficulties. Customers defined as "high risk" are assigned to the restricted customer list and are supervised by management. In certain countries, primarily Brazil and Ukraine, customers are required to provide, against execution of their purchases, property collaterals (such as agricultural lands, equipment and crop), the value whereof is examined on an ongoing basis. In these countries, in the case of doubtful debt the Company records a provision considering the debt less the value of the collaterals provided and acts to realize the collaterals.

The Group closely monitors the economic situation in Eastern Europe and South America and, if necessary, takes steps to limit its exposure to customers in countries where there is significant economic instability.

The Group recognizes a credit loss, which reflects its assessment regarding credit risks of account receivables, other receivables and investments on a lifetime expected credit loss basis. Further to the conflict in Ukraine and the economic situation, the company made an additional provision for credit loss related to ADAMA Ukraine account receivables.

Cash and deposits in banks:

The Company holds cash and deposits in banks with high credit ratings. These banks are also required to comply with capital adequacy or maintenance of a level of security based on different instances.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 29 - Financial Instruments (Cont'd)

B. Credit Risk: (Cont'd)

Guarantees:

The Company's policy is to provide financial guarantees only to investee companies.

(1) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure notwithstanding the carrying amount of security.

The maximum exposure to credit risk for trade receivables at the reporting date, according to geographic regions was as follows (\$ thousands):

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Israel	6,097	9,132
Latin America	557,932	628,930
Europe, Africa and Middle Est	263,981	322,382
North America	100,040	116,604
Asia Pacific	228,744	208,346
Total	<u>1,156,794</u>	<u>1,285,394</u>

The Group's most significant customer is an agricultural corporation that constitutes \$20,156 thousand out of the total carrying value of trade receivables as of December 31, 2023 (as of December 31, 2022 - \$51,403 thousand).

(2) Aging of receivables and provision for credit losses:

Presented below is the aging of trade receivables (\$ thousands):

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not past due	1,069,809	1,148,429
Past due by less than 90 days	65,865	115,848
Past due by more than 90 days	72,841	62,725
Total	<u>1,208,515</u>	<u>1,327,002</u>

The company measures the provision for credit losses on a collective group basis, where receivables share similar credit risk characteristics based on geographical locations. The model for assessing the expected credit losses considers aging analysis and historical loss experiences, and is adjusted by observable factors, reflecting current and expected future economic conditions.

When credit risk on a receivable has increased significantly since initial recognition, the group records specific provision or general provision, which is determined for groups of similar assets in countries in which there are large number of customers with immaterial balances.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 29 - Financial Instruments (Cont'd)

B. Credit Risk: (Cont'd)

(2) Aging of receivables and provision for credit losses: (Cont'd)

The movement in the provision for credit losses during the year was as follows (\$ thousands):

<u>Item</u>	<u>2 0 2 3</u>	<u>2 0 2 2</u>
Balance as of January 1	41,608	32,669
Changes during the year	8,396	9,747
Write-off of bad debts	466	14
Exchange rate differences	1,251	(822)
Balance as of December 31	<u>51,721</u>	<u>41,608</u>

C. Liquidity Risk:

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they come due. The Group's approach to managing its liquidity risk is to assure, to the extent possible, an adequate degree of liquidity for meeting its obligations timeously, under regular and irregular conditions, without sustaining unwanted losses or damaging its reputation.

The cash-flow forecast is determined both at the level of the various entities as well as the consolidated level. The Company examines the current forecasts of its liquidity requirements in order to ascertain that there is sufficient cash for the operating needs, including the amounts required in order to comply with the financial liabilities, while taking strict care that at all times there will be unused credit frameworks so that the Company will not exceed the credit frameworks granted to it and the financial covenants with which it is required to comply. These forecasts take into consideration matters such as the Company's plans to use debt for financing its activities, compliance with required financial covenants, compliance with certain liquidity ratios and compliance with external requirements such as laws and regulations.

The surplus cash held by the Group companies, which is not required for financing the current ongoing operations, is invested in short-term interest-bearing investment channels.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 29 - Financial Instruments (Cont'd)

C. Liquidity Risk: (Cont'd)

Presented below are the contractual maturities of the financial liabilities at undiscounted amounts, including estimated interest payments:

As of December 31, 2023 (\$ thousands):

<u>Item</u>	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>First year</u>	<u>Second year</u>	<u>Third year</u>	<u>Fourth year</u>	<u>Fifth year and above</u>
Non-derivative financial liabilities:							
Credit from banks	513	522	522	-	-	-	-
Short-term loans from banks and others	730,154	743,228	743,228	-	-	-	-
Trade payables	838,565	838,565	838,565	-	-	-	-
Other payables (2)	506,544	506,544	506,544	-	-	-	-
Debentures (1)	1,058,362	1,432,455	131,133	131,473	127,288	123,103	919,458
Long-term loans from banks (1)	373,355	387,817	143,333	79,993	63,729	65,023	35,739
Liability in respect of leases (1)	93,547	135,241	28,526	22,207	13,665	9,312	61,531
Other long-term liabilities (2)	358,868	395,878	10,248	19,565	350,349	1,738	13,978
Derivative financial liabilities:							
Foreign currency derivatives	82,815	82,815	82,815	-	-	-	-
CPI/shekel forward transactions	2,998	2,998	2,998	-	-	-	-
Total	4,045,721	4,526,063	2,487,912	253,238	555,031	199,176	1,030,706

(1) Including current maturities.

(2) Including put options to holders of non-controlling interests.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 29 - Financial Instruments (Cont'd)

C. Liquidity Risk: (Cont'd)

Presented below are the contractual maturities of the financial liabilities at undiscounted amounts, including estimated interest payments:

As of December 31, 2022 (\$ thousands):

<u>Item</u>	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>First year</u>	<u>Second year</u>	<u>Third year</u>	<u>Fourth year</u>	<u>Fifth year and above</u>
Non-derivative financial liabilities:							
Credit from banks	3,411	3,445	3,445	-	-	-	-
Short-term loans from banks and others	428,320	435,381	435,381	-	-	-	-
Trade payables	1,265,896	1,265,896	1,265,896	-	-	-	-
Other payables (2)	565,409	565,409	565,409	-	-	-	-
Debentures (1)	1,137,060	1,571,355	134,840	135,614	131,430	127,247	1,042,224
Long-term loans from banks (1)	494,289	532,585	139,604	151,610	79,582	63,826	97,963
Liability in respect of leases (1)	83,889	111,657	25,965	20,377	14,597	8,602	42,116
Other long-term liabilities (2)	73,104	83,155	2,212	4,525	3,032	13,066	60,320
Derivative financial liabilities:							
Foreign currency derivatives	78,327	78,327	78,327	-	-	-	-
Total	<u>4,129,705</u>	<u>4,647,210</u>	<u>2,651,079</u>	<u>312,126</u>	<u>228,641</u>	<u>212,741</u>	<u>1,242,623</u>

(1) Including current maturities.

(2) Including put options to holders of non-controlling interests.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 29 - Financial Instruments (Cont'd)

D. Market Risks:

Market risk is the risk that changes in market prices, such as foreign exchange rates, CPI, interest rates and prices of capital instruments, will affect the Group's revenues and expenses or the value of its holdings in its financial instruments. The objective of market risk management is to manage and monitor the exposure to market risks within acceptable parameters, while optimizing the return.

During the ordinary course of business, the Group purchases and sells derivatives and assumes financial liabilities for the purpose of managing market risks. All such transactions are carried out within the guidelines set by the Finance Committee.

The Group enters into limited commodity contracts and limited barter contracts with customers, these contracts are not settled on a net basis.

(1) CPI/Linkage and foreign currency risks:

Currency risk:

The Group is exposed to currency risk from its sales, purchases, expenses and loans denominated in currencies that differ from the Group's functional currency. The main exposure is in Euro, Brazilian real and in NIS. In addition, there are smaller exposures to various currencies such as the British pound, Polish zloty, Australian dollar, Indian rupee, Argentine peso, Canadian dollar, South African rand, Turkish lira and Ukraine hryvnia.

The Group uses foreign currency derivatives - forward transactions and currency options - in order to hedge the risk that the Dollar cash flows, which derive from existing assets and liabilities and anticipated sales and costs, may be affected by exchange rate fluctuations.

The Group hedged a part of the estimated currency exposure for projected sales and purchases during the subsequent year. Likewise, the Group hedges most of its financial balances denominated in a non-dollar currency. The Group uses foreign currency derivatives to hedge its currency risk, mostly with maturity dates of less than one year from the reporting date.

