



אדמה פתרונות לחקלאות בע"מ  
ADAMA Agricultural Solutions Ltd.

## **Quarterly Report for March 31, 2016**



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ADAMA Agricultural Solutions Ltd.

## **Quarterly Report for March 31, 2016**

- Chapter A – Board of Directors' Report on the state of the Company's Affairs
- Chapter B – Financial statements (unaudited) for March 31, 2016
- Chapter C – Report Regarding the Effectiveness of the Internal Auditing of Financial Reporting and Disclosure

The information contained herein constitutes an unofficial translation of the Quarterly Report for the first quarter of 2016, as published by the Company in Hebrew.

The Hebrew version is the binding version. This translation has been prepared for convenience purposes only.



אדמה פתרונות לחקלאות בע"מ  
ADAMA Agricultural Solutions Ltd.

## Chapter A

# Board of Directors' Report on the state of the Company's Affairs



ADAMA Agricultural Solutions Ltd.

## Board of Directors' Report for the Quarter Ended March 31, 2016

This Report is limited in scope and should be reviewed together with the Periodic Report for 2015, published on March 15, 2016 (Ref: 2016-01-006216).

Adama is one of the world's leading crop protection companies. We strive to Create Simplicity in Agriculture - offering farmers effective and efficient products and services that simplify their lives and help them grow. With one of the most comprehensive and diversified portfolios of differentiated, high-quality products, Adama's approximately 4,900 people reach farmers in over 100 countries across the globe, providing them with solutions to control weeds, insects and disease and improve their yields.

## Financial highlights – first quarter of 2016, as adjusted

Significant volume growth and increased profits and profitability in first quarter mark a strong start to the year for Adama

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- First quarter sales of \$853 million:
    - Growth of 6.9% at constant exchange rates
    - USD sales declined by 1.6% as a result of the strength of the US dollar
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- Growth driven by quantity growth of 6.7% of an improved mix of products across all regions, most notably in North America, India, Middle East & Africa and Asia-Pacific, despite the ongoing challenging conditions in the agricultural markets as well as challenging weather conditions in many regions
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- Growth in all profit and profitability metrics:
    - Gross profit of \$296m, an increase of 0.7 percentage points in the gross margin to 34.7% – the Company's highest quarterly gross margin in the last eight years;
    - Operating income increased by 2.6% to reach \$129 million, with an increase of 0.6 percentage points in operating margin to 15.1%, due to ongoing reduction in operating expenses;
    - Net income grew by 6.8% to reach \$101 million, with an increase of 0.9 percentage points in net margin to 11.8%;
    - EBITDA up by 3.2% to \$172 million, with a full percentage point increase in EBITDA margin to 20.2%
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- Improved free cash flow in the quarter, with markedly reduced inventory levels
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- These results reflect Adama's continued sector-leading performance
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## Summary of developments in the sector and in the Company's activities, and their effect on the Company

- **The Company markedly outperformed the sector in the quarter** – continued deeper market penetration, combined with significant scale of launches of new and differentiated products, as well as marked volume growth of an improved portfolio mix, together with reduction of both manufacturing and procurement costs as well as of operating expenses, led to markedly positive results relative to the sector, despite the effects of exchange rates and the continuing challenging market conditions that negatively impacted both the Company and the sector as a whole.
- **The US dollar remained strong compared to the corresponding quarter last year** – despite the fact that the dollar relative to most currencies as at March 31, 2016 weakened compared to its rate in the beginning of the first quarter, the average exchange rates of the dollar against most international currencies in the quarter remained strong compared to those prevailing in the corresponding quarter in 2015, resulting in a decrease in the US dollar value of the Company's sales, as well as those of the entire sector, during the quarter. Furthermore, hedging transactions effected by the Company with respect to the first quarter made less of a contribution compared to those relating to the corresponding quarter last year.
- **Continued slowdown in the demand for crop-protection products** – low agricultural commodities prices in the quarter, continuing on from the low levels seen over the last two years, contributed to a deterioration in farmers' profitability, which, together with relatively high levels of inventory in the distribution channels, led to a continued slowdown in the demand for crop-protection products. Despite this slowdown and the continuing challenging conditions in the industry during the quarter, the Company's sales volumes increased due to the launch of new products and the expansion of commercial activities in both existing and new markets.
- **Decrease in manufacturing costs and inputs as a result of efficiencies and the slowdown in the global economy** – manufacturing and procurement costs decreased in the quarter, mainly through the reduction of the costs of raw materials and intermediates, as well as transportation and energy costs.
- **Negative impact of weather conditions** – the cold weather in northern Europe in the quarter, as well as the continued negative effects of the El Niño climate phenomenon, including the extreme drought conditions in South Africa, India and other countries of South East Asia, as well as variable weather conditions in different countries of Central and South America, including droughts at the beginning of the quarter and floods in large areas at the end of the quarter, led to a slowdown in demand in these areas.

The Company estimated in its Board of Directors' Report for 2015, that its results in 2016 will be significantly affected by the depreciation of currencies, macroeconomic trends and currency hedging transactions. The Company estimated that since currency hedging transactions executed by the Company for 2016 are at lower exchange rates than in 2015, it is expected that their contribution will be lower than that of last year, especially in the first half of 2016. Nonetheless, the Company was successful in achieving better results in the first quarter than those expected.

The Company estimates that such trends and conditions prevailing in the sector are expected to continue throughout 2016. In addition, the Company expects that the high levels of inventory in the distribution channels may continue to pose challenges for the sales in the sector, and those of the Company, during the remainder of 2016. The differences between the contribution of the currency hedging transactions is expected to continue to negatively affect the second quarter, but without significantly affecting the Company's overall results in 2016.

*The Company's estimations regarding projected effects on the Company's results throughout 2016 constitute forward-looking information as it is defined in the Israeli Securities Law, which is based on the current trends in the global agrochemical market and on the estimations of the Company's management. The Company's projections may not materialize, or materialize in a different manner due, inter alia, to factors which are out of the Company's control, such as developments in the crop protection market, changes in demand for the Company's products, in currencies and in oil prices, and other macroeconomic trends.*

# Results of Operations – Income Statement

## Adjusted Income Statement for the first quarter of 2016

	Q1 2016 \$m	Q1 2015 \$m	Change \$m	% of Change CER	% of Change USD
<b>Revenues</b>	<b>853</b>	<b>867</b>	<b>-14</b>	<b>+6.9%</b>	<b>-1.6%</b>
Gross profit	296	295	1		+0.4%
<i>% of revenue</i>	<i>34.7%</i>	<i>34.0%</i>			
Operating expenses	167	169	-2		-1.2%
<b>Operating income (EBIT)</b>	<b>129</b>	<b>126</b>	<b>3</b>		<b>+2.6%</b>
<i>% of revenue</i>	<i>15.1%</i>	<i>14.5%</i>			
Finance expenses, net	29	12	17		+149.6%
Net income before taxes	99	115	-16		-13.9%
<b>Net income</b>	<b>101</b>	<b>94</b>	<b>7</b>		<b>+6.8%</b>
<i>% of revenue</i>	<i>11.8%</i>	<i>10.9%</i>			
<b>EBITDA</b>	<b>172</b>	<b>167</b>	<b>5</b>		<b>+3.2%</b>
<i>% of revenue</i>	<i>20.2%</i>	<i>19.2%</i>			

**Income statement items adjusted in the above table, as presented in the financial statements (in USD millions)<sup>1</sup>:**

For the first quarter of 2016: Gross profit - \$296m (34.7%), operating expenses – \$164m (19.2%), operating income (EBIT) – \$132m (15.5%), net income before taxes – \$102m (12.0%), net income – \$104m (12.2%), and EBITDA – \$175m (20.6%). For the first quarter of 2015: Net financing expenses – \$16m (1.8%), net income before taxes – \$111m (12.8%), and net income – \$86m (9.9%).

## Analysis of the Company's results, as adjusted

### Sales

Sales increased by 6.9% in the first quarter, at constant exchange rates, compared with the corresponding quarter last year. This was driven by volume growth in all regions in which the Company operates, resulting in overall volume growth of 6.7% in the quarter despite the continuing challenging market conditions.

<sup>1</sup> The Income Statement items for Q1 2016 that appear in the above table include adjustments for redeployment of employees options granted in 2014, in the amount of \$3.3 million. The Income Statement items for Q1 2015 that appear in the above table include adjustments for: revaluation of options on debentures issued by the Company in Q1 2015 in the amount of \$4 million, a capital gain of \$10 million from the sale of intellectual property, a \$4.7million provision due to a tax-related event from 1985, and expenses of \$10 million due to the early retirement of employees under an agreement from 2010.

For an analysis of the differences between the adjusted income statement items and the income statement items reported in the financial statements, see Appendix A.



The depreciation of local currencies in the main regions in which the Company operates, and the lower contribution of currency hedging transactions compared with the corresponding quarter last year, led to a decrease in sales of 1.6% in US dollar terms, compared to the corresponding quarter.

## Revenues split by region

### First quarter sales:

	Q1 2016 \$m	Q1 2015 \$m	Estimated % change in CER	% change in \$
Europe	425	457	+1.2	-6.9
North America	153	138	+12.0	+10.8
Latin America	114	124	+10.6	-8.3
Asia-Pacific	84	78	+14.5	+7.5
India, Middle East and Africa	77	70	+19.4	+10.6
<i>Of which, Israel</i>	23	23	-0.8	+1.1
<b>Total</b>	<b>853</b>	<b>867</b>	<b>+6.9</b>	<b>-1.6</b>

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

*The information included in the shaded boxes provides additional information about other developments and events that affected the Company's operations during the reported period in a non-material way.*

### Europe

Sales in Europe increased by 1.2% in the first quarter, at constant exchange rates, compared to the corresponding quarter last year. This growth was achieved due to volume growth stemming from the launch of new products and the deepening of commercial activities, despite the late start to the agricultural season due to the cold weather, and high inventory levels in the distribution channels in some countries in the region. The growth in volumes was partially offset by the small decrease in selling prices in several countries in the region.