The Company's debentures are linked to the CPI and, therefore, an increase in the CPI, as well as changes in the NIS exchange rate, could cause significant exposure with respect to the Company's functional currency - the U.S. dollar. As of the approval date of the financial statements, the Group had hedged most of its exposure deriving from issuance of the debentures in options and forward contracts.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 29 - Financial Instruments (Cont'd)

D. Market Risks: (Cont'd)

(1) CPI/linkage and foreign currency risks (Cont'd)

(A) The Group's exposure to CPI/linkage and foreign currency risk is as follows:

As of December 31, 2023 (\$ thousands):

<u>Item</u>	<u>Denominated in or linked to the Dollar</u>	<u>In Euro</u>	<u>In Brazilian real</u>	<u>CPI-linked NIS</u>	<u>Unlinked NIS</u>	<u>Denominated in or linked to other foreign currency</u>	<u>Non-monetary items</u>	<u>Total</u>
Assets:								
Cash and cash equivalents	174,586	64,229	107,092	-	18,126	245,585	-	609,618
Short-term investments	22,393	131	-	-	-	139	-	22,663
Trade receivables	501,806	139,789	142,556	-	9,614	459,883	-	1,253,648
Financial and other assets including derivatives (1)	201,064	9,809	22,422	-	6,036	53,144	39,090	331,5653
Tax deposits less provision for taxes	10,328	672	4,518	242	3,843	10,098	-	29,701
Inventories	-	-	-	-	-	-	1,706,122	1,706,122
Long-term investments, loans and receivables	11,156	443	48,265	-	273	14,063	53,276	127,476
Deferred tax assets	-	-	-	-	-	-	207,070	207,070
Fixed assets	-	-	-	-	-	-	1,330,633	1,330,633
Intangible assets	-	-	-	-	-	-	916,737	916,737
Total assets	<u>921,333</u>	<u>215,073</u>	<u>324,853</u>	<u>242</u>	<u>37,892</u>	<u>782,912</u>	<u>4,252,926</u>	<u>6,535,231</u>

(1) Regarding the group's exposure to linkage and currency risks of financial derivatives - see Note 29D(1)(b) below.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 29 - Financial Instruments (Cont'd)

D. Market Risks: (Cont'd)

(1) CPI/linkage and foreign currency risks (Cont'd)

(A) The Group's exposure to CPI/linkage and foreign currency risk is as follows: (Cont'd)

As of December 31, 2023 (\$ thousands)

<u>Item</u>	<u>Denominated in or linked to the Dollar</u>	<u>In Euro</u>	<u>In Brazilian real</u>	<u>CPI-linked NIS</u>	<u>Unlinked NIS</u>	<u>Denominated in or linked to other foreign currency</u>	<u>Non-monetary items</u>	<u>Total</u>
Liabilities:								
Loans and credit from banks	655,712	835	2	-	-	74,110	-	730,659
Trade payables	477,975	68,916	34,454	-	180,717	76,503	-	838,565
Other payables (1)	205,359	80,379	38,110	7,522	68,341	161,609	60,566	621,886
Current tax liabilities	16,792	7,123	2	1,338	-	2,422	-	27,677
Put options to holders of non- controlling interests	65,715	5,458	-	-	-	-	-	71,173
Loans from banks (2)	306,900	66,456	-	-	-	-	-	373,356
Debentures (2)	-	-	-	1,058,362	-	-	-	1,058,362
Other long-term liabilities (2)	101,755	12,534	22,893	8,505	3,603	320,822	2,405	472,517
Deferred tax liabilities	-	-	-	-	-	-	29,408	29,408
Employee benefits	19,399	3,835	-	-	30,586	21,384	-	75,204
Total liabilities	<u>1,849,607</u>	<u>245,536</u>	<u>95,461</u>	<u>1,075,727</u>	<u>283,247</u>	<u>656,850</u>	<u>92,379</u>	<u>4,298,807</u>
Total assets (liabilities)	<u>(928,274)</u>	<u>(30,463)</u>	<u>229,392</u>	<u>(1,075,485)</u>	<u>(245,355)</u>	<u>126,062</u>	<u>4,160,547</u>	<u>2,236,514</u>

(1) Regarding the group's exposure to linkage and currency risks of financial derivatives - see Note 29D(1)(b) below.

(2) Including current maturities.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 29 - Financial Instruments (Cont'd)

D. Market Risks: (Cont'd)

(1) CPI/linkage and foreign currency risks (Cont'd)

(A) The Group's exposure to CPI/linkage and foreign currency risk is as follows: (Cont'd)

As of December 31, 2022 (\$ thousands):

<u>Item</u>	<u>Denominated in or linked to the Dollar</u>	<u>In Euro</u>	<u>In Brazilian real</u>	<u>CPI-linked NIS</u>	<u>Unlinked NIS</u>	<u>Denominated in or linked to other foreign currency</u>	<u>Non-monetary items</u>	<u>Total</u>
Assets:								
Cash and cash equivalents	105,641	42,911	85,819	-	34,794	237,438	-	506,603
Short-term investments	24,624	107	-	-	-	135	-	24,866
Trade receivables	549,748	167,249	178,469	-	36,046	427,036	-	1,358,548
Financial and other assets including derivatives (1)	88,732	10,992	23,003	3,766	25,457	77,007	37,754	266,711
Tax deposits less provision for taxes	14,392	-	11,390	4,058	16	1,597	-	31,453
Inventories	-	-	-	-	-	-	2,291,772	2,291,772
Long-term investments, loans and receivables	1,393	358	42,317	8,143	-	13,417	58,789	124,417
Deferred tax assets	-	-	-	-	-	-	160,330	160,330
Fixed assets	-	-	-	-	-	-	1,238,363	1,238,363
Intangible assets	-	-	-	-	-	-	906,794	906,794
Total assets	<u>784,530</u>	<u>221,617</u>	<u>340,998</u>	<u>15,967</u>	<u>96,313</u>	<u>756,630</u>	<u>4,693,802</u>	<u>6,909,857</u>

(1) Regarding the group's exposure to linkage and currency risks of financial derivatives - see Note 29D(1)(b) below.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 29 - Financial Instruments (Cont'd)

D. Market Risks: (Cont'd)

(1) CPI/linkage and foreign currency risks (Cont'd)

(A) The Group's exposure to CPI/linkage and foreign currency risk is as follows: (Cont'd)

As of December 31, 2022 (\$ thousands)

<u>Item</u>	<u>Denominated in or linked to the Dollar</u>	<u>In Euro</u>	<u>In Brazilian real</u>	<u>CPI-linked NIS</u>	<u>Unlinked NIS</u>	<u>Denominated in or linked to other foreign currency</u>	<u>Non-monetary items</u>	<u>Total</u>
Liabilities:								
Loans and credit from banks	343,568	3,746	-	-	-	84,417	-	431,731
Trade payables	726,827	99,844	53,058	-	300,971	85,196	-	1,265,896
Other payables (1)	195,672	60,539	52,047	5,473	109,114	189,900	107,637	720,382
Current tax liabilities	3,081	6,145	-	15,943	-	7,675	-	32,844
Put options to holders of non- controlling interests	74,707	4,695	-	-	-	-	-	79,402
Loans from banks (2)	375,000	119,208	-	-	-	81	-	494,289
Debentures (2)	-	-	-	1,137,060	-	-	-	1,137,060
Other long-term liabilities (2)	77,085	12,660	19,462	17,781	3,537	27,908	12,836	171,269
Deferred tax liabilities	-	-	-	-	-	-	31,372	31,372
Employee benefits	32,880	3,899	-	-	53,299	4,170	-	94,248
Total liabilities	<u>1,828,820</u>	<u>310,736</u>	<u>124,567</u>	<u>1,176,257</u>	<u>466,921</u>	<u>399,348</u>	<u>151,845</u>	<u>4,458,493</u>
Total assets (liabilities)	<u>(1,044,290)</u>	<u>(89,862)</u>	<u>216,429</u>	<u>(1,160,290)</u>	<u>(370,608)</u>	<u>358,028</u>	<u>4,541,957</u>	<u>2,451,364</u>

(1) Regarding the group's exposure to linkage and currency risks of financial derivatives - see Note 29D(1)(b) below.

(2) Including current maturities.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 29 - Financial Instruments (Cont'd)

D. Market Risks: (Cont'd)

(1) CPI/linkage and foreign currency risks: (Cont'd)

(B) The exposure to CPI/linkage and foreign currency risk in respect of derivatives is as follows:

Forward foreign currency contracts and call options, December 31, 2023

<u>Currency/ linkage receivable</u>	<u>Currency/ linkage payable</u>	<u>Average expiration date</u>	<u>Par value \$ thousands</u>	<u>Fair value \$ thousands</u>
USD	EUR	10/05/2024	121,443	(27,545)
USD	PLN	17/01/2024	15,129	1,204
USD	BRL	12/02/2024	196,599	(7,216)
USD	GBP	16/01/2024	16,686	(474)
USD	ZAR	21/01/2024	33,188	(570)
ILS	USD	13/01/2024	1,227,827	90,331
USD	OTHERS		767,570	(19,352)

CPI forward contracts, December 31, 2023

<u>Currency/ linkage receivable</u>	<u>Currency/ linkage payable</u>	<u>Average expiration date</u>	<u>Par value \$ thousands</u>	<u>Fair value \$ thousands</u>
CPI	ILS	04/07/2024	537,634	(2,160)

Forward foreign currency contracts and call options, December 31, 2022

<u>Currency/ linkage receivable</u>	<u>Currency/ linkage payable</u>	<u>Average expiration date</u>	<u>Par value \$ thousands</u>	<u>Fair value \$ thousands</u>
USD	EUR	23/02/2023	130,560	(8,754)
USD	PLN	04/01/2023	33,131	2,671
USD	BRL	23/02/2023	223,146	(7,938)
USD	GBP	26/02/2023	43,358	(809)
USD	ZAR	18/01/2023	35,355	(2,550)
ILS	USD	22/03/2023	1,498,276	(14,128)
USD	OTHERS		609,365	(17,014)

CPI forward contracts, December 31, 2022

<u>Currency/ linkage receivable</u>	<u>Currency/ linkage payable</u>	<u>Average expiration date</u>	<u>Par value \$ thousands</u>	<u>Fair value \$ thousands</u>
CPI	ILS	05/07/2023	682,012	3,766

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 29 - Financial Instruments (Cont'd)

D. Market Risks: (Cont'd)

(1) CPI/linkage and foreign currency risks: (Cont'd)

(B) The exposure to CPI/linkage and foreign currency risk in respect of derivatives is as follows: (Cont'd)

Presented below are data on Consumer Price Index in Israel and significant exchange rates:

<u>Item</u>	<u>December 31, 2 0 2 3</u>	<u>December 31, 2 0 2 2</u>	<u>Change in 2023 %</u>	<u>Average 1-12, 2 0 2 3</u>	<u>Average 1-12, 2 0 2 2</u>	<u>Change in 2023 %</u>
EUR/USD	1.106	1.067	3.7%	1.081	1.052	2.8%
USD/BRL	4.841	5.218	(7.2%)	4.995	5.165	(3.3%)
USD/PLN	3.935	4.402	(10.6%)	4.204	4.458	(5.7%)
USD/ZAR	18.563	16.949	9.5%	18.446	16.367	12.7%
AUD/USD	0.682	0.680	0.3%	0.664	0.694	(4.3%)
GBP/USD	1.274	1.204	5.8%	1.243	1.234	0.7%
USD/ILS	3.627	3.519	3.1%	3.687	3.358	9.8%
Known CPI	138.499	134.019	3.3%			
CPI "in lieu"	138.367	134.392	2.9%			

(C) Sensitivity analysis:

The appreciation or depreciation of the Dollar against the following currencies as of December 31 and the increase or decrease in the CPI would increase (decrease) the equity and profit or loss by the amounts presented below. This analysis assumes that all the remaining variables, among others, interest rates, remained constant. The analysis for 2022 was performed on the same basis.

December 31, 2023 (\$ thousand)

<u>Item</u>	<u>Decrease of 5% Equity</u>	<u>Decrease of 5% Profit (loss)</u>	<u>Increase of 5% Equity</u>	<u>Increase of 5% Profit (loss)</u>
New Israeli shekel	5,445	3,691	569	2,278
British pound	2,121	2,121	(2,121)	(2,121)
Euro	(6,872)	(532)	6,460	582
Brazilian real	2,413	2,413	(3,407)	(3,407)
Polish zloty	(226)	(226)	308	308
South African rand	(193)	58	26	(202)
Consumer Price Index in Israel (*)	43,963	43,963	(43,963)	(43,963)

(*) net after hedging

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 29 - Financial Instruments (Cont'd)

D. Market Risks: (Cont'd)

(1) CPI/linkage and foreign currency risks: (Cont'd)

(C) Sensitivity analysis: (Cont'd)

December 31, 2022 (\$ thousand)

<u>Item</u>	<u>Decrease of 5% Equity</u>	<u>Decrease of 5% Profit (loss)</u>	<u>Increase of 5% Equity</u>	<u>Increase of 5% Profit (loss)</u>
New Israeli shekel	6,866	2,010	(265)	4,882
British pound	3,765	3,468	(3,769)	(3,471)
Euro	1,226	(7,757)	(1,284)	7,717
Brazilian real	971	1,605	(2,106)	(2,619)
Polish zloty	964	964	(789)	(789)
South African rand	(241)	(241)	53	53
Consumer Price Index in Israel	35,001	35,001	(35,001)	(35,001)

(2) Interest rate risks:

The Group has exposure to changes in the variable interest rate. The Group has different assets and liabilities in different countries which bear interest according to the economic environment in each country. Most of the loans, other than the debentures, bear Dollar SOFR and Euro ESTER interest. As a result, most of the variable interest exposure of those loans is to the SOFR interest.

The Company prepares a quarterly summary of exposure to a change in the SOFR interest rate. As at the approval date of the financial statements, the Company had not hedged this exposure.

(a) Type of interest:

The interest rate profile of the Group's interest-bearing financial instruments was as follows:
Carrying amount (\$ thousands):

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fixed-rate instruments - unlinked to the CPI:		
Financial assets	10,726	7,928
Financial liabilities	(683,187)	(481,830)
Total fixed-rate instruments - unlinked to the CPI	<u>(672,461)</u>	<u>(473,902)</u>
Fixed-rate instruments - linked to the CPI:		
Debentures (including current maturities)	<u>(1,058,362)</u>	<u>(1,137,060)</u>
Variable-rate instruments:		
Financial assets	173,134	153,431
Financial liabilities	(766,132)	(508,676)
Total variable-rate instruments	<u>(592,998)</u>	<u>(355,245)</u>

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 29 - Financial Instruments (Cont'd)

D. Market Risks: (Cont'd)

(2) Interest rate risks: (Cont'd)

(b) Fair value sensitivity analysis for fixed rate instruments:

The Group's fixed-interest monetary assets and liabilities are not measured at fair value through profit and loss. Therefore, a change in the interest rate as of the balance sheet date would not affect profit or loss, in respect of changes in their value.

E. Fair Value:

The fair value of forward contracts on foreign currency is based on their listed market price, if available. In the absence of market prices, the fair value is estimated based on the discounted difference between the stated forward price in the contract and the current forward price for the residual period until redemption, using an appropriate interest rate.

The fair value of foreign currency options is based on bank quotes. The reasonableness of the quotes is evaluated through discounting future cash flow estimates, based on the conditions and duration to maturity of each contract, using the market interest rates of a similar instrument at the measurement date and in accordance with the Black & Scholes model.

(1) Financial instruments measured at fair value for disclosure purposes only

The carrying amount of certain financial assets and liabilities, including cash and cash equivalents, trade receivables, other receivables, other short-term investments, derivatives, bank overdrafts, short-term loans and credit, trade payables and other payables, are the same or proximate to their fair value.

The following table details the carrying amount in the books and the fair value of groups of non-current financial instruments presented in the financial statements not in accordance with their fair values (\$ thousands):

<u>Item</u>	<u>December 31, 2023 Carrying amount</u>	<u>December 31, 2023 Fair value</u>	<u>December 31, 2022 Carrying amount</u>	<u>December 31, 2022 Fair value</u>
Financial assets:				
Long-term loans and other receivables (a)	15,074	13,260	11,983	10,477
Financial liabilities:				
Long-term loans and other receivables (b)	813,272	771,799	644,002	595,542
Debentures (c)	1,058,362	1,203,100	1,137,060	1,316,558

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 29 - Financial Instruments (Cont'd)

E. Fair Value: (Cont'd)

(1) Financial instruments measured at fair value for disclosure purposes only: (cont'd)

- (a) The fair value of the long-term loans granted is based on a calculation of the present value of cash flows, using the acceptable interest rate for similar loans having similar characteristics (Level 2).
- (b) The fair value of the long-term liabilities is based on a calculation of the present value of cash flows, using the acceptable interest rate for similar loans having similar characteristics (Level 2).
- (c) The fair value of the debentures is based on stock exchange quotes (Level 1).

(2) The interest rates used in determining fair value

The interest rates used to discount the estimate of anticipated cash flows are:

<u>Item</u>	<u>December 31, 2 0 2 3 (%)</u>	<u>December 31, 2 0 2 2 (%)</u>
U.S. dollar interest	6.90-8.21	4.86-5.37
Euro interest	5.00-6.62	1.86-3.90

(3) Fair value hierarchy of financial instruments measured at fair value:

The table below presents an analysis of financial instruments measured at fair value, measured by valuation method. The various levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in an active market for identical instrument.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The Company's financial instruments carried at fair value, are evaluated by observable inputs and therefore are concurrent with the definition of level 2.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 29 - Financial Instruments (Cont'd)

E. Fair Value: (Cont'd)

(3) Fair value hierarchy of financial instruments measured at fair value (\$ thousands): (Cont'd)

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Derivatives used for hedging the cash flow:		
Forward contracts and options	(86)	(6,510)
Derivatives used for economic hedging:		
Forward contracts and options	34,303	(38,246)
Short term investments	270	242
Long term investments	22,469	28,657

<u>Financial Instrument</u>	<u>Fair value</u>
Forward contracts	Fair value measured on the basis of discounting the difference between the forward price in the contract and the current forward price for the residual period until redemption using market interest rates appropriate for similar instruments.
Foreign currency options	The fair value is measured based on the Black&Scholes model.

Note 30 - Operating Segments

A. Products and Services:

The Company presents its segment reporting in a format based on a breakdown by business segments:

Crop Protection:

This is the main area of the Company's operations and includes the development, manufacture and commercialization of crop protection products.

Intermediates and ingredients:

This field of activity includes a large number of sub-fields, including Lycopene (an oxidization retardant), food additives and synthetic aromatic products, and other intermediate materials for other industries. It combines all the Company's activities not included in the crop protection segment.

Segment results reported to the chief operating decision maker include items directly attributable to a segment as well as items that can be allocated on a reasonable basis. Unallocated items primarily comprise financing expenses, net.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 30 - Operating Segments (Cont'd)

A. Products and Services: (Cont'd)

Information regarding the results of each reportable segment is included below:

For the year ended December 31, 2023 (\$ thousands):

<u>Item</u>	<u>Crop protection</u>	<u>Intermediates and ingredients</u>	<u>Reconciliations</u>	<u>Consolidated</u>
Statement of income information:				
Revenues:				
External revenues	4,011,392	180,445	-	4,191,837
Inter-segment revenues	-	164	(164)	-
Total revenues	<u>4,011,392</u>	<u>180,609</u>	<u>(164)</u>	<u>4,191,837</u>
Results:				
Segment's results	<u>89,263</u>	<u>7,376</u>	<u>-</u>	96,639
Financing expenses, net				(328,521)
Share of income of equity- accounted investee companies, net				908
Income taxes				<u>(11,027)</u>
Net loss for the year attributable to the owners of the Company				<u>(242,001)</u>

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 30 - Operating Segments (Cont'd)

A. Products and Services: (Cont'd)

For the year ended December 31, 2022 (\$ thousands):

<u>Item</u>	<u>Crop protection</u>	<u>Intermediates and ingredients</u>	<u>Reconciliations</u>	<u>Consolidated</u>
Statement of income information:				
Revenues:				
External revenues	4,710,141	215,050	-	4,925,191
Inter-segment revenues	-	279	(279)	-
Total revenues	<u>4,710,141</u>	<u>215,329</u>	<u>(279)</u>	<u>4,925,191</u>
Results:				
Segment's results	<u>304,678</u>	<u>15,665</u>	<u>-</u>	320,343
Financing expenses, net				(292,576)
Share of income of equity-accounted investee companies, net				1,552
Income taxes				<u>(21,269)</u>
Net income for the year attributable to the owners of the Company				<u>8,050</u>

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 30 - Operating Segments (Cont'd)

A. Products and Services: (Cont'd)

For the year ended December 31, 2021 (\$ thousands):

<u>Item</u>	<u>Crop protection</u>	<u>Intermediates and ingredients</u>	<u>Reconciliations</u>	<u>Consolidated</u>
Statement of income information:				
Revenues:				
External revenues	4,179,161	205,047	-	4,384,208
Inter-segment revenues	-	256	(256)	-
Total revenues	<u>4,179,161</u>	<u>205,302</u>	<u>(256)</u>	<u>4,384,208</u>
Results:				
Segment's results	<u>265,498</u>	<u>9,955</u>	<u>-</u>	275,454
Financing expenses, net				(188,671)
Share of income of equity-accounted investee companies, net				918
Income taxes				<u>(57,016)</u>
Net income for the year attributable to the owners of the Company				<u>30,685</u>

B. Sales Distribution by Geographic Regions

Below is a breakdown of sales by geographical segments based on location of customers (sales target) (\$ thousands).