In US dollar terms, sales in Europe decreased by 6.9% in the quarter compared to the corresponding quarter last year, as a result of the depreciation of local currencies and the lower contribution of currency hedging transactions executed by the Company compared to the corresponding quarter last year.

- *Increased planting areas for certain key crops like sugarbeet and cereals allowed Adama to increase sales of unique, high value-added products for these crops.*
- *Adama continued to further the differentiation of its portfolio with the recent launches of a number of differentiated products in several key markets, such as the cereal and corn herbicide ELEGANT™ in Ukraine and the broad-spectrum cereal fungicide KANTIK® in Germany.*

## North America

Sales in North America increased by 12.0% in the first quarter, at constant exchange rates, compared to the corresponding quarter last year. This significant increase in sales stemmed from the Company's continued focus on increasing engagement with key customers, as well as from the launch of additional products and the enhancement of its go-to-market approach.

In US dollar terms, and despite the further depreciation of the Canadian dollar, sales in North America increased by 10.8% in the quarter compared to the corresponding quarter last year.

- *Adama's US crop protection business delivered a strong performance in the quarter, with the Company's efforts towards demand-creation through increased farmer and customer proximity, as well as its focus on key areas and high value-added crops, continuing to bear fruit.*
- *Adama's Canadian business delivered a robust performance, supported by the successful launch of three new products: the insecticide seed treatment SOMBRERO™ which provides long-lasting, early-season control of insects in cereals, oil seeds, soybeans and corn; the herbicide SQUADRON™ to combat both grass and broadleaf weeds in a wide variety of crops; and the herbicide HOTSHOT™, a unique and powerful mixture of two active ingredients used to combat glyphosate-resistant weeds.*
- *Adama's US Consumer and Professional Solutions business performed well, with growing momentum driven by strong relationships with our customers and the successful performance of recently launched products.*

## Latin America

Sales in Latin America increased by 10.6% in the first quarter, at constant exchange rates, compared to the corresponding quarter last year, due to price increases effected by the Company, especially in Brazil, and this was despite the high inventory levels that remained in the distribution channels from 2015, and despite the continuing challenging conditions in the main countries in the region, including variable El Niño-related weather conditions, and the unstable macroeconomic and political conditions in Brazil.

In US dollar terms, sales in Latin America decreased by 8.3% in the quarter compared to the corresponding quarter last year, reflecting the impact of the significant depreciation of local currencies, which was partially compensated by price increases in local currencies.

- *Adama is continuing to invest in the implementation of unique go-to-market approaches in various countries in the region, with increased customer proximity being supported by the ever-increasing use of digital means.*
- *The Company achieved good results in Brazil, and Adama's differentiated insecticide GALIL®, a unique mixture of two active ingredients, saw strong demand from soybean farmers now suffering from the proliferation of sucking pests due to the increasing use of caterpillar-resistant genetically modified soybean strains.*

## Asia Pacific

Sales in Asia-Pacific increased by 14.5% in the first quarter, at constant exchange rates, compared to the corresponding quarter last year, especially in the Pacific countries, due to significant volume growth. This increase compensated for the decrease in sales in most countries in Asia which stemmed, inter alia, from the severe drought as a result of El-Niño in Thailand, Vietnam and other countries.

In US dollar terms, and despite the depreciation of local currencies, especially the Australian dollar, sales in the region increased by 7.5% in the quarter compared to the corresponding quarter last year.

- *Adama continued to strengthen its business in the region – focusing on key crops and regions, increasing proximity to farmers and deepening interaction with distributors, enhancing portfolio mix – yielding tangible benefits throughout the region, especially in the Pacific and North East Asia.*
- *Improving product portfolio – following the successful launch of Adama's proprietary product NIMITZ® in Australia, new registration of the product achieved in South Korea. In addition, strong performance in Australia of the recently launched BOBCAT i-MAXX®, a unique new herbicide for knockdown and long-term weed management in sugarcane.*

## India, Middle East and Africa

Sales in the India, Middle East and Africa region increased by 19.4% in the first quarter, at constant exchange rates, compared to the corresponding quarter last year. This increase stemmed from significant volume growth, especially in Turkey where the Company's activities were launched last year, and despite the droughts in several main countries in the region, among them India and South Africa, as well as high inventory levels in the distribution channels.

In US dollar terms, and despite the depreciation of local currencies such as the South African Rand, the Indian Rupee and the Turkish Lira, sales in the region increased by 10.6% in the quarter compared to the corresponding quarter last year.

- *In India, Adama continues to invest in the differentiation of its portfolio, and received a number of new registrations for differentiated products to be launched during the year.*

### Build up and integration in China:

- *Adama is continuing to progress towards the realization of its strategic goals in China, especially the establishment of its commercial and operational activities in the country.*
- *On the commercial side, the Company launched its direct sales in the country, appointed its management team and recruited dozens of new sales people in ten provinces. The Company's performance in the country in the first quarter has exceeded expectations.*
- *Under the collaboration agreement entered into with a number of agrochemical companies controlled by CNAC, the Company has commenced sales of formulated products of these companies, in higher volumes than previously planned.*
- *On the operational side, the construction of the Company's new, state-of-the-art formulation and packaging center in the city of Huai'an is progressing, and the plant is expected to come on-stream in the coming year.*
- *Adama's shareholders are continuing to progress the transaction with Sanonda, in which the Company's shareholders will exchange their shares in the Company for shares of Sanonda. In the context of this transaction, the Sanonda shareholders' assembly has approved the continued suspension of the trade in its shares until 4 August 2016.*

### Gross profit

Gross profit increased in the first quarter compared to the corresponding quarter last year, with gross margin up by 0.7 percentage points to 34.7%, despite the decrease in sales in US dollar terms. This improvement stemmed from a significant increase in volumes, a better differentiation and focus of its product portfolio, and a significant reduction of production and procurement costs, all against the backdrop of significant negative currency headwinds and a lower contribution of currency hedging transactions executed by the Company compared to the corresponding quarter last year.

### Operating income

Tight expense management and the positive effect of the depreciation of the currencies led to a decrease in operating expenses in the first quarter.

Despite the significant increase in volumes, the Sales and Marketing expenses in the quarter decreased to \$136 million (16.0% of sales), compared to \$138 million (15.9% of sales) in the corresponding quarter last year. The increase in General and Administrative expenses and their percentage of sales in the quarter compared to the corresponding quarter last year stemmed primarily from expenses for doubtful debts and salaries. These expenses in the quarter amounted to \$29 million (3.4% of sales), compared to \$24 million (2.7% of sales) in the corresponding quarter last year.

The above expenses were offset by income of \$6 million related to the granting of an intellectual property license, which is not material for the Company.

Research and Development expenses in the first quarter amounted to \$8m (0.9% of sales), similar to the expenses in the corresponding period last year.

Total operating expenses in the first quarter amounted to \$167 million (19.6% of sales), compared to \$169 million (19.5% of sales) in the corresponding quarter last year.

## Financing expenses

Financing expenses, both in absolute terms as well as a percentage of sales, in the first quarter increased compared to the corresponding quarter last year as a result of the higher cost of currency hedging on receivables, largely due to the increased volatility in the Brazilian currency, and the fact that a larger portion of the receivables there is denominated in local currency. In addition, the Company's financing income related to CPI-linked debentures issued by the Company decreased compared to the corresponding quarter last year, as a result of a more moderate decrease in the Israeli Consumer Price Index in the quarter, compared to the corresponding quarter last year.

## Tax

The Company recorded tax income in the first quarter in the amount of \$4 million, mainly as a result of the strengthening of the Brazilian Real against the US dollar during the quarter, which led to a revaluation of tax assets and to an erosion of non-cash tax provisions in Brazil, compared to tax expenses in the amount of \$21 million in the corresponding quarter last year, which stemmed primarily from the weakening of the Brazilian Real against the US dollar, which created opposite flows of tax expenses due to the erosion of tax assets and revaluation of non-cash tax provisions.

The first quarter is generally characterized by a low tax rate compared to the effective tax rate applicable to the Company, inter alia, due to profits generated by companies in the group whose tax rates are lower than the total effective tax rate, and due to the method of calculation of tax assets in inter-company sales.

## Revenues by operating segment

### First quarter sales split by operating segment

	Q1 2016 \$m	%	Q1 2015 \$m	%	Change \$m	Change %
Crop protection (Agro)	805	94.3	821	94.7	-16	-1.9%
Other (Non-Agro)	48	5.7	46	5.3	2	+4.9%

# Financial Condition and Liquidity<sup>2</sup>

## Cash flow and investment in fixed assets

In the first quarter, the operating cash flow amounted to \$8 million, and adjusting for the reduction in receivables resulting from the amendment to the Receivables Financing Facility Program, the operating cash flow amounted to a negative cash flow of \$120 million, compared to a negative operating cash flow of \$103 million in the corresponding quarter last year. Due to the seasonality of its activities, the Company generally generates negative operating cash flow in the first quarter of each year. The change in operating cash flow stems from a reduction in inventories on the one hand, and on the other hand a decrease in payables in light of the decrease in procurement costs due to operational efficiencies and cost reductions, together with the increase in receivables due to the decline of the US dollar during the quarter against most of the main currencies and changes in currency transactions.

The Company's investments in the first quarter amounted to \$33 million compared to investments of \$61 million in the corresponding quarter last year. Investments included primarily investments in product registrations, intangible assets and fixed assets. The investments in fixed assets included investments in plant and equipment, including facilities for the maintenance of the environment, and amounted, net of investment grants, to \$17 million compared to \$39 million in the corresponding quarter last year.

In the first quarter, the Company generated negative free cash flow of \$25 million, and adjusting for the change in the balance of receivables deducted in the framework of the Receivables Financing Facility Program, the Company generated negative free cash flow in the amount of \$152 million compared to a negative free cash flow of \$164 million in the corresponding quarter last year.