<u>Item</u>	For the year ended December 31,		
	<u>2023</u>	<u>2022*</u>	<u>2021*</u>
Europe, Africa & Middle East	1,104,061	1,196,791	1,154,816
Asia Pacific	862,410	977,595	926,300
Latin America	1,291,757	1,592,161	1,275,558
North America	813,013	1,013,256	902,661
Israel	120,596	145,388	124,873
Total	<u>4,191,837</u>	<u>4,925,191</u>	<u>4,384,208</u>

* As of 2023, India and South Africa are included in the Asia Pacific region. The Middle East and rest of Africa are included in the Europe, Africa & Middle East region (EAME). The information for 2022 and 2021 was re-classified accordingly.

Adama Agricultural Solutions Ltd.
Notes to the Financial Statements as of December 31, 2023

Note 31 - Investments in Investees

Additional details in respect of subsidiaries directly held by the Company:

December 31, 2023 (\$ thousands):

<u>Item</u>	<u>Country of association</u>	<u>Company equity rights</u>	<u>Loans to investees</u>	<u>Investments</u>
Adama Makhteshim Ltd.	Israel	100	499,562	1,073,986
Adama Agan Ltd.	Israel	100	461,747	945,387
Lycored Ltd.	Israel	100	-	117,426
Total			<u>961,309</u>	<u>2,136,799</u>

December 31, 2022 (\$ thousands):

<u>Item</u>	<u>Country of association</u>	<u>Company equity rights</u>	<u>Loans to investees</u>	<u>Investments</u>
Adama Makhteshim Ltd.	Israel	100	499,562	1,161,766
Adama Agan Ltd.	Israel	100	461,747	1,082,285
Lycored Ltd.	Israel	100	-	110,278
Total			<u>961,309</u>	<u>2,354,329</u>

The Company's guarantee of the liabilities to the banks of Subsidiaries is unlimited.

The balance of subsidiaries' liabilities to banks as of balance sheet date for which the Company is guarantor is \$719 million.

Adama Agricultural Solutions Ltd.
Appendix to the Financial Statements - Schedule of Investee Companies

<u>Holding company/companies</u>	<u>Investee company</u>	<u>Control rate and ownership of holding company/companies %</u>	
A. <u>Domestic Consolidated Subsidiaries</u>			
Adama Agricultural Solutions Ltd.	Adama Makhteshim Ltd. (hereinafter - Makhteshim)	100	
	Adama Agan Ltd. (hereinafter - Agan)	100	
	Lycored Ltd.	100	
Agan	Agan Aroma and Fine Chemicals Ltd.	100	
Lycored Ltd.	Lycored Bio Ltd.	100	
	Dalidar Pharma Israel (1995) Ltd.	100	
B. <u>Foreign Consolidated Subsidiaries</u>			
Makhteshim (99.99%) and Agan (0.01%)	Adama Celsius B.V. (hereinafter - Celsius)	100	
Agan (99.99%) and Makhteshim (0.01%)	Adama Fahrenheit B.V. (hereinafter - Fahrenheit)	100	
Lycored Ltd.	Lycored Sarl	100	
	ALB Holdings UK	100	
	Lycored Corp. (USA)	100	
	VN Biotech Limited	100	
VN Biotech Limited	Lycored Ukraine LLC	100	
Makhteshim (50%) and Agan (50%)	Adama Agriculture B.V.	100	
Celsius	Adama Irvita N.V.	100	
	Adama Korea Inc.	51	
	Adama Vietnam Limited Company	100	
	Adama Agriculture Slovensko Spol s.r.o.	100	
	Adama (Nanjing) Agricultural Science and Technology Company Limited	100	
Fahrenheit	Adama Quena N.V.	100	
Fahrenheit (50%) and Celsius (50%)	Magan HB B.V.	100	
	Adama Argentina S.A.	100	
	Kollant s.r.l.	100	
	Adama Hungary z.r.t.	100	
	Adama Andina B.V.	100	
	Adama (China) Investment Company Limited	100	

Adama Agricultural Solutions Ltd.
Appendix to the Financial Statements - Schedule of Investee Companies

Holding company/companies	Investee company	Control rate and ownership of holding company/companies %
B. Foreign Consolidated Subsidiaries (Cont'd)		
Fahrenheit (30%), Celsius (30%), Adama Agriculture B.V. (39.99%), and Adama Registrations B.V. (0.01%)	Adama Agriculture Espana S.A.	100
Magan HB B.V. (99.99%) and Agricur Defensivos Agricolas Ltda. (0.01%)	Adama Brasil S.A.	100
Adama Andina B.V. (99.90%) and Fahrenheit (0.10%)	ADAMA VZLA. S.A.	100
Adama Andina B.V. (99.99%) and Celsius (0.01%)	Adama Agriculture Peru S.A.	100
Adama Andina B.V. (99.8%) and Celsius (0.2%)	Adama Ecuador Adamecuador S.A.	100
Adama Andina B.V.	Adama Colombia S.A.S	100
Adama Agriculture B.V. (99.90%) and Fahrenheit (0.10%)	Adama Agriculture East Africa Limited	100
Adama Agriculture B.V. (99%) and Fahrenheit (1%)	Adama Madagascar SARL	100
	Adama Guatemala SA	100
Adama Agriculture B.V. (99%) and Adama Celsius B.V. (1%)	ADAMABolivia S.R.L.	100
Adama Agriculture B.V. (99.98%), Celsius (0.01%), and Fahrenheit (0.01%)	Agricur Defensivos Agricolas Ltd.	100
	Adama (Thailand) Ltd.	100
Adama Agriculture B.V. (99.93%) and Celsius (0.07%),	Adama Paraguay S.R.L.	100
Adama Agriculture B.V. (99.90%) and Celsius (0.10%),	Adama Dominican Republic, S.R.L.	100
Adama Agriculture B.V. (99.99%) and Fahrenheit (0.01%)	Financiere de Pontarlier S.A. (SFP)	100
	Agro Klinge S.A.	100
Control Solutions Inc.	Bonide Products LLC	100
Adama Agriculture B.V. (99.99%) and Celsius (0.01%),	Makhteshim Agan de Mexico S.A. de C.V.	100
	Rakefet India Private Limited	100

Adama Agricultural Solutions Ltd.
Appendix to the Financial Statements - Schedule of Investee Companies

Holding company/companies	Investee company	Control rate and ownership of holding company/companies %	
B. Foreign Consolidated Subsidiaries (Cont'd)			
Adama Agriculture B.V. (99.99%), and Adama Registrations B.V. (0.01%)	Adama India Private Ltd.	100	
	Adama Polska SP Z.O.O	100	
	Adama Agricultural Solutions UK Ltd.	100	
Adama Agriculture B.V. (95%), and Adama Registrations B.V. (5%)	Adama Italia SRL	100	
	Adama Portugal Lda	100	
Adama Agriculture B.V.	Adama New Zealand Ltd.	100	
	Adama CZ s.r.o.	100	
	Adama Deutschland GmbH	100	
	Magan Korea Co Ltd.	100	
	Adama SRB DOO Beograd	100	
	Adama RUS LLC	100	
	Adama Australia Holdings Pty Ltd.	100	
	Adama Manufacturing Poland S.A.	100	
	Adama Northern Europe B.V.	55	
	Adama Crop Solutions ACC S.A.	100	
	Adama France S.A.S.	100	
	Adama Registrations B.V.	100	
	Adama Japan K.K.	100	
	Makhteshim Agan of North America Inc.	100	
	Adama Agricultural Solutions S.R.L.	100	
	Adama (Shanghai) Chemical Trading Co Ltd.	100	
	Adama South Africa PTY Ltd.	100	
	Adama Agriculture Swiss AG	100	
	Adama Asia Pacific Pte Ltd.	100	
	Adama Ukraine LLC	100	
	Adama West Africa Ltd.	100	
	Makhteshim Agan Chile SPA	100	
	Adama Plant Protection Services Zambia Limited	100	
	Adama Zimbabwe (Private) Ltd.	100	
	ADAMA Turkey Tarım Sanayi ve Ticaret Limited Şirketi	100	
	Adama West Africa Burkina SARL	100	
	SFP Europe S.A.	100	
	ADAMA Agricultural Solutions Hellas Single Member SA.	100	
	ADAMA Agriculture Paraguay SA	51	
	ADAMA (Cambodia) Company Limited	100	
	ADAMA Bulgaria EOOD (f/k/a Agribul Ltd.)	100	
	Makhteshim Agan Chile SPA (99.90%) and Adama Agriculture B.V. (0.10%)	Chileagro Bioscience S.A.	100
	ADAMA New Zealand Limited	Grochem Horticulture Limited	100
Agrinova New Zealand Limited		100	
ChileAgro Bioscience S.A. (99.9%) and Makhteshim Agan Chile SPA (0.1%)	Adama Chile SA	100	

Adama Agricultural Solutions Ltd.
Appendix to the Financial Statements - Schedule of Investee Companies

<u>Holding company/companies</u>	<u>Investee company</u>	<u>Control rate and ownership of holding company/companies %</u>
B. Foreign Consolidated Subsidiaries (Cont'd)		
Adama (Beijing) Agricultural Technology Company Limited	ADAMA Agro Chemicals (Private) Limited	100
ADAMA Agriculture B.V. (98.09%) and Adama India Private Ltd. (1.91%)	PT. Royal Agro Indonesia	100
	Adama Servicios S.A. de C.V.	100
Makhteshim Agan de Mexico S.A. de C.V. (98.6%) and Adama Agriculture B.V. (1.4%)		
	Ingenieria Industrial S.A. de C.V.	100
Makhteshim Agan de Mexico S.A. de C.V. (99.99%) and Adama Agriculture B.V. (0.01%)		
	Adama AGS, S.A. de C.V.	100
Makhteshim Agan de Mexico S.A. de C.V. (96.62%) and Ingenieria Industrial S.A. de C.V. (3.38%)		
Adama Northern Europe B.V.	UAB Adama Northern Europe	100
Makhteshim Agan of North America, Inc.	Control Solutions Inc.	67.1
	Alligare LLC	100
	Adama Americas Inc.	100
Makhteshim Agan of North America, Inc. (40%) and Adama Agriculture B.V. (60%)	Adama Agricultural Solutions CANADA Ltd.	100
Adama Australia Holdings Pty Ltd. (50%) and Farmoz Pty Ltd. (50%)	Adama Australia Pty Ltd.	100
Adama Australia Holdings Pty Ltd	Farmoz Pty Ltd.	100
Adama West Africa Ltd.	Agro ADAMA Solutions West Africa Ltd.	100
	Adama West Africa Cote D'Ivoire Ltd.	100
	Adama Cameroun SUARL	100
Adama (China) Investment Company Limited	Adama (Beijing) Agricultural Technology Company Limited	100
	ADAMA (Jiangsu) Agricultural Solutions Company Limited	100

Adama Agricultural Solutions Ltd.
Appendix to the Financial Statements - Schedule of Investee Companies

Holding company/companies	Investee company	Control rate and ownership of holding company/companies %
C. Jointly-controlled Associated Companies		
Adama Agricultural Solutions Ltd.	Biotech Plant Genomic Fund L.L.P	50
	Biotech M.A.H Limited Partnership	50
Biotech M.A.H Limited Partnership	Biotech Agro Ltd.	100
ADAMA Fahrenheit BV	InnovAroma S.A.	50
D. Associated Companies		
Makhteshim	Classeed Development Ltd.	4.92
Adama Brazil S/A	Targetgene Biotechnologies Limited	5
	Campo Limpo - Reciclagem e Transformação de Plásticos S/A	12.21
Agricur Defensivos Agrícolas Ltda	Campo Limpo - Reciclagem e Transformação de Plásticos S/A	0.04
ADAMA Agriculture BV	Agricover Distribution SA	10

Chapter D

Additional Information on the Company

Chapter D - Additional Information on the Corporation

Company Name: ADAMA Agricultural Solutions Ltd.

Address: Golan St., POB 298, Airport City, 7015103

Telephone: 073-2321000

Balance Sheet Date: December 31, 2023

Company ID No.: 52-004360-5

Fax: 073-2321937

Email: main@adama.com

Report Date: March 25, 2024

Regulation 10A - Condensed Quarterly Consolidated Statements of Income

In USD thousands

	Q1 Jan-Mar 2023	Q2 Apr-Jun 2023	Q3 Jul-Sep 2023	Q4 Oct-Dec 2023	Year Jan-Dec 2023
Revenues	1,120,536	1,106,910	921,888	1,042,503	4,191,837
Cost of sales	811,073	852,540	746,502	815,576	3,225,691
Gross Profit	309,463	254,370	175,386	226,927	966,146
Other income	-1,855	-1,248	-3,965	-4,834	-11,902
Selling and marketing expenses	185,481	181,619	169,874	162,586	699,560
General and administrative expenses	26,531	17,549	33,310	32,391	109,781
Research and development expenses	14,467	14,833	12,175	12,383	53,858
Other expenses	835	494	3,240	13,641	18,210
Total operating expenses	225,459	213,247	214,634	216,167	869,507
Operating Income	84,004	41,123	-39,248	10,760	96,639
Finance expenses, net	74,379	96,407	76,011	81,724	328,521
Profit after financing expenses	9,625	-55,284	-115,259	-70,964	-231,882
Share of income of equity-accounted investee companies	517	-14	133	272	908
Profit before taxes on income	10,142	-55,298	-115,126	-70,692	-230,974
Income taxes	-2,609	-10,564	-1,013	25,212	11,026
Profit for the year attributable to the owners of the Company	12,751	-44,734	-114,113	-95,905	-242,001

In the table above, numbers may not sum due to rounding.

Condensed Quarterly Statements of Comprehensive Income

In USD thousands

	Q1 Jan-Mar 2023	Q2 Apr-Jun 2023	Q3 Jul-Sep 2023	Q4 Oct-Dec 2023	Year Jan-Dec 2023
Profit for the period	12,751	-44,734	-114,113	-95,905	-242,001
Items that may be reclassified subsequent to profit or loss					
Foreign currency translation differences for foreign operations	8,412	8,793	-5,821	22,760	34,144
Foreign currency translation differences for foreign operations transferred to the statement of income	-	-	-	-	-
Effective portion of changes in fair value of cash flow hedges	-3,440	588	3,510	-3,574	-2,916
Net change in fair value of cash flow hedges transferred to the profit or loss	1,782	5,493	1,250	817	9,342
Taxes related to items that may subsequently reclassified to profit or loss	127	-664	-575	394	-718
Items that will not be reclassified subsequent to profit or loss	6,881	14,210	-1,636	20,397	39,852
Re-measurement of defined benefit plan	1,591	-24	302	-38	1,831
Taxes related to items that will not be reclassified subsequently to profit or loss	-195	23	-64	85	-151
Total comprehensive income for the year attributable to the owners of the Company	21,028	-30,525	-115,511	-75,461	-200,469

Regulation 11 - Investments in Subsidiaries and Associated Companies¹

Company Name	Stock exchange number	Class of share	Number of shares held by the Company	Total par value issued and outstanding	Cost (in USD 000's)	Value in Company separate financial statements (in USD 000's)	Equity Holdings percentage	Voting rights percentage	Authority to appoint directors' percentage
ADAMA Makhteshim Ltd.	Not traded	Ordinary	173,262,282	173,262,282	219,216	1,073,986	100%	100%	100%
ADAMA Agan Ltd.	Not traded	Ordinary	15,065,980	15,065,980	226,477	945,387	100%	100%	100%
Lycored Ltd. ²	Not traded	Ordinary	12,687,558	15,223,428	17,689	117,426	100%	100%	100%
Total investments in subsidiaries					463,382	2,136,800			

Balance of loans to subsidiaries and associated companies¹

In USD thousands

Company name	Loan amount	Linkage terms	Interest rate	Maturity date
ADAMA Makhteshim Ltd.	499,562	Dollar-linked	9.66%	Yet to be established
ADAMA Agan Ltd.	461,747	Dollar-linked	9.66%	Yet to be established
Total	961,310			

In these tables above, numbers may not sum due to rounding.

¹ The table refers to the balance sheet date and to the principal amount of material companies only.

² Lycored Ltd. holds 2,535,870 of its shares, which according to Article 308(a) of the Companies law, do not grant any rights. Accordingly, the rate indicated in the table as held by the Company is 100%.

Regulation 13 - Revenues of Subsidiaries and Associated Companies and Company Revenues therefrom¹

In USD thousands

Name of Subsidiary	pre-tax provision	Post tax provision, including equity gains from subsidiaries	Dividend (Company's Revenues)	Management fees (Company's Revenues)	Interest, linkage differences (Company's Revenues)
ADAMA Makhteshim Ltd.	-145,845	-99,765	-	24,837	60,398
ADAMA Agan Ltd.	-121,169	-151,522	-	21,184	49,946
Lycored Ltd.	7,357	6,807	-	972	

Regulation 21 - Compensation to Senior Officer Holders

A. Compensation paid to Senior Office Holders in the Company and its Controlled Corporations in the reporting year:

Compensation Recipient		Compensation for services (in NIS thousands)						
Name	Title	Scope of position	Holding in Company equity	Salary ⁽¹⁾	Bonus for 2023	Total	LTI ⁽²⁾	Total
Mr. Steve Hawkins ⁽³⁾	President & CEO	100%	0%	5,064	-	5,064	850	5,914
Mr. Rob Williams ⁽⁴⁾	VP Strategy, BI & Corporate Communications	100%	0%	4,589	-	4,589	-1,036	3,553
Mr. Sergio Dedominici Paz ⁽⁵⁾	EVP, EAME	100%	0%	1,981	495	2,477	546	3,022
Mr. Elad Shabtai	EVP, Formulation Supply	100%	0%	2,086	-	2,086	442	2,528
Ms. Efrat Nagar ⁽⁶⁾⁽⁷⁾	EVP, CFO	100%	0%	1,448	-	1,448	791	2,240

(1) The salary component stated above includes the following primary components: social benefits, commonly accepted social provisions and related expenses, grossing up of vehicle value, landline and cellular phone expenses reimbursement and linkage to the relevant CPI.

(2) The amounts presented in the table represent expenses (or income, as applicable) recorded in the Company's 2023 financial statements in respect of: (i) phantom options awarded under a long-term phantom award plan from February 2019 and September 2019 (as an alternate plan to the one approved in 2017) as well as in respect of awards granted under a long-term cash incentive plans from 2021, 2022 and 2023, and (ii) expenses relating to 2023 performance year in accordance with an incentive plan adopted by the Parent Company's controlling shareholder, Syngenta Group, and thereafter by the Company, related to Syngenta Group's results, in accordance with the Company's Remuneration Policy.

(3) Mr. Steve Hawkins serves as the Company's President and CEO as of May 1, 2023 (in addition to his position as Chairman of the Company's Board of Directors), prior to which he served as the Company's SVP Americas. As of May 1, 2023, Mr. Hawkins is seconded to ADAMA Ltd. (the "Parent Company") for the purpose of acting as its President

and CEO against the Parent Company being charged with a quarterly fee equal to 50% of the total employer cost of the Company in respect of Mr. Hawkins.

The amounts presented in the table represent the expenses for both his tenure as SVP Americas until April 30, 2023, and as the Company's President and CEO (representing the 50% bared by the Company). The Salary amount includes a sign-on bonus.