## Current assets

Total current assets at March 31, 2016 amounted to \$2,857 million compared to \$3,129 million as at March 31, 2015, and \$2,627 million as at December 31, 2015.

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<sup>2</sup> According to the changes made to the Company's Receivables Financing Facility Program in the first quarter of 2015, as specified in Note 4 to the Company's consolidated financial statements as at December 31, 2015, the receivables and short term credit regarding the Receivables Financing Facility Program were deducted at the end of the first quarter of 2015 from the Company's balance sheet, without affecting the cash flow for that period. The trade receivables within the framework of the Receivables Financing Facility Program amounted to \$320 million as at March 31, 2016 and \$253 million as at March 31, 2015.

## Cash, current liabilities and long-term loans

The Company's total financial liabilities, including bank credit and debentures, amounted to \$1,633 million as at March 31, 2016 (of which 23.0% was short term), compared to \$1,618 million as at March 31, 2015 (of which 18.3% was short term), and \$1,554 million (of which 20.8% was short term) as at December 31, 2015.

The Company's balances of cash and short-term investments as at March 31, 2016 amounted to \$415 million, compared to \$526 million as at March 31, 2015, and \$400 million as at December 31, 2015.

The Company's net debt, including bank credit and the impact of hedging transactions attributed to debt, net of cash and short-term investments, amounted to \$1,201 million as at March 31, 2016, compared to \$1,171 million as at March 31, 2015, and to \$1,184 million at the end of December 2015. This, after distribution of a dividend during the fourth quarter of 2015 in the amount of \$100 million.

## Financial covenants

The financial covenants the Company must comply with by virtue of the banking financing documents and the Receivables Financing Facility Program:

(\$m)	Net Debt/Equity	Net Debt/EBITDA	Minimum Equity	Retained Earnings
Financial Covenants – Bank Credit	1.25x	4.0x	1,220	700
Financial Covenants – Receivables Facility	1.25x	4.0x	-	-
<b>Compliance of the Company with Financial Covenants as at March 31, 2016</b>	<b>0.7x</b>	<b>2.5x</b>	<b>1,637</b>	<b>1,223</b>

As at March 31, 2016, during the first quarter of 2016 and on the date of publication of this report, the Company complied with the financial covenants included in its financing documents and the Receivables Financing Facility Program.<sup>3</sup>

## Shareholders' equity

The Company's shareholders' equity as at March 31, 2016 amounted to \$1,637 million, compared to \$1,684 million as at March 31, 2015 and \$1,567 million as at December 31, 2015, after distribution of a dividend in the amount of \$100 million in the fourth quarter of 2015. Equity as a proportion of the total assets was 35.6% as of March 31, 2016, 35.0% on March 31, 2015, and 36.2% on December 31, 2015.

The Company's issued and paid-up share capital as at March 31, 2016 is 137,990,881 ordinary shares of NIS 3.12 par value each.

<sup>3</sup> The calculation of the covenant Net Debt/EBITDA is based on the twelve months ended on the date of the financial statements. For more information about the Financial Covenants and additional limitations that apply to the Company pursuant to the provisions of the financing agreements and the Receivables Financing Facility Program, see Section 23.4 in Chapter A of the Periodic Report for 2015, and Note 20 to the financial statements as at December 31, 2015.

## Financial ratios

As at March 31:	2016	2015
Ratio of current assets to current liabilities (current ratio)	1.82	1.87
Ratio of current assets, excluding inventory, to current liabilities (quick ratio)	1.10	1.15
Ratio of financial liabilities to total assets	35.5%	33.6%
Ratio of financial liabilities to total equity, gross	99.8%	96.1%

## Financing sources

The Company finances its business operations from its equity and from external funding sources.<sup>4</sup>

## Warning signs

In view of the consolidated financial structure of the Group, and based on the financial data appearing in the Company's consolidated financial statements as reviewed by the Company's management, the Board of Directors determined that the fact that the Company's separate reports indicate an ongoing negative cash flow from operating activities does not point to a liquidity problem, and accordingly, as at the date of the report, there are no Warning Signs in the Company. The main considerations behind the resolution of the Board of Directors include, inter alia, the Company's consolidated financial statements reflect a positive level of working capital and cash flow from operating activities. This positive working capital, which includes, at the reporting date, a cash balance of \$410 million, is the principal source for the repayment of the Company's liabilities. Based on the structure of the operations of the Group, the Group's companies in Israel, ADAMA Makhteshim and ADAMA Agan, are the principal manufacturers of the Group's products that are sold by the Group's marketing companies all over the world, so that there is a current liability of the marketing companies towards the manufacturing companies and in return for debentures issued by the Company, allocated to the manufacturing companies as loans at identical terms to those of the debentures, including the repayment date.

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<sup>4</sup> For details, see Section 23, Credit Financing, and Section 22.2, Receivables Credit, and Section 22.5 Payables Credit of Chapter A to the Periodic Report for 2015.



# Market risks – exposure and risk management

The Company conducts its business in various currencies. Due to its activities, the Company is exposed to market risks, primarily exchange rate fluctuations, partial adjustment of the prices of products to reflect the prices of raw materials, changes in the level of the CPI, and changes in the LIBOR interest rate. The Company's Board of Directors has approved the use of accepted financial instruments for hedging against exposure to exchange rate fluctuations and a rise in the CPI. The Company effects these transactions only through banks and stock exchanges which must comply with capital adequacy requirements or maintain a level of collateral based on various scenarios.

The exchange rate fluctuations of the currencies during the quarter and the year impact various sections of the Company's financial statements.<sup>5</sup> The net impact of the changes in currency exchange rates in the period after the date of the financial statements on the balance sheet exposure is not material, due to the high rate of balance sheet hedging carried out by the Company.

For details about the Company's exposure and risk management, including credit risk and liquidity risk, see the Company's Board of Directors' Report as at December 31, 2015, and Note 29 to the consolidated financial statements of the Company as at December 31, 2015.

## Corporate governance

### Financial statements' approval process

The members of the Financial Statements Review Committee in the Company are members of the Audit Committee Mr. Gustavo Traiber, who acts as Chairman of the Committee, Ms. Dalit Braun, and Mr. Jiashu Cheng. All the Committee Members gave a declaration prior to their appointment, concerning their education and experience, based on which the Company regards them as having accounting and financial expertise or as having the ability to read and understand financial statements.<sup>6</sup> As part of the process for approval of the financial statements, the CFO presented to the Committee a detailed document with the financial results, and the Committee discussed them as reflected in the financial statements, as well as the assessments and estimates made in connection with them, the internal controls relating to the financial statements, the integrity and appropriateness of the disclosure in them, and the accounting policy adopted and the accounting treatment applied in matters that are material to the Company. The Committee also discussed other material issues. The Committee met on May 16, 2016 to review the financial statements for the period ended March 31, 2016.<sup>7</sup>

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<sup>5</sup> For details about exchange rates of the Company's main activity currencies compared to the US dollar and Libor interest rates, see Appendix C.

<sup>6</sup> For details about the education and experience of the committee members, see Regulation 26 to Section D to the Periodic Report for 2015.

<sup>7</sup> Other than the Committee Members, the meeting was attended by the following senior officers: the General Counsel, the CFO, and the Company Controller.

Representatives of the Company's auditors, who are invited to the meetings of the Financial Statements Review Committee and of the Board of Directors at which the financial statements (which are sent several days prior to the meeting) are discussed and approved, provided their comments and responded to questions on material issues arising from the data presented in the financial statements under discussion. The Company's Internal Auditor was notified of the Committee's and of the Board of Directors meetings and invited to attend. After discussing the financial statements, the Committee drafted its recommendations concerning their approval of the financial statements and submitted them in writing to the Board of Directors, within a reasonable period of time prior to the date of the Board's discussions.

When presenting the financial statements to the Board of Directors, the Company's CEO presented the main results of the Company's operations during the quarter under review and referred to key initiatives and material events that occurred during the quarter. In addition, the CFO presented a detailed document with the Company's financial results in the quarter under review, while comparing them with prior periods and highlighting material issues arising from them. During the reviews, the Company's management responded to questions from the members of the Board of Directors on all areas of the Company's operations.

The Board of Directors of the Company discussed the Company's financial statements as at March 31, 2016 and resolved to approve them.

#### Events occurring subsequent to the date of the financial statements

Amendment to the Company's Articles of Association: on May 19, 2016, the Company's shareholders approved amendments to the Company's Articles of Association. For the Articles of Association as amended, see the Company's immediate report published close to the publication of this report.

For information concerning events that occurred after the date of the report connected to the Company's financial state, see chapter in the Appendix entitled "Material changes or new information relating to matters described in Chapter A – Description of the Corporation's business in the periodic report as at December 31, 2015". For information about debentures held by the public on the date of the report, see the table in Appendix B.

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**Yang Xingqiang**  
Chairman of the Board

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**Chen Lichtenstein**  
President & CEO

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**Aviram Lahav**  
CFO

May 19, 2016

# Appendices

## Appendix A – analysis of the gaps between the adjusted income statement items and the income statement items in the financial statements

\$m	Adjusted		Adjustments		Reported	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015
Revenues	853	867	-	-	853	867
Gross profit	296	295	(0.2)	-	296	295
Operating expenses	167	169	3.2	-	164	169
Operating income (EBIT)	129	126	(3.3)	-	132	126
Finance expenses, net	29	12	-	(4.0)	29	16
Net income before taxes	99	115	(3.3)	4.0	102	111
Net income	101	94	(3.3)	8.7	104	86
EBITDA	172	167	(3.3)	-	175	167

The Income Statement items for Q1 2016 that appear in the above table include adjustments for redeployment of employees options granted in 2014, in the amount of \$3.3 million.

The Income Statement items for Q1 2015 that appear in the above table include adjustments for: revaluation of options on debentures issued by the Company in Q1 2015 in the amount of \$4 million, a capital gain of \$ 10 million from the sale of intellectual property, a \$4.7million provision due to a tax related event from 1985, and expenses of \$10 million due to the early retirement of employees under an agreement from 2010.