- (4) Mr. Rob Williams served as the Company's VP Strategy, BI & Corporate Communications until October 31, 2023. The amount presented under Mr. Williams's salary also includes salary-related 'final settlement of account' provisions. Mr. Williams was employed by a Company's controlled corporation.
- (5) Mr. Dedominici Paz is employed by a Company's controlled corporation.
- (6) In accordance with the Services Agreements between the Company and the Parent Company, as of October 1, 2017 the Company provides senior management services to the Parent Company including through the CFO, who during the reporting period held such concurrent positions in the Parent Company, representing up to 20% of a full-time position. The Parent Company was therefore charged with a quarterly fee of 20% of the CFO's total employer cost of the Company, as well as full reimbursement of expenses. The amounts presented in the above table reflect the amount bared by the Company out of the full compensation to which Ms. Nagar was entitled to which amounts to approximately 80% of the said compensation. The other officers also provide services to the Parent Company as part of the general services provided by the Company to the Parent Company pursuant to a general corporate and operational services agreement for which the Company receives compensation from the Parent Company. The amounts presented with regard to the other officers do not take into account the said compensation.
- (7) Commenced presiding as EVP CFO on February 16, 2023. The amounts presented in the table represent the term during which Ms. Nagar presided as Company's CFO, and not for the full year of 2023.

Notes:

- (*) Compensation amounts are in terms of cost to the Company and are presented according to the average 2023 USD exchange rate of the NIS against the relevant currencies in 2023.
- (**) On March 2023, the Company paid bonuses to officers for 2022, as detailed in Chapter D of the Periodic report for 2022.

B. Compensation paid to Office Holders after the Balance Sheet Date, with regard to their tenure or employment in the reporting year

See the above table.

C. Compensation paid to each of the Interested Parties in the Company who is not included in the section above

During 2023, compensation to the Company's external and independent directors, which was set as the "maximum amount" for directors having Accounting and Financial Expertise under the Companies Regulations (Principles for Remuneration and Expenses for an External Director, 5760-2000), amounted to approximately NIS 914 thousand.

In addition, consideration for the directorship services rendered by Mr. Chen Lichtenstein during 2023, amounted to approximately NIS 1,059 thousand.³

The terms of office of the Company's directors are in accordance with the Company's Remuneration Policy.

³ On November 30, 2023 Mr. Lichtenstein ceased to serve as a director in the Company. For details, see the Company's immediate report dated November 15, 2023 (Ref: 2023-01-103981).

Regulation 21A - Control in the Company

At the Report Date, the direct controlling shareholder of the Company is - ADAMA Ltd. ADAMA Ltd. is ultimately controlled by Sinochem Holdings which is subordinate to the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council in China. However, the Company does not refer to the supervision of SASAC as establishing control of the Chinese Government over the Company.

Regulation 22 - Transactions with Controlling Shareholders

For information regarding transactions with the controlling shareholder or wherein the controlling shareholder has a personal interest in the authorization thereof (excluding negligible transactions), executed by the Company during the Report period, or at a date following the end of the Report year and until the Report filing date, or those still in effect on the Report Date, as well as details regarding the Company's negligible transactions procedure, see Note 28 to the Financial Statements.

Regulation 24 - Holdings of Interested Parties and Office Holders

For information regarding the holdings of interested parties in the Company's securities at December 31, 2023, see the Company's immediate reports dated January 7, 2024 (Ref: 2024-01-002305), which is included here by way of reference.

Regulation 24A - Registered Capital, Issued Capital and Convertible Securities

See Note 21A to the Financial Statements.

Regulation 24B - Shareholders Register

As of the date of publication of this Report, the Company's shareholders register is as follows:

Shareholder Name	Corporate / ID No.	Street	City	Residency	Share Class	Number of Shares
ADAMA Ltd.	91420000706962287Q	93, East Beijing Road	Jingzhou City	Hubei Province, China	Ordinary shares, par value 3.12 NIS per share	137,990,881

Regulation 26 - Corporation Directors⁴

Name of Director	Steven Brett Hawkins (Chairman) ⁵	Jon Erik Fyrwald ⁶
Identification No.	AL148092	530503591
Date of birth	August 17, 1966	July 29, 1959
Address for serving court documents	c/o ADAMA Agricultural Solutions Ltd., Golan Street, Airport City 7015103, Israel	c/o Syngenta Group, Rosentalstrasse 67, 4002 Basel, Switzerland
Citizenship	Canadian	United States of America
Board committees' membership	No	No
Independent director or external director	No	No
Accounting and financial expertise or professional qualifications	Accounting and Financial Expertise	Accounting and Financial Expertise
An employee of the Company, a subsidiary, an associated company of the Company or an interested party	President and CEO of the Company and ADAMA Ltd. (the controlling shareholder of the Company)	No
Commencement of tenure	May 1, 2023	July 21, 2022
Education	Bachelor in Admin Studies, York University Master in Food & Agribusiness; Agri. Engineering, University of Guelph	Graduate of the Advanced Management Program, Harvard Business School; Bachelor's degree in Chemical Engineering, University of Delaware.
Positions in preceding five years and service as a director in additional corporations	SVP Americas of the Company; Regional Director EAME in Syngenta Crop Protection AG.	Former CEO of Syngenta Group Co. Ltd. (the indirect controlling shareholder of the Company), former CEO and Executive Director of Syngenta AG (a subsidiary of such indirect controlling shareholder); former Chairman of the Board of Directors of ADAMA Ltd. (the controlling shareholder of the Company); Director of CropLife International, the Swiss-American Chamber of Commerce and Bunge Limited and Eli Lilly & Company
Family member of another interested party in the Company (to the best of the knowledge of the Company and its directors)	No	No
Director considered by the Company to have accounting and financial expertise for the purpose of compliance with the minimum number determined by the Board pursuant to Section 92(A)(12) of the Companies Law	Yes	Yes

⁴ As of the date of publication of this Report.

⁵ Mr. Steven Hawkins serves as the Company's President and CEO, concurrent with his position as Chairman of the Board of Directors of the Company and President and CEO of ADAMA Ltd. (the sole shareholder of the Company).

⁶ Stephen Landsman serves as alternate director for Erik Fyrwald.

Name of director	Hengde Qin	An Liru
Identification No.	PE2227583	EC4920790
Date of birth	April 6, 1970	October 21, 1969
Address for serving court documents	c/o Syngenta Group, Rosentalstrasse 67, 4002 Basel, Switzerland	c/o ADAMA Agricultural Solutions Ltd. Golan Street, Airport City 7015103, Israel
Citizenship	Chinese	Chinese
Board committees' membership	No	No
Independent director or external director	No	No
Accounting and financial expertise or professional qualifications	Accounting and Financial Expertise	Professional Qualifications
An employee of the Company, a subsidiary, an associated company of the Company or an interested party	Chairman of the Board of Directors of ADAMA Ltd. (the controlling shareholder of the Company); Vice President and Chief Human Resources Officer of Syngenta Group Co., Ltd. (the indirect controlling shareholder of the Company); COBD in Syngenta Group Modern Agricultural Science and Technology Company Limited (a subsidiary of such indirect controlling shareholder); COBD of Win-all Hi-tech seed co., Ltd.; Zhenda Xianjianjing (Shanghai) Science and Technology Development Company Limited; Syngenta Group Modern Agricultural Science and Technology Company Limited; Jiangsu Yangnong Chemical Company Limited	EVP China, Director of the Company; Director/General Manager of several of the Company's Chinese subsidiaries; Director of ADAMA Ltd.; Secretary of the Communist Party Committee of ADAMA Ltd.; Vice President of Syngenta Group Modern Agricultural Technology Co., Ltd. (SGC), President of CPBU SGC
Commencement of tenure	December 1, 2023	February 27, 2014
Education	B.A in Accounting, East China Engineering Institute of Tech; M.A in Industrial Engineering, Huazhong University of Science & Tech; M.B.A, China Europe Int Business School	B.A. in Applied Chemistry, Nanjing University; M.A in Chemical Engineering and MBA, Nanjing University
Positions in preceding five years and service as a director in additional corporations	COBD of Win-all Hi-tech seed co., Ltd.; Zhenda Xianjianjing (Shanghai) Science and Technology Development Company Limited; Syngenta Group Modern Agricultural Science and Technology Company Limited; Jiangsu Yangnong Chemical Company Limited. Executive Director of China Seed Group Limited.	SVP (Head of China Cluster) of the Company; Director/General Manager of several of the Company's Chinese subsidiaries; Director of ADAMA Ltd.; Director of the Company; Secretary of the Communist Party Committee of ADAMA Ltd.; Vice President of Syngenta Group Modern Agricultural Technology Co., Ltd. (SGC), President of CPBU
Family member of another interested party in the Company (to the best of the knowledge of the Company and its directors)	No	No
Director considered by the Company to have accounting and financial expertise for the purpose of compliance with the minimum number determined by the Board pursuant to Section 92(A)(12) of the Companies Law	Yes	No

Name of director	Stephen Landsman⁶	David George Morgan
Identification No.	561139365	554080433
Date of birth	September 4, 1959	October 11, 1955
Address for serving court documents	c/o Syngenta Group, Rosentalstrasse 67, 4002 Basel, Switzerland	c/o ADAMA Agricultural Solutions Ltd. Golan Street, Airport City 7015103, Israel
Citizenship	United States of America	British
Board committees' membership	No	Audit Committee, Financial Statements Review Committee and Remuneration Committee
Independent director or external director	No	External Director
Accounting and financial expertise or professional qualifications	Accounting and Financial Expertise	Accounting and Financial Expertise
An employee of the Company, a subsidiary, an associated company of the Company or an interested party	General Counsel of Syngenta Group Co. Ltd. (the indirect controlling shareholder of the Company)	No
Commencement of tenure	February 15, 2024	March 12, 2024
Education	B.A. in Finance, University of Illinois; JD, University of Illinois;	Bachelor's degree in Agriculture & Forestry Sciences from Oxford University Master's degree in Agriculture & Forestry Sciences from Oxford University
Positions in preceding five years and service as a director in additional corporations	General Counsel of Syngenta Group Co. Ltd. (the indirect controlling shareholder of the Company)	CEO at Epigenetica Limited (Jan 2023 - Oct 2023); Strategic Advisor at Pebble Labs Inc. (Aug 2021 - Nov 2022); President & CEO at Pebble Labs Inc. (Jan 2020 - Aug 2021); Director at Royal Agricultural University (UK)
Family member of another interested party in the Company (to the best of the knowledge of the Company and its directors)	No	No
Director considered by the Company to have accounting and financial expertise for the purpose of compliance with the minimum number determined by the Board pursuant to Section 92(A)(12) of the Companies Law	Yes	Yes