## Appendix B - Details of the Company's debentures as at the end of the first quarter

Series	Date of Issue	Rating	total par Value on Date of Issue (in NIS million)	Type of Interest	Nominal Interest Rate	Effective Interest Rate at Reporting Date	Market Value on March 31, 2016 (in NIS millions)	Dates of interest payments	Dates of principal payments	Linkage basis	Nominal par value at March 31, 2016 (in NIS millions)	CPI-linked nominal par value at March 31, 2016 (in NIS millions)	Carrying value of debenture balances at March 31, 2016 (in USD millions)	Carrying value of interest payable on March 31, 2016 (in USD millions)	Fair value at March 31, 2016 (in USD millions)
<b>Series B</b> <sup>(1)</sup>	Dec. 06		1,650												
	Jan. 12		514	CPI-linked annual interest	5.15%	5.0%	4,277.4 <sup>(2)</sup>	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	3,483.1 <sup>(2)</sup>	4,124.7 <sup>(2)</sup>	1,084.8 <sup>(2)</sup>	18.7 <sup>(2)</sup>	1,135.8 <sup>(2)</sup>
	Jan. 13	ilAA-	600												
	Feb. 15		533												
	Feb-May 15		267												
<b>Series D</b> <sup>(1)</sup>	Dec. 06		235	Annual interest	6.5%	0.8%	411.6	Twice a year on May 31 and Nov. 30 of each of the years 2006-2016	Nov. 30 of each of the years 2011-2016	Unlinked	388.5	388.5	104.1	2.2	109.3
	Mar. 09	IilAA-	472												
	Jan. 12		541												
	Feb. 14		488												

- (1) 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.
- (2) Net of debentures purchased by a wholly-owned subsidiary, which, as of March 31, 2016, holds 67,909,858 debentures (Series B), which as at the end of the reported year, accounts for 1.91% of total issued debentures (Series B).

## Appendix C - Exchange rate data for the company's principal functional currencies

	March 31			Q1 Average		
	2016	2015	Change	2016	2015	Change
EUR/USD	1.138	1.074	6.0%	1.103	1.128	(2.2%)
USD/BRL	3.559	3.208	(10.9%)	3.910	2.863	(36.6%)
USD/PLN	3.759	3.813	1.4%	3.954	3.721	(6.2%)
USD/ZAR	14.72	12.22	(20.4%)	15.812	11.728	(34.8%)
AUD/USD	0.769	0.760	1.2%	0.721	0.787	(8.4%)
GBP/USD	1.441	1.478	(2.5%)	1.433	1.516	(5.5%)
USD/ILS	3.766	3.980	5.4%	3.904	3.940	0.9%
USD L 3M	0.63%	0.23%	170.0%	0.62%	0.26%	140.3%

## Material changes or new information relating to matters described in Chapter A – Description of the Corporation's business in the periodic report as at December 31, 2015

### **Section 1.4.2.2 - Possible transaction by company shareholders to exchange their company's shares for shares of Sanonda**

As indicated in the 2015 periodic report, the Company's shareholders are examining a possible transaction with Hubei Sanonda Co. Ltd. ("**Sanonda**"), a public Chinese company whose shares are traded on the Shenzhen stock exchange, according to which the Company's shareholders will transfer their shares in the Company to Sanonda in exchange for shares of Sanonda, such that after the transaction, the Company will be fully owned by Sanonda (the "**Sanonda Transaction**"). In this respect, on February 4, 2016, the Company's Audit Committee, the Board of Directors and the Company's shareholders approved the Company's engagement in a transaction for the sale of the B shares of Sanonda that are held by the Company, subject to the completion of the Sanonda Transaction and in accordance to the conditions stipulated in the Company's immediate report dated February 7, 2016 (Ref. 2016-01-023893). For details regarding the extension of the Sanonda shares trade suspension until August 4, 2016, see the Company's immediate report dated May 5, 2016 (Ref. 2016-01-059863).



אדמה פתרונות לחקלאות בע"מ  
ADAMA Agricultural Solutions Ltd.

**Chapter B**  
**Financial statements (unaudited)**  
**for March 31, 2016**

**Adama Agricultural Solutions Ltd.**

**Condensed Consolidated Interim**

**Financial Statements**

**(Unaudited)**

**As at March 31, 2016**

**In U.S. Dollars**



**Condensed Consolidated Interim Financial Statements as at March 31, 2016 (Unaudited)**

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## **Review Report to the Shareholders of Adama Agricultural Solutions Ltd.**

### **Introduction**

We have reviewed the accompanying financial information of Adama Agricultural Solutions Ltd. and its subsidiaries (hereinafter – “the Group”) comprising of the condensed consolidated interim statement of financial position as of March 31, 2016 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 “*Interim Financial Reporting*”, and are also responsible for the preparation of financial information for this interim period in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain consolidated subsidiaries whose assets constitute 5.3% of the total consolidated assets as of March 31, 2016, and whose revenues constitute 6.8% of the total consolidated revenues for the three month period then ended. Furthermore, we did not review the condensed interim financial information of equity-accounted investees, the investment in which amounted to \$69,775 thousand as at March 31, 2016, and the Group’s share in their profits amounted to \$591 thousand for the three-month period then ended. The condensed interim financial information of those companies was reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial information of such companies, is based solely on the said review reports of the other auditors.

### **Scope of Review**

We conducted our review in accordance with Standard on Review Engagements 1, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” of the Institute of Certified Public Accountants in Israel. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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### **Conclusion**

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to that mentioned in the previous paragraph, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Sincerely,

Somekh Chaikin  
Certified Public Accountants (Isr.)

May 19, 2016

**Condensed Consolidated Interim Statement of Financial Position as at**

	<b>March 31 2016</b>	<b>March 31 2015</b>	<b>December 31 2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>\$ thousands</b>	<b>\$ thousands</b>	<b>\$ thousands</b>
<b>Current assets</b>			
Cash and cash equivalents	<b>410,370</b>	517,449	395,352
Short-term investments	<b>4,736</b>	9,005	4,730
Trade receivables	<b>987,536</b>	928,642	771,818
Trade receivables as part of securitization transaction not yet eliminated	<b>40,918</b>	43,805	26,367
Subordinated note in respect of sale of trade receivables	<b>96,766</b>	122,691	71,293
Prepaid expenses	<b>19,199</b>	19,953	15,811
Financial and other assets, including derivatives	<b>163,400</b>	266,584	180,528
Tax deposits less provision for taxes	<b>10,841</b>	15,980	12,361
Inventories	<b>1,123,473</b>	1,204,863	1,149,058
<b>Total current assets</b>	<b>2,857,239</b>	3,128,972	2,627,318
<b>Long-term investments, loans and receivables</b>			
Investments in equity-accounted investee companies	<b>70,025</b>	77,555	70,397
Other financial investments and receivables	<b>48,554</b>	43,513	48,035
Other non-financial investments and receivables, including non-current inventory	<b>26,561</b>	23,870	35,941
	<b>145,140</b>	144,938	154,373
<b>Fixed assets</b>			
Cost	<b>1,670,526</b>	1,592,790	1,651,652
Less – accumulated depreciation	<b>881,881</b>	819,797	864,345
	<b>788,645</b>	772,993	787,307
<b>Deferred tax assets</b>	<b>96,466</b>	72,008	75,196
<b>Intangible assets</b>			
Cost	<b>1,694,341</b>	1,625,704	1,651,529
Less – accumulated amortization	<b>987,091</b>	928,777	964,080
	<b>707,250</b>	696,927	687,449
<b>Total non-current assets</b>	<b>1,737,501</b>	1,686,866	1,704,325
<b>Total assets</b>	<b>4,594,740</b>	4,815,838	4,331,643

	<b>March 31 2016</b>	<b>March 31 2015</b>	<b>December 31 2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>\$ thousands</b>	<b>\$ thousands</b>	<b>\$ thousands</b>
<b>Current liabilities</b>			
Loans and credit from banks and other lenders	<b>270,846</b>	197,455	222,800
Current maturities of debentures	<b>104,103</b>	99,296	100,789
Trade payables	<b>555,477</b>	659,891	554,357
Other payables	<b>578,694</b>	654,006	469,292
Current tax liabilities	<b>30,788</b>	29,080	25,627
Put options to holders of non-controlling interests	<b>30,403</b>	32,534	32,430
<b>Total current liabilities</b>	<b>1,570,311</b>	1,672,262	1,405,295
<b>Long-term liabilities</b>			
Long-term loans from banks	<b>173,652</b>	265,532	173,708
Debentures	<b>1,084,784</b>	1,056,103	1,056,380
Other long-term liabilities	<b>31,269</b>	31,503	29,233
Deferred tax liabilities	<b>15,961</b>	21,684	22,595
Employee benefits	<b>74,465</b>	76,089	70,552
Put options to holders of non-controlling interests	<b>7,260</b>	8,687	7,040
<b>Total long-term liabilities</b>	<b>1,387,391</b>	1,459,598	1,359,508
<b>Total liabilities</b>	<b>2,957,702</b>	3,131,860	2,764,803
<b>Equity</b>			
Share capital	<b>125,595</b>	125,595	125,595
Share premium	<b>623,829</b>	623,829	623,829
Capital reserves	<b>(337,711)</b>	(256,231)	(309,030)
Retained earnings	<b>1,222,687</b>	1,190,414	1,126,239
<b>Total equity attributable to the owners of the Company</b>	<b>1,634,400</b>	1,683,607	1,566,633
<b>Non-controlling interests</b>	<b>2,638</b>	371	207
<b>Total equity</b>	<b>1,637,038</b>	1,683,978	1,566,840
<b>Total liabilities and equity</b>	<b>4,594,740</b>	4,815,838	4,331,643

Yang Xingqiang  
Chairman of the Board of Directors

Chen Lichtenstein  
President & Chief Executive Officer

Aviram Lahav  
Chief Financial Officer

Date the financial statements were approved: May 19, 2016

The notes to the condensed consolidated interim financial statements are an integral part thereof.

**Condensed Consolidated Interim Statement of Income for the**

	Three-month period ended		Year ended
	March 31		December 31
	2016	2015	2015
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Revenues	<b>853,156</b>	866,660	3,063,870
Cost of sales	<b>557,018</b>	571,829	2,094,281
<b>Gross profit</b>	<b>296,138</b>	294,831	969,589
Other income	<b>(6,273)</b>	(10,471)	(14,385)
Selling and marketing expenses	<b>135,020</b>	137,739	534,454
General and administrative expenses	<b>26,887</b>	23,669	102,535
Research and development expenses	<b>7,743</b>	7,857	30,197
Other expenses	<b>618</b>	10,478	16,681
	<b>163,995</b>	169,272	669,482
<b>Operating income</b>	<b>132,143</b>	125,559	300,107
Financing expenses	<b>50,668</b>	59,465	286,498
Financing income	<b>(21,440)</b>	(43,813)	(146,926)
Financing expenses, net	<b>29,228</b>	15,652	139,572
<b>Share of income (loss) of equity-accounted investee companies, net</b>	<b>(433)</b>	1,232	(1,498)
<b>Profit before taxes on income</b>	<b>102,482</b>	111,139	159,037
Taxes on income	<b>(4,050)</b>	25,408	49,262
<b>Profit for the period</b>	<b>106,532</b>	85,731	109,775
<b>Attributable to:</b>			
The owners of the Company	<b>104,190</b>	85,816	110,108
Non-controlling interests	<b>2,342</b>	(85)	(333)
<b>Profit for the period</b>	<b>106,532</b>	85,731	109,775

The notes to the condensed consolidated interim financial statements are an integral part thereof.

**Condensed Consolidated Interim Statement of Comprehensive Income for the**

	<b>Three-month period ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>\$ thousands</b>	<b>\$ thousands</b>	<b>\$ thousands</b>
<b>Profit for the period</b>	<b>106,532</b>	85,731	109,775
<b>Other comprehensive income items that after initial recognition in comprehensive income were or will be transferred to the statement of income</b>			
Foreign currency translation differences in respect of foreign operations	<b>6,952</b>	(12,784)	(32,159)
Effective portion of change in fair value of cash flow hedges	<b>(22,826)</b>	71,302	58,521
Net change in fair value of cash flow hedges transferred to the statement of income	<b>(15,774)</b>	(45,209)	( 70,060 )
Taxes in respect of other comprehensive income items that were or will be transferred to the statement of income in succeeding periods	<b>3,056</b>	(4,117)	106
<b>Total other comprehensive income (loss) that after initial recognition in comprehensive income were or will be transferred to the statement of income, net of tax</b>	<b>(28,592)</b>	9,192	(43,592)
<b>Components of other comprehensive income that will not be transferred to the statement of income</b>			
Re-measurement of defined benefit plan	<b>(2,728)</b>	(2,561)	3,404
Taxes in respect of items of comprehensive income that will not be transferred to the statement of income	<b>317</b>	276	(436)
<b>Total components of other comprehensive income (loss) for the period that will not be transferred to the statement of income, net of tax</b>	<b>(2,411)</b>	(2,285)	2,968
<b>Total comprehensive income for the period</b>	<b>75,529</b>	92,638	69,151
<b>Total comprehensive income attributable to:</b>	<b>73,098</b>	92,729	69,483
The owners of the Company			
Non-controlling interests	<b>2,431</b>	(91)	(332)
<b>Total comprehensive income for the period</b>	<b>75,529</b>	92,638	69,151

The notes to the condensed consolidated interim financial statements are an integral part thereof.

**Condensed Consolidated Interim Statement of Changes in Equity**

	<u>Share capital</u> <u>\$ thousands</u>	<u>Share premium</u> <u>\$ thousands</u>	<u>Capital reserves (1)</u> <u>\$ thousands</u>	<u>Retained earnings</u> <u>\$ thousands</u>	<u>Total equity attributable to the owners of the Company</u> <u>\$ thousands</u>	<u>Non-controlling interests</u> <u>\$ thousands</u>	<u>Total equity</u> <u>\$ thousands</u>
<b>For the three-month period ended March 31, 2016 (unaudited)</b>							
Balance as at January 1, 2016	125,595	623,829	(309,030)	1,126,239	1,566,633	207	1,566,840
<b>Comprehensive income for the period</b>							
Profit for the period	-	-	-	104,190	104,190	2,342	106,532
<b>Components of other comprehensive income</b>							
Foreign currency translation differences in respect of foreign operations	-	-	6,863	-	6,863	89	6,952
Effective portion of change in fair value of cash flow hedges	-	-	(22,826)	-	(22,826)	-	(22,826)
Net change in fair value of hedged cash flows transferred to the statement of income	-	-	(15,774)	-	(15,774)	-	(15,774)
Re-measurement of defined benefit plan	-	-	-	(2,728)	(2,728)	-	(2,728)
Taxes on components of other comprehensive income	-	-	3,056	317	3,373	-	3,373
<b>Other comprehensive loss for the period, net of tax</b>	<b>-</b>	<b>-</b>	<b>(28,681)</b>	<b>(2,411)</b>	<b>(31,092)</b>	<b>89</b>	<b>(31,003)</b>
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>(28,681)</b>	<b>101,779</b>	<b>73,098</b>	<b>2,431</b>	<b>75,529</b>
Dividends to holders of non-controlling interests holding a put option	-	-	-	(3,708)	(3,708)	-	(3,708)
Share-based payments	-	-	-	(1,623)	(1,623)	-	(1,623)
<b>Balance as at March 31, 2016</b>	<b>125,595</b>	<b>623,829</b>	<b>(337,711)</b>	<b>1,222,687</b>	<b>1,634,400</b>	<b>2,638</b>	<b>1,637,038</b>

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

The notes to the condensed consolidated interim financial statements are an integral part thereof.



**Condensed Consolidated Interim Statement of Changes in Equity**

	<u>Share capital</u> <u>\$ thousands</u>	<u>Share premium</u> <u>\$ thousands</u>	<u>Capital reserves (1)</u> <u>\$ thousands</u>	<u>Retained earnings</u> <u>\$ thousands</u>	<u>Total equity attributable to the owners of the Company</u> <u>\$ thousands</u>	<u>Non-controlling interests</u> <u>\$ thousands</u>	<u>Total equity</u> <u>\$ thousands</u>
<b>For the three-month period ended March 31, 2015 (unaudited)</b>							
Balance as at January 1, 2015	125,595	623,829	(265,354)	1,106,592	1,590,662	387	1,591,049
<b>Comprehensive income for the period</b>							
Profit for the period	-	-	-	85,816	85,816	(85)	85,731
<b>Components of other comprehensive income</b>							
Foreign currency translation differences in respect of foreign operations	-	-	(12,778)	-	(12,778)	(6)	(12,784)
Effective portion of change in fair value of cash flow hedges	-	-	71,302	-	71,302	-	71,302
Net change in fair value of hedged cash flows transferred to the statement of income	-	-	(45,209)	-	(45,209)	-	(45,209)
Re-measurement of defined benefit plan	-	-	-	(2,561)	(2,561)	-	(2,561)
Taxes on components of other comprehensive income	-	-	(4,117)	276	(3,841)	-	(3,841)
<b>Other comprehensive income (loss) for the period, net of tax</b>	<b>-</b>	<b>-</b>	<b>9,198</b>	<b>(2,285)</b>	<b>6,913</b>	<b>(6)</b>	<b>6,907</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>9,198</b>	<b>83,531</b>	<b>92,729</b>	<b>(91)</b>	<b>92,638</b>
Dividends to holders of non-controlling interests holding a put option	-	-	-	(1,958)	(1,958)	-	(1,958)
Transactions with holders of non-controlling interests	-	-	(75)	-	(75)	75	-
Share-based payments	-	-	-	2,249	2,249	-	2,249
<b>Balance as at March 31, 2015</b>	<b>125,595</b>	<b>623,829</b>	<b>(256,231)</b>	<b>1,190,414</b>	<b>1,683,607</b>	<b>371</b>	<b>1,683,978</b>

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

The notes to the condensed consolidated interim financial statements are an integral part thereof.

**Condensed Consolidated Interim Statement of Changes in Equity**

	<u>Share capital</u>	<u>Share premium</u>	<u>Capital reserves (1)</u>	<u>Retained earnings</u>	<u>Total equity attributable to the owners of the Company</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>
<b>For the year ended December 31, 2015 (Audited)</b>							
Balance as of January 1, 2015	125,595	623,829	(265,354)	1,106,592	1,590,662	387	1,591,049
<b>Total comprehensive income for the year</b>							
Profit for the year	-	-	-	110,108	110,108	(333)	109,775
<b>Components of other comprehensive income</b>							
Foreign currency translation differences in respect of foreign operations	-	-	(32,160)	-	(32,160)	1	(32,159)
Effective portion of change in fair value of cash flow hedges	-	-	58,521	-	58,521	-	58,521
Net change in fair value of cash flow hedges transferred to the statement of income	-	-	(70,060)	-	(70,060)	-	(70,060)
Re-measurement of defined benefit plan	-	-	-	3,404	3,404	-	3,404
Taxes on other comprehensive income	-	-	106	(436)	(330)	-	(330)
<b>Other comprehensive income (loss) for the year, net of tax</b>	-	-	(43,593)	2,968	(40,625)	1	(40,624)
<b>Total comprehensive income (loss) for the year</b>	-	-	(43,593)	113,076	69,483	(332)	69,151
Dividends to holders of non-controlling interests holding a put option	-	-	-	(2,427)	(2,427)	-	(2,427)
Transactions with holders of non-controlling interests	-	-	(83)	-	(83)	152	69
Share-based payments	-	-	-	8,998	8,998	-	8,998
Dividends to owners of the company	-	-	-	(100,000)	(100,000)	-	(100,000)
<b>Balance as of December 31, 2015</b>	<u>125,595</u>	<u>623,829</u>	<u>(309,030)</u>	<u>1,126,239</u>	<u>1,566,633</u>	<u>207</u>	<u>1,566,840</u>

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

The notes to the condensed consolidated interim financial statements are an integral part thereof.