Name of director	Ron Hyman	Jiahong Wu
Identification No.	054674395	EK3161852
Date of birth	January 7, 1957	January 11, 1974
Address for serving court documents	3 Zalman Shazar St., Netanya, Israel	c/o ADAMA Agricultural Solutions Ltd. Golan Street, Airport City 7015103, Israel
Citizenship	Israeli	Chinese
Board committees' membership	Audit Committee, Financial Statements Review Committee and Remuneration Committee	Audit Committee, Financial Statements Review Committee and Remuneration Committee.
Independent director or external director	External Director	Independent Director
Accounting and financial expertise or professional qualifications	Accounting and Financial Expertise	Professional Qualifications
An employee of the Company, a subsidiary, an associated company of the Company or an interested party	No	No
Commencement of tenure	March 12, 2024	March 12, 2024
Education	B.A in Accounting and Economics, Tel Aviv University; Computerized Information System Auditor; Certified Public Accountant;	Bachelor's degree of International Business from Shanghai University of International Business and Economics; M.B.A from Fudan University.
Positions in preceding five years and service as a director in additional corporations	Founder/CEO of RH Holdings Ltd.; CO-CFO of Internet Research Institute Ltd (2017-2018); External Director of Blue Square Real Estate Ltd. (2018 - 2021); External Director of Waterstone Properties Ltd.; Director of Chamoss International Limited; External Director of Airtouch Solar Ltd.; External Director of Identi Healthcare Ltd.; External Director of Carasso Real Estate Ltd.; Chairman/Partner of ShuShu Jobs Ltd.	Managing Director at Goldman Sachs Gao Hua Securities Company Limited (Aug 2007 - Oct 2022)
Family member of another interested party in the Company (to the best of the knowledge of the Company and its directors)	No	No
Director considered by the Company to have accounting and financial expertise for the purpose of compliance with the minimum number determined by the Board pursuant to Section 92(A)(12) of the Companies Law	Yes	No

Regulation 26A - Senior Officers^{7,8}

Name of officer	Efrat Nagar	Elad Shabtai
Identification No.	031882558	022881346
Date of birth	December 7, 1974	December 18, 1966
Commencement of office	February 16, 2023	October 15, 2020
An interested party in the Company / a family member of another senior officer or an interested party	No	No
Education	MBA, Bar Ilan University; CPA; BA, Economics and Accounting, Bar Ilan University.	Ph.D. Chemistry, the Hebrew University of Jerusalem
Position in the Company, subsidiary, associated company of the Company or of an interested party	EVP CFO; Director of several group companies.	EVP Formulation Supply; Director of several group companies
Positions in the preceding five years	VP Finance; Executive Corporate Business Director; Regional CFO of India, Middle East and Africa; Director of several group companies.	VP IDR; Director of several group companies

Name of officer	Bruce Frederic Morris	Florian Wagner
Identification No.	561781116	C9G090FH0
Date of birth	September 30, 1970	March 25, 1975
Commencement of office	December 1, 2023	March 1, 2024
An interested party in the Company / a family member of another senior officer or an interested party	No	No
Education	MBA, Duke University, Fuqua School of Business; MS in Mechanical Engineering, Purdue University; BS in Mechanical Engineering, University of Virginia.	Dipl.-Ing. in Business Administration & Engineering, from Karlsruhe Technology University; M.Sc. in Industrial Engineering from Georgia Institute of Technology
Position in the Company, subsidiary, associated company of the Company or of an interested party	EVP AI Production.	EVP Portfolio and Innovation
Positions in the preceding five years	Head of AI Manufacturing & Sourcing; Head of Global Engineering and Contract Manufacturing; Head of Global Contract Manufacturing; Global AI Operations Director.	Head Marketing and Business Development, Syngenta Crop Protection, Europe, Africa & Middle-East; Head Global Insect Control, Syngenta Crop Protection.

⁷ As of the date of publication of this report.

⁸ For details regarding Messrs. Steven Hawkins and An Liru, who also serve as directors in the Company, see Regulation 26 above.

Name of officer	Ruthie Zeltzer	David Peters
Identification No.	014258925	PB2008347
Date of birth	November 21, 1968	June 5, 1962
Commencement of office	March 1, 2024	January 1, 2023
An interested party in the Company / a family member of another senior officer or an interested party	No	No
Education	B.A. in Psychology and Criminology from Bar Ilan University	Business, University of Technology, Sydney, Marketing, Practice Certificate
Position in the Company, subsidiary, associated company of the Company or of an interested party	EVP People	EVP APAC; Director of several group companies
Positions in the preceding five years	VP HR Lead, Merck Animal Health, HR Lead Latin America, Merck Pharmaceuticals	VP APAC; Director of several group companies

Name of officer	Sergio Dedominici Paz	Romeu Stanguerlin
Identification No.	PAN339019	FU461071
Date of birth	September 26, 1964	August 29, 1969
Commencement of office	January 1, 2023	January 1, 2023
An interested party in the Company / a family member of another senior officer or an interested party	No	No
Education	Agronomic Engineer, UBA, Argentina; MBA, ASO, Argentina; Finance Grade, Columbia University; Management Programme, Columbia University; Marketing & Sales Excellence, Insead	MBA Administration and Marketing, Indianapolis Indiana University–Purdue University Indianapolis; INSEAD, CRM, Channel, GIM, Pricing, Field Force Effectiveness, Marketing Plan. CRM, Channel, GIM, Pricing, Field Force Effectiveness, Marketing Plan; MBA, Marketing, Strategy, Finance, General Management, Fundação Dom Cabral; Pos, General Management, Cambury University; Bachelor in Agronomical Sciences, Universidade de Passo Fundo
Position in the Company, subsidiary, associated company of the Company or of an interested party	EVP EAME	EVP LATAM
Positions in the preceding five years	Marketing and Commercial Excellence Regional Head ADAMA Americas; CEO ADAMA Agriculture España S.A.	President, Adama Brasil; Marketing Director, Adama Brasil

Name of officer	Jason Wade Brodsgaard	Naama Peleg⁹
Identification No.	533792798	037593449
Date of birth	May 25, 1976	October 3, 1975
Commencement of office	May 1, 2023	January 1, 2023
An interested party in the Company / a family member of another senior officer or an interested party	No	No
Education	BS Criminal Justice, Sam Houston State University; MBA, North Carolina State University	LLM, Tel Aviv University; LLB, Tel Aviv University; B.A. Business Administration, Tel Aviv University.
Position in the Company, subsidiary, associated company of the Company or of an interested party	EVP North America	General Legal Counsel and Company Secretary
Positions in the preceding five years	Manager in ADAMA US Ag	Senior Corporate Counsel (ADAMA group)

Name of officer	Oriella Ben Zvi	Samuel Asher Leibowitz
Identification No.	019132319	328866108
Date of birth	August 13, 1971	June 6, 1982
Commencement of office	January 1, 2024	November 1, 2023
An interested party in the Company / a family member of another senior officer or an interested party	No	No
Education	B.A. in History and English, University of Pennsylvania	BS in Finance, Yeshiva University
Position in the Company, subsidiary, associated company of the Company or of an interested party	Head of Global Sustainability, Head of Global Strategic Marketing	Head of Transformation Delivery and Communication & Chief of Staff
Positions in the preceding five years	Head of Global Strategic Marketing	Chief of Staff, office of CEO; Regional CFO IMEA; Product Strategy Sector Manager, Insecticides.

⁹ Ms. Peleg will step down from her role as General Legal Counsel and Company Secretary on April 1, 2024.

Name of officer	Keren Yonayov	Yehoshua Hazenfratz¹⁰
Identification No.	025699950	52187966
Date of birth	January 16, 1974	December 15, 1953
Commencement of office	June 1, 2010	November 6, 2007
An interested party in the Company / a family member of another senior officer or an interested party	No	No
Education	Business Management and Accounting, the College of Management, Rishon Lezion; CPA; LL.M for auditor, Bar Ilan University.	B.A. in Economics and Accounting, Tel Aviv University
Position in the Company, subsidiary, associated company of the Company or of an interested party	Group Corporate Controller	Internal Auditor
Positions in the preceding five years	Group Corporate Controller	Partner at RSM Shiff Hazenfratz & Co. Internal Auditor of the following companies: Oil and Energy Infrastructures Ltd., Cross Israel Highway Ltd., Castro Ltd., Clal Biotechnology Ltd.

¹⁰ Mr. Hazenfratz will step down from his position as Internal Auditor on April 15, 2024.

Regulation 26B - Independent Authorized Signatories

At the report date, the Company does not have any authorized signatories who have the power to bind the Company in any particular action, without the need for the signature of another authorized signatory in the Company.

Regulation 27 - Company's Auditors

Accounting firm Brightman, Almagor, Zohar & Co. from the Deloitte Group, Azrieli Center, Menachem Begin road 132, Tel Aviv-Yafo.

Regulation 28 - Adjustments to the Articles of Association or Memorandum

No amendments were made to the Company's Articles of Association during the report period.

Regulation 29 - Board of Directors Recommendations and Resolutions

A. Regulation 29(a) -

For details regarding transactions with the Company's controlling shareholder, see Regulation 22 above.