**Condensed Consolidated Interim Statement of Cash Flows for the**

	Three-month period ended		Year ended
	March 31		December 31
	2016	2015	2015
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
<b>Cash flows from operating activities</b>	<b>106,532</b>	85,731	109,775
Profit for the period			
<b>Adjustments</b>			
Depreciation and amortization	<b>43,235</b>	41,285	168,457
Capital gain on realization of fixed and other assets, net	<b>(5,146)</b>	(10,010)	(10,659)
Impairment of assets	-	-	3,084
Amortization of discount/premium and issuance expenses	<b>(243)</b>	(444)	(2,334)
Share of losses (income) of equity-accounted investee companies	<b>433</b>	(1,232)	1,498
Expenses (income) in respect of share-based payments	<b>(1,623)</b>	2,249	8,998
Revaluation of put options held by holders of non-controlling interests	<b>(1,202)</b>	(597)	433
Adjustment of long-term liabilities	<b>33,877</b>	(40,527)	(12,221)
SWAP transactions	<b>(120)</b>	(120)	(481)
Change in provision for taxes and advance tax deposits, net	<b>7,125</b>	2,293	851
Decrease (increase) in deferred taxes, net	<b>(24,473)</b>	8,632	9,602
<b>Changes in assets and liabilities</b>			
Decrease (increase) in trade and other receivables	<b>(263,035)</b>	(217,458)	26,708
Decrease in inventories	<b>41,820</b>	3,077	26,426
Increase (decrease) in trade and other payables	<b>67,690</b>	19,037	(225,346)
Change in employee benefits	<b>3,159</b>	4,794	2,219
<b>Net cash provided by (used in) operating activities</b>	<b>8,029</b>	(103,290)	107,010
<b>Cash flows for investing activities</b>			
Acquisition of fixed assets	<b>(17,571)</b>	(38,746)	(117,859)
Increase in intangible assets	<b>(22,297)</b>	(26,501)	(97,669)
Short-term investments, net	-	2,020	6,108
Proceeds from realization of fixed and intangible assets	<b>6,126</b>	1,622	13,323
Dividend from equity-accounted investee	<b>301</b>	460	1,509
Investment grant received	<b>728</b>	-	1,340
Long-term investment	-	-	7
Disposal of subsidiaries	-	-	(101)
<b>Net cash used in investing activities</b>	<b>(32,713)</b>	(61,145)	(193,342)

The notes to the condensed consolidated interim financial statements are an integral part thereof.

**Condensed Consolidated Interim Statement of Cash Flows for the (cont'd)**

	Three-month period ended		Year ended
	March 31		December 31
	2016	2015	2015
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
<b>Cash flows from financing activities</b>			
Receipt of long-term loans from banks	10,000	17,620	15,650
Repayment of long-term loans and liabilities from banks and others, net	(12,787)	(16,180)	(74,320)
Dividend paid to owners of the Company	-	-	(100,000)
Increase in short-term liabilities to banks and others	49,471	81,459	76,796
Dividend to holders of non- controlling interests	(1,982)	(1,958)	(2,427)
Payment of contingent consideration in respect of business combination	(5,000)	-	-
Issuance of debentures less issuance expenses	-	191,908	256,859
Issuance of options for debentures	-	4,505	4,505
Repayment of debentures	-	-	(99,909)
Expenses in respect of raising of capital	-	(746)	(746)
<b>Net cash provided by financing activities</b>	<b>39,702</b>	<b>276,608</b>	<b>76,408</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>15,018</b>	<b>112,173</b>	<b>(9,924)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>395,352</b>	<b>405,276</b>	<b>405,276</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>410,370</b>	<b>517,449</b>	<b>395,352</b>
<b>Additional information:</b>			
Interest paid in cash	(8,230)	(8,605)	(107,478)
Interest received in cash	4,185	4,284	41,276
Taxes paid in cash, net	(9,740)	(13,705)	(34,108)

The notes to the condensed consolidated interim financial statements are an integral part thereof.

**Notes to the Financial Statements as at March 31, 2016 (Unaudited)**

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**Note 1 - Reporting Principles and Accounting Policies**

**A. The reporting entity**

- (1) Adama Agricultural Solutions Ltd. (hereinafter – “the Company”) is an Israel-resident company that was incorporated in Israel, and its official address is at Golan Street in Airport City Park. The condensed consolidated financial statements of the Company as at September 30, 2015 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 marketing of agrochemicals, intermediate materials for other industries, food additives and synthetic aromatic products, mainly for export.

As of December 31, 2015 and 2014, 60% of the Company’s shares were held by China National Agrochemical Corporation (hereinafter - “CNAC”) and 40% of the Company’s shares were held by Koor Industries Ltd. (“Koor”). The Company is a reporting entity.

- (2) Sales of agrochemical products are directly impacted by the agricultural seasons (in each of the different markets), the weather in each region and the cycles of the growing seasons. Therefore, the Company’s income is not uniform or the same during the quarters of the year. The agricultural seasons in countries located in the northern hemisphere (mainly the United States and Europe) take place in the first two quarters of the year, and therefore in these countries the highest sales are usually 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 are made in the second half of the year, except for Australia where most of the sales are made in April through July.

In the Company’s estimation, the Company’s worldwide operations along with the dispersment of the markets in which it operates, moderates part of the seasonal impacts, even though the Company’s sales are higher in the northern hemisphere.

**Note 2 - Basis for Financial Statement Preparation**

**A. Declaration of compliance with International Financial Reporting Standards (IFRS)**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting* and do not include all the information required for full annual financial statements. They should be read in conjunction with the financial statements as at and for the year ended December 31, 2015 (hereinafter – “the Annual Financial Statements”). Furthermore, these financial statements have been prepared in accordance with the Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The condensed consolidated interim financial statements were authorized for issue by the Group’s Board of Directors on May 19, 2016.

**Notes to the Financial Statements as at March 31, 2016 (Unaudited)**

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**Note 2 - Basis for Financial Statement Preparation (cont'd)**

**B. Use of estimates and judgment**

When preparing the condensed consolidated interim financial statements in conformance with IFRS, Company management is required to use judgment when making assessments, estimates and assumptions that affect the implementation of the policies and amounts of assets and liabilities, revenues and expenses. It is clarified that the actual results are likely to be different than these estimates.

Management's judgment when applying the Group's accounting policies and the key assumptions used in estimates that involve uncertainty are consistent with those used in the Annual Financial Statements.

**Note 3 - Significant Accounting Policies**

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual financial statements.

**Note 4 - Information on Business Segments**

**A. Products and services:**

The Company presents its segment reporting according to a format that is based on a breakdown by business segments:

- Crop Protection (Agro)  
This is the main area of the Company's operations and includes the manufacture and marketing of conventional agrochemical products and activities in the seeds' sector.
- Other (Non Agro)  
This field of activity includes a large number of sub-fields, including: Lycopan (an oxidization retardant), aromatic products, and other chemicals. It combines all the Company's activities not included in the agro-products segment.

Segment results reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly financing expenses, net.

**Notes to the Financial Statements as at March 31, 2016 (Unaudited)****Note 4 - Information on Business Segments (cont'd)****A. Products and services: (cont'd)**

	<b>For the three-month period ended March 31, 2016 (Unaudited)</b>			
	<b>Crop protection</b>	<b>Other</b>	<b>Reconciliation</b>	<b>Consolidated</b>
	<b>\$ thousands</b>	<b>\$ thousands</b>	<b>\$ thousands</b>	<b>\$ thousands</b>
<b>Statement of income information:</b>				
<b>Revenues</b>				
Sales outside the Group	804,685	48,471	-	853,156
Inter-segment sales	-	307	(307)	-
Total revenues	<u>804,685</u>	<u>48,778</u>	<u>(307)</u>	<u>853,156</u>
<b>Results</b>				
Segment's results	<u>130,801</u>	<u>1,343</u>	<u>-</u>	<u>132,143</u>
Financing expenses, net				(29,228)
Share of loss of equity accounted in investees, net				(433)
Income taxes				4,050
Non-controlling interests				(2,342)
Net income for the period attributable to the owners of the Company				<u>104,190</u>

	<b>For the three-month period ended March 31, 2015 (Unaudited)</b>			
	<b>Crop protection</b>	<b>Other</b>	<b>Reconciliation</b>	<b>Consolidated</b>
	<b>\$ thousands</b>	<b>\$ thousands</b>	<b>\$ thousands</b>	<b>\$ thousands</b>
<b>Statement of income information:</b>				
<b>Revenues</b>				
Sales outside the Group	820,469	46,191	-	866,660
Inter-segment sales	-	476	(476)	-
Total revenues	<u>820,469</u>	<u>46,667</u>	<u>(476)</u>	<u>866,660</u>
<b>Results</b>				
Segment's results	<u>125,196</u>	<u>361</u>	<u>2</u>	<u>125,559</u>
Financing expenses, net				(15,652)
Share of income of equity accounted investees, net				1,232
Income taxes				(25,408)
Non-controlling interests				85
Net income for the period attributable to the owners of the Company				<u>85,816</u>

**Notes to the Financial Statements as at March 31, 2016 (Unaudited)****Note 4 - Information on Business Segments (cont'd)****A. Products and services: (cont'd)**

	For the year ended December 31, 2015 (Audited)			
	<u>Crop protection</u>	<u>Other</u>	<u>Reconciliation</u>	<u>Consolidated</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>
<b>Statement of income information:</b>				
<b>Revenues</b>				
Sales outside the Group	2,883,490	180,380	-	3,063,870
Inter-segment sales	-	1,048	(1,048)	-
Total revenues	<u>2,883,490</u>	<u>181,428</u>	<u>(1,048)</u>	<u>3,063,870</u>
<b>Results</b>				
Segment's results	<u>300,835</u>	<u>(728)</u>	<u>-</u>	<u>300,107</u>
Financing expenses, net				(139,572)
Share of loss of equity accounted investees, net				(1,498)
Income taxes				(49,262)
Non-controlling interests				333
Net income for the year attributable to the owners of the Company				<u>110,108</u>

**B. Sales distribution by geographic regions**

Below is a breakdown of sales by geographical segments based on location of customers (sales target).

	Three-month period ended		Year ended
	March 31		December 31
	2016	2015	2015
	(Unaudited)	(Unaudited)	(Audited)
	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>
Europe	<b>425,358</b>	456,750	1,115,965
North America	<b>153,421</b>	138,447	573,046
Latin America	<b>113,627</b>	123,899	735,923
Asia Pacific	<b>83,822</b>	77,986	273,229
India, the Middle East and Africa	<b>53,892</b>	46,788	271,370
Israel	<b>23,036</b>	22,790	94,337
	<u><b>853,156</b></u>	<u>866,660</u>	<u>3,063,870</u>



**Notes to the Financial Statements as at March 31, 2016 (Unaudited)****Note 5 - Financial Instruments****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 and CPI and currency swaps (CCS) 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 value of certain financial assets and financial 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 as or proximate to their fair value.

The following table details the carrying amount in the books and fair value of groups of non-current financial instruments presented in the financial statements not in accordance with their fair value:

	<b>March 31, 2016</b>		<b>March 31, 2015</b>		<b>December 31, 2015</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>	<b>Audited</b>
	<b>\$ thousands</b>	<b>\$ thousands</b>	<b>\$ thousands</b>	<b>\$ thousands</b>	<b>\$ thousands</b>	<b>\$ thousands</b>
<b>Financial assets</b>						
Long-term loans and other receivables (a)	<b>16,219</b>	<b>12,002</b>	15,906	12,402	14,611	10,810
<b>Financial liabilities</b>						
Long-term loans (b)	<b>278,997</b>	<b>276,142</b>	344,357	343,379	281,482	274,598
Debentures (c)	<b>1,188,887</b>	<b>1,245,089</b>	1,155,399	1,366,836	1,157,169	1,188,392

- (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 loans received 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).

**Notes to the Financial Statements as at March 31, 2016 (Unaudited)****Note 5 - Financial Instruments (cont'd)****(2) Fair value hierarchy**

The table below presents an analysis of the financial instruments measured at fair value, in accordance with the valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in an active market for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: Inputs that is 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.

	<b>March 31 2016</b>	<b>March 31 2015</b>	<b>December 31 2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>\$ thousands</b>	<b>\$ thousands</b>	<b>\$ thousands</b>
Derivatives used for hedging:			
Forward contracts and options	<b>(57,616)</b>	59,508	23,286
Derivatives not used for hedging:			
Forward contracts and options	<b>(14,756)</b>	(93,903)	(67,383)
	<b>(72,372)</b>	(34,395)	(44,097)

**Note 6 - Additional Information**

In continuance to the examination carried out by the Company's shareholders regarding to a possible transaction with Sanonda Ltd. according to which - the Company's shareholders will transfer all of their shares in the Company to Hubei Sanonda Co Ltd. ("Sanonda Ltd.") in exchange for shares of Sanonda Ltd. such that after the transaction, the Company will be fully owned by Sanonda Ltd. (the "Sanonda Transaction"), Sanonda Ltd. submitted to the Company a proposal to purchase Class B shares of Sanonda Ltd. that are held by the Company, for a consideration of HK \$7.70 per share, and a total of approximately HK \$485 million (approximately \$62 million) for all B shares, subject to the approval of the Board and the General Meeting of Sanonda Ltd. and subject to the completion of the Sanonda Transaction. On February 4, 2016, the Audit Committee, the Board of Directors and the Company's shareholders approved the Company's engagement in a transaction for the sale of the B shares of Sanonda Ltd. that are held by the Company, according to the foregoing conditions, and subject to the completion of the Sanonda Transaction.

**Adama Agricultural Solutions Ltd.**

**Condensed Separate Interim**

**Financial Data**

**(Unaudited)**

**As of March 31, 2016**

**In U.S. Dollars**



Somekh Chaikin  
KPMG Millennium Tower  
17 Ha'arba'a Street, PO Box 609  
Tel Aviv 61006, Israel  
+972 3 684 8000

## **To the Shareholders of Adama Agricultural Solutions Ltd.**

**Subject: Special Auditors' report on separate interim financial information according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970**

### ***Introduction***

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970 of Adama Agricultural Solutions Ltd. (hereinafter – “the Company”) as of March 31, 2016 and for the three-month period then ended. The separate interim financial information is the responsibility of the Company’s Board of Directors and of its Management. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

We did not review the separate interim financial information of investee companies the investment in which amounted to \$176,286 thousand as of March 31, 2016, and the profit from these investee companies amounted to \$832 thousand for the three-month period then ended. The financial statements of those companies were reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial statements of such companies, is based solely on the said review reports of the other auditors.

### ***Scope of Review***

We conducted our review in accordance with Standard on Review Engagements 1, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” of the Institute of Certified Public Accountants in Israel. A review of separate interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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***Conclusion***

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying separate interim financial information was not prepared, in all material respects, in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970.

Somekh Chaikin  
Certified Public Accountants (Isr.)

May 19, 2016

**Condensed Interim Information on Financial Position**

	<b>March 31 2016</b>	<b>March 31 2015</b>	<b>December 31 2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>\$ thousands</b>	<b>\$ thousands</b>	<b>\$ thousands</b>
<b>Current assets</b>			
Cash and cash equivalents	<b>3,903</b>	23,772	1,475
Prepaid expenses	<b>659</b>	531	331
Other receivables	<b>84,970</b>	75,337	41,569
Receivables from investee companies	<b>355,233</b>	256,031	340,940
Derivatives	<b>29,405</b>	2,571	193
<b>Total current assets</b>	<b>474,170</b>	358,242	384,508
<b>Long-term investments, loans and receivables</b>			
Investments in investee companies	<b>1,628,475</b>	1,765,544	1,559,748
Loans to investee companies	<b>787,896</b>	853,173	845,819
	<b>2,416,371</b>	2,618,717	2,405,567
<b>Fixed assets, net</b>	<b>2,813</b>	2,915	2,811
<b>Intangible assets, net</b>	<b>5,522</b>	4,829	5,341
<b>Total non-current assets</b>	<b>2,424,706</b>	2,626,461	2,413,719
<b>Total assets</b>	<b>2,898,876</b>	2,984,703	2,798,227

**Condensed Interim Information on Financial Position**

	<b>March 31 2016</b>	<b>March 31 2015</b>	<b>December 31 2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>\$ thousands</b>	<b>\$ thousands</b>	<b>\$ thousands</b>
<b>Current liabilities</b>			
Current maturities of debentures	<b>104,103</b>	99,296	100,789
Other payables	<b>37,994</b>	40,092	19,059
Derivatives	<b>11,862</b>	81,389	30,587
<b>Total current liabilities</b>	<b>153,959</b>	220,777	150,435
<b>Long-term liabilities</b>			
Debentures	<b>1,106,105</b>	1,076,305	1,077,139
Employee benefits	<b>4,412</b>	4,014	4,020
<b>Total non-current liabilities</b>	<b>1,110,517</b>	1,080,319	1,081,159
<b>Total liabilities</b>	<b>1,264,476</b>	1,301,096	1,231,594
<b>Equity</b>			
Share capital	<b>125,595</b>	125,595	125,595
Share premium	<b>623,829</b>	623,829	623,829
Reserves	<b>(337,711)</b>	(256,231)	(309,030)
Retained earnings	<b>1,222,687</b>	1,190,414	1,126,239
<b>Total equity attributable to the owners of the Company</b>	<b>1,634,400</b>	1,683,607	1,566,633
<b>Total liabilities and equity</b>	<b>2,898,876</b>	2,984,703	2,798,227

\_\_\_\_\_  
 Yang Xingqiang  
 Chairman of the Board of Directors

\_\_\_\_\_  
 Chen Lichtenstein  
 President & Chief Executive Officer

\_\_\_\_\_  
 Aviram Lahav  
 Chief Financial Officer

Date the financial statements were approved: May 19, 2016

The attached additional information to the separate interim information is an integral part thereof.

**Condensed Interim Information on Income**

	<b>Three-month period ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>\$ thousands</b>	<b>\$ thousands</b>	<b>\$ thousands</b>
<b>Revenues</b>			
Management fees from investee companies	<b>10,971</b>	12,689	51,364
<b>Expenses</b>			
General and administrative	<b>9,869</b>	14,123	46,460
<b>Operating profit (loss)</b>	<b>1,102</b>	(1,434)	4,904
Financing expenses	<b>58,477</b>	52,445	250,689
Financing income	<b>(58,477)</b>	(52,442)	(250,685)
<b>Financing income (expenses), net</b>	<b>-</b>	(3)	(4)
<b>Profit (loss) after financing expenses, net</b>	<b>1,102</b>	(1,437)	4,900
Income from investee companies	<b>104,234</b>	87,533	105,643
<b>Profit before tax on income</b>	<b>105,336</b>	86,096	110,543
Taxes on income	<b>1,146</b>	280	435
<b>Profit for the period attributable to the owners of the Company</b>	<b>104,190</b>	85,816	110,108

The attached additional information to the separate interim information is an integral part thereof.