B. Regulation 29(c) - Resolutions of Special General Meetings

1. For details regarding transactions with the Company's controlling shareholder, see Regulation 22 above.
2. In March 2023, the general meeting approved the following resolutions: (a) resolutions with respect to the remuneration of the President & CEO, in accordance with section 272(c1)(1) of the Companies Law, as well as other office holders of the Company, including a senior officer holder which also serves as a director, as detailed in Regulation 21 above, for the year 2022; (b) Syngenta Group LTI Plan payment to each of the office holders and the 2023 individual percentage grant for each, with the actual payment of awards thereunder, to be subject to the approval of the Company's requisite organs, as well as cash LTI related payment to the Company's President and CEO.
3. In April 2023, the general meeting approved the following resolutions: (a) resolutions with respect to separation-related payments to the Company's former President & CEO; (b) resolutions with respect to the remuneration of the appointed President & CEO, Mr. Steven Hawkins, as well as the agreement with ADAMA Ltd. regarding his secondment, in order to reflect his appointment as the Company's President and CEO.
4. In August 2023, the general meeting approved resolutions with respect to the adjustments of the compensation of the Company's a senior officer holder which also serves as a director.

5. In December 2023, the general meeting approved an extension of the remuneration policy of the Company¹¹.
6. After the Balance Sheet date, in February 2024, the general meeting approved a potential deviation from the Remuneration Policy that may occur following the payment of certain separation-related payments to Company's officeholders.
7. After the Balance Sheet date, in March 2024, the general meeting approved certain resolutions with respect to the remuneration of the President & CEO, in accordance with section 272(c1)(1) of the Companies Law, as well as other office holders of the Company, including a senior officer holder which also serves as a director, as detailed in Regulation 21 above, for the year 2023.

Regulation 29A - Company Resolutions

Listed below are resolutions of the Company's Board of Directors that are not specified in "Regulation 29 - Board of Directors Recommendations and Resolutions" above:

1. **Extraordinary Transactions requiring special approval under section 270(1) of the Companies Law:** There are no such resolutions which are not mentioned in "Regulation 29 - Board of Directors Recommendations and Resolutions" or in "Regulation 22 - Transactions with Controlling Shareholders".
2. **Officers Exemption, Indemnification and Insurance:** See Note 19(a)(1) and 19(a)(2) to the Financial Statements.

Date: March 25, 2024

Steven Hawkins

Chairman of the Board,
President and CEO

An Liru

Director

¹¹ For further details, see immediate report dated December 18, 2023 (Ref. 2023-01-114217).

Chapter E

Report regarding the Effectiveness of the Internal Auditing of Financial Reporting and Disclosure

Annual report regarding the effectiveness of the internal auditing of financial reporting and disclosure according to Regulation 9B(a):

The Management, under the supervision of the Board of Directors of ADAMA Agricultural Solutions Ltd. (hereafter: the “**Corporation**”), is responsible for determining and maintaining appropriate internal auditing of financial reporting and of disclosure in the Corporation.

In this matter, the members of the Management are the following:

- Steven Hawkins, Chairman of the Board, President and CEO
- Efrat Nagar, EVP, CFO
- Elad Shabtai, EVP, Formulation Supply
- Bruce Morris, EVP, AI Production
- Florian Wagner, EVP, Portfolio & Innovation
- Ruthie Zeltzer, EVP, People
- An Liru, EVP, China

The internal auditing of financial reporting and disclosure includes the existing controls and procedures in the Corporation, which were designed by the Chief Executive Officer and the senior corporate financial officer or under their supervision, or by the individual who in practice executes these functions, under the supervision of the Corporation’s Board of Directors and which are intended to provide a reasonable degree of confidence regarding the reliability of financial reporting and preparation of the reports according to the instructions of the law and to ensure that the information the corporation is required to disclose in the reports that it publishes according to the instructions of the law, is collected, processed, summarized and reported on the dates and in the format dictated by law.

The internal auditing includes, *inter alia*, audits and procedures that were designated to ensure that said information the corporation is required to disclose was accumulated and submitted to the corporation’s Management, including the Chief Executive Officer and the senior corporate financial officer or the individual who in practice fulfills these functions, so as to facilitate decision making at the appropriate time, with regard to the disclosure requirements.

Due to its structural constraints, internal auditing of financial reporting and disclosure is not intended to fully guarantee that a biased presentation or the omission of information in the reports will be avoided or discovered.

The Management, under the supervision of the Board of Directors, has executed an assessment of the internal auditing of financial reporting and disclosure in the corporation and its effectiveness.

The assessment of the effectiveness of the internal auditing of financial reporting and disclosure carried out by the Management under the supervision of the Board of Directors consisted of four main components:

- Entity Level Controls.
- Financial Reporting Process and Disclosure.
- Information Technology General Controls (ITGC’s).
- Control regarding very significant processes connected with financial reporting: Sales, Inventories, Purchasing and Hedging transactions/derivatives.

Based on the assessment of the effectiveness, executed by the Management under the supervision of the Board of Directors as specified above, the Board of Directors and the Management of the Corporation have concluded that the internal auditing of the financial reports and disclosure in the Corporation as of December 31, 2023, is Effective.

Officers' Certification

Certification of CEO according to Regulation 9B(d)(1):

I, Steven Hawkins, affirm that:

- (1) I have reviewed the periodic report of Adama Agricultural Solutions Ltd. (hereinafter: the "**Corporation**") for the year 2023 (hereinafter: the "**Reports**").
- (2) Based on my knowledge, the Reports do not contain any untrue statement of a material fact or omit a material fact necessary in order to make the statements made therein, in light of the circumstances under which such statements were made, misleading with respect to the period covered by the Reports.
- (3) Based on my knowledge, the financial statements and other financial information included in the Reports fairly present, in all material respects, the financial condition, results of operations and cash flows of the Corporation as of the dates and for the periods presented in the Reports.
- (4) Based on my most recent evaluation regarding internal control over financial reporting and disclosure, I have disclosed to the Corporation's auditors, Board of Directors and Audit and Financial Statements committees of the Board of Directors:
 - (a) All significant deficiencies and material weaknesses in the establishment or operation of internal control over financial reporting and disclosure, which may reasonably adversely affect the Corporation's ability to collect, process, summarize or report financial data so as to cast doubt on the reliability of financial report and the preparation of financial statements in accordance with law; and -
 - (b) Any fraud, whether or not material, that involves the CEO, anyone directly subordinated to the CEO or that involves other employees who have a significant role in internal control over financial reporting and disclosure.
- (5) I, alone or together with others in the Corporation:
 - (a) Have designed such controls and procedures, or have confirmed the establishment and existence of such controls and procedures under my supervision, so as to ensure that material information relating to the Corporation, including its consolidated corporations as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, is made known to me by others in the Corporation and the consolidated corporations, particularly during the course of the period wherein the Reports are being prepared; and
 - (b) Have established such controls and procedures, or confirmed the establishment and existence of such controls and procedures under my supervision, so as to ensure reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with the law, including in accordance with generally accepted accounting principles; and
 - (c) Have evaluated the effectiveness of the internal control over financial reporting and disclosure, and have presented in this report the conclusions of the Board of Directors and the Management with regard to the effectiveness of the internal control as of the date of the financial statements.

Nothing in the aforesaid derogates from my responsibility or from the responsibility of any other individual under the law.

Date: 25.3.2024

Steven Hawkins

Chairman of the Board, President
and CEO

Officers' Certification

Certification of Chief Financial Officer according to Regulation 9B(d)(2):

I, Efrat Nagar, affirm that:

- (1) I have examined the financial statements and other financial information recorded in the reports of Adama Agricultural Solutions Ltd. (hereinafter: the "**Corporation**") for the year 2023 (hereinafter: the "**Reports**").
- (2) Based on my knowledge, the financial statements and other financial information recorded therein do not contain any untrue statement of a material fact, nor do they omit a material fact necessary in order to make the statements made therein, in light of the circumstances under which such statements were made, misleading with respect to the period covered by the Reports.
- (3) Based on my knowledge, the financial statements and other financial information included in the Reports fairly present, in all material respects, the financial condition, results of operations and cash flows of the Corporation as of the dates and for the periods presented in the Reports.
- (4) Based on my most recent evaluation regarding internal control over financial reporting and disclosure, I have disclosed to the Corporation's auditors, Board of Directors and Audit and Financial Statements committees of the Board of Directors:
 - (a) All significant deficiencies and material weaknesses in the establishment or operation of internal control over financial reporting and disclosure, insofar as such refers to the financial statements and the other financial information recorded therein to the extent it relates to the financial statements and other financial information included in the Reports, which may reasonably adversely affect the Corporation's ability to collect, process, summarize or report financial data so as to cast doubt on the reliability of financial report and the preparation of financial statements in accordance with law; and -
 - (b) Any fraud, whether or not material, that involves the CEO or anyone directly subordinated to the CEO or that involves other employees who have a significant role in internal control over financial reporting and disclosure.
- (5) I, alone or together with others in the Corporation:
 - (a) Have designed such controls and procedures, or I have confirmed the establishment and existence of such controls and procedures to be designed under my supervision, so as to ensure that material information relating to the Corporation, including its consolidated corporations within as defined their meaning in the Securities Regulations (Annual Financial Statements), 5770-2010, insofar as such is relevant to the financial statements and the other financial information recorded therein to the extent it relates to the financial statements and other financial information included in the Reports, is made known to me by others in the Corporation and the consolidated corporations, particularly during the course of the period wherein the Reports are being prepared; and
 - (b) Have established such controls and procedures, or confirmed the establishment and existence of such controls and procedures under my supervision, so as to ensure reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with the law, including in accordance with generally accepted accounting principles; and
 - (c) Have evaluated the effectiveness of the internal control over financial reporting and disclosure, insofar as such is relevant to the financial statements and the other financial information recorded therein as of the date of the statements; My conclusions regarding my aforesaid evaluation have been presented to the Board of Directors and the Management and are combined in this Report.

Nothing in the aforesaid derogates from my responsibility or from the responsibility of any other individual under the law.

Date: 25.3.2024

Efrat Nagar

CFO