**Condensed Interim Information on Comprehensive Income**

	Three-month period ended		Year ended
	March 31		December 31
	2016	2015	2015
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
<b>Income for the period attributable to the owners of the Company</b>	<b>104,190</b>	85,816	110,108
<b>Components of other comprehensive income where after the initial recognition as part of the comprehensive income were transferred or will be transferred to the statement of income</b>			
Net change in fair value of cash flow hedges transferred to the statement of income	(120)	(120)	(480)
Other comprehensive income (loss) in respect of investee companies, net of tax	(28,572)	9,307	(43,157)
Taxes on the components of other comprehensive income that were transferred or will be transferred to the statement of income	11	11	44
<b>Total other comprehensive income (loss) for the period where after the initial recognition as part of the comprehensive income were transferred or will be transferred to the statement of income, net of tax</b>	<b>(28,681)</b>	9,198	(43,593)
<b>Components of other comprehensive income that will not be transferred to the statement of income</b>			
Re-measurement of defined benefit plan	(138)	(159)	211
Other comprehensive income (loss) in respect of investee companies, net of tax	(2,273)	(2,126)	2,757
<b>Total components of other comprehensive income (loss) for the period that will not be transferred to the statement of income, net of tax</b>	<b>(2,411)</b>	(2,285)	2,968
<b>Total comprehensive income for the period attributable to the owners of the Company</b>	<b>73,098</b>	92,729	69,483

The attached additional information to the separate interim information is an integral part thereof.

**Condensed Interim Information on Cash Flows**

	Three-month period ended March 31		Year ended December 31
	2016	2015	2015
	(Unaudited) \$ thousands	(Unaudited) \$ thousands	(Audited) \$ thousands
<b>Cash flows from operating activities</b>			
Profit for the period attributable to the owners of the Company	104,190	85,816	110,108
<b>Adjustments</b>			
Profit in respect of investee companies	(104,234)	(87,533)	(105,643)
Depreciation and amortization	663	454	2,223
Amortization of discount/premium and issuance costs	(243)	(444)	(2,334)
Expenses (income) in respect of share-based payment	(670)	865	3,462
Adjustment of long-term liabilities	31,967	(40,914)	(10,105)
SWAP transactions	(120)	(120)	(480)
Change in deferred taxes, net	11	11	44
<b>Changes in assets and liabilities</b>			
Decrease (increase) in accounts receivable and current assets	(29,149)	49,522	73,600
Increase (decrease) in accounts payable and other liabilities	6	(31,377)	(95,023)
Change in employee benefits	440	329	165
Net cash used in operating activities in respect of transactions with investee companies	(13,737)	(13,596)	(97,952)
<b>Net cash used in operating activities</b>	(10,876)	(36,987)	(121,935)
<b>Cash flows from investing activities</b>			
Acquisition of fixed assets	(139)	(154)	(465)
Additions to intangible assets	(707)	(725)	(2,591)
Dividend received	-	-	180,000
Net cash provided by (used in) operating activities in respect of transactions with investee companies	14,150	(135,350)	(115,564)
<b>Net cash provided by (used in) investing activities</b>	13,304	(136,229)	61,380
<b>Cash flows from financing activities</b>			
Dividend paid to owners of the company	-	-	(100,000)
Issuance of debentures net of issuance costs	-	191,908	256,859
Issuance of options for debentures	-	4,505	4,505
Repayment of debentures	-	-	(99,909)
<b>Net cash provided by financing activities</b>	-	196,413	61,455
<b>Increase in cash and cash equivalents</b>	2,428	23,197	900
<b>Cash and cash equivalents at beginning of the period</b>	1,475	575	575
<b>Cash and cash equivalents at end of the period</b>	3,903	23,772	1,475
<b>Supplementary information:</b>			
Interest paid in cash	-	-	(69,470)
Interest received in cash	278	285	1,432
Taxes paid in cash, net	(654)	(267)	(314)

The attached additional information to the separate interim information is an integral part thereof.

**Notes to the Condensed Financial Statements as of March 31, 2016**

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**Additional Information**

**1. General**

Presented herein is condensed financial data from the Group's condensed consolidated interim financial statements as at March 31, 2016 (hereinafter – “the Consolidated Financial Statements”), which are published as part of the Periodic Reports, relating to the Company itself hereinafter – “the Condensed Interim Separate Financial Data”), presented in accordance with the provisions of Regulation 38D (“the Regulation”) and Addendum 10 to the Securities Regulations (Periodic and Immediate Reports) – 1970 (“Addendum 10”) regarding Condensed Interim Separate Financial Data of the Corporation.

The Condensed Interim Separate Financial Data should be read in conjunction with the separate financial information as at and for the period ended December 31, 2015 and in conjunction with the interim condensed consolidated financial statements.

**In this interim financial information:**

- (1) The Company – Adama Agricultural Solutions Ltd.
- (2) Subsidiaries – Companies, including partnerships, whose financial statements are fully consolidated, directly or indirectly, with the financial statements of the Company.
- (3) Investee companies – Subsidiaries and companies, including partnerships or joint ventures, the Company's investment in which is included in the financial statements, directly or indirectly, based on the equity method of accounting.

**2. Significant Accounting Policies Applied in the Condensed Separate Financial Data**

The accounting policies in these condensed interim financial data conform to the accounting principles detailed in the separate financial information as of December 31, 2015.



אדמה פתרונות לחקלאות בע"מ  
ADAMA Agricultural Solutions Ltd.

## Chapter C

# Report Regarding the Effectiveness of the Internal Auditing of Financial Reporting and Disclosure

## Periodic report regarding the effectiveness of the internal auditing of financial reporting and disclosure according to Regulation 38C(a):

The Management, under the supervisions 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 as follows:

- Chen Lichtenstein, President and CEO
- Aviram Lahav, CFO
- Ignacio Dominguez, CCO
- Shaul Friedland, CCO
- Elhanan Abramov, EVP, Global Operations
- Michal Arlosoroff, SVP, General Legal Counsel
- Dani Harari, SVP, Strategy and Resources

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 someone who in practice carries out 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 the preparation of the reports according to the instructions of the law and to ensure that the information which the corporation is required to disclose in the reports that it publishes according to the instructions of the law is gathered, processed, summarized and reported on the dates and in the format dictated by law.

The internal auditing includes, among other things, audits and procedures that were designed to ensure that the information which 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 someone who in practice fulfills these functions, in order 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.

In the annual report on the effectiveness of the internal auditing of the financial reports and disclosure which was attached to the periodic report for the period ended on December 31, 2015 (hereinafter: the last annual report on internal auditing), the Board of Directors and the Management assessed the corporation's internal auditing. Based on that assessment, the Board of Directors and the Management of the corporation reached the conclusion that the aforementioned internal auditing, as of December 31, 2015 is effective.

Up to the date of the report, the Board of Directors and the Management were not made aware of any event or matter that would have changed their assessment of the effectiveness of internal auditing, as it was presented in the annual report on internal auditing.

As of the date of the report and based on the assessment of the effectiveness of the internal auditing in the last annual report on internal auditing and on the information brought to the attention of the Management and the Board of Directors as mentioned above, the internal auditing is effective.

## Officers' Certification

### Certification of CEO

I, Chen Lichtenstein, certify that:

1. I have reviewed the quarterly report of ADAMA Agricultural Solutions Ltd. (hereinafter – "the Company") for the first quarter of 2016 (hereinafter – "the reports").
2. Based on my knowledge, the reports do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not 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 Company as of the dates and for the periods presented in the reports.
4. I have disclosed, based on my most recent evaluation regarding internal control over financial reporting and disclosure, to the Company's Auditors, Board of Directors and the Company's Audit Committee and Financial Statements Committee:
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure, which could reasonably adversely affect the Company's ability to record, process, summarize and report financial data so as to cast doubt on the reliability of financial reporting 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 Company, state that:
  - a. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to ensure that material information relating to the Company, including its consolidated corporations within their meaning in the Securities Law (Annual Financial Statements) – 2010, is made known to me by others in the Company and within those corporations, particularly during the period in which the reports are being prepared; and –
  - b. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with law, including in accordance with generally accepted accounting principles;
  - c. No event or matter during the course of the period between the date of the last periodic report and the date of this report has been brought to my attention that would change the conclusion of the Board of Directors and the Management with respect to the effectiveness of the internal auditing of the Company's financial reporting and disclosure.

Nothing in the aforesaid derogates from my responsibility or from the responsibility of any other person under the law.

19 May 2016

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Chen Lichtenstein  
CEO

## Officers' Certification

### Certification of Chief Financial Officer

I, Aviram Lahav, certify that:

1. I have reviewed the interim financial statements and other financial information included in the interim period reports of ADAMA Agricultural Solutions Ltd. (hereinafter – "the Company") for the first quarter of 2016 (hereinafter – "the reports" or "the interim period reports").
2. Based on my knowledge, the interim financial statements and other financial information included in the interim period reports do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the reports.
3. Based on my knowledge, the interim financial statements and other financial information included in the interim period reports, fairly present in all material respects, the financial condition, results of operations and cash flows of the Company as of the dates and for the periods presented in the reports.
4. I have disclosed, based on my most recent evaluation regarding internal control over financial reporting and disclosure, to the Company's Auditors, Board of Directors and the Company's Audit committee and Financial Statements Committee:
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure to the extent it relates to the interim financial statements and other financial information included in the interim period reports, which could reasonably adversely affect the Company's ability to record, process, summarize and report financial data so as to cast doubt on the reliability of financial reporting 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 Company, state that:
  - a. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to ensure that material information relating to the Company, including its consolidated corporations within their meaning in the Securities Law (Annual Financial Statements) – 2010, is made known to me by others in the Company and within those corporations, particularly during the period in which the reports are being prepared; and –
  - b. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with law, including in accordance with generally accepted accounting principles;
  - c. No event or matter has been brought to my attention which occurred during the course of the period between the date of the last report (quarterly or periodic, as the case may be) and the date of this report that relates to the interim financial statements and any other financial information that is included in the interim period reports, that would change the conclusion of the Board of Directors and the Management with respect to the effectiveness of the internal auditing of the Company's financial reporting and disclosure.

Nothing in the aforesaid derogates from my responsibility or from the responsibility of any other person under the law.

19 May 2016

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Aviram Lahav  
CFO