



אדמה פתרונות לחקלאות בע"מ
ADAMA Agricultural Solutions Ltd.

Quarterly Report for March 31, 2014



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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, 2014

The Board of Directors of the Company is pleased to present the Directors' Report on the state of the Company's affairs as of March 31, 2014 and for the cumulative three-month period then ended ("the Reporting Period"). The Directors' Report for the Reporting Period is limited in scope and should be read together with the Periodic Report for 2013 published on March 9, 2014 (Ref: 2014-01-008475) ("the Periodic Report for 2013").

A. Board of Directors' remarks on the state of the Company's affairs

1. Brief description of the corporation and its business environment

ADAMA Agricultural Solutions Ltd. and its subsidiaries ("the Company") specialize in the chemical industry and as at the reporting date, focus primarily on the agriculture-related chemical industry (agrochemicals). As such, the Company develops, manufactures and markets crop protection products. Furthermore, the Company has other operations which are based on its core capacities (in the agricultural and chemical industries), the scope of which, as at the reporting date, is insignificant. At the reporting date the Company is the leading global generic manufacturer of crop protection products, and sells its products in approximately 120 countries worldwide. The Company's key success factors are primarily wide global deployment, a broad portfolio of specialty products adapted to the farmer's needs, its goodwill, know-how, exceptional agronomical experience and ability, excellent technological-chemical capacities, first-rate research and development capacities and product licensing expertise, adherence to stringent ecological standards, strict quality control, global marketing and distribution system, comprehensive production system from R&D through manufacture, cooperation with multinational companies for the production and marketing of the products, financial robustness and available cash resources. Steady and consistent R&D investment facilitates the launching of new generic products, mixtures and formulations at opportune times.

For a description of the Company's business strategy and goals, including its plan following completion of the merger transaction with a company from the ChemChina group, see section 31 in Chapter A of the Periodic Report for 2013.

Brief review of the changes in the industry and in the Company's operations

In the first quarter of 2014 the Company presented an increase in sales and also an increase in gross profit, gross margin and net profit. This increase stemmed mainly from an increase in quantities sold (mainly in Europe) and from a better mix of products.

The crop protection product market and the Company's operations were influenced by the following trends in the first quarter of 2014:

- a. Convenient climate conditions in Europe contributed to a growth in crop protection products' quantities sold in that region including by the Company, while difficult climate conditions in the USA and in Australia caused a decrease in crop protection products' quantities sold in that region including by the Company.
- b. The Company increased its sales in the quarter in spite of the negative influence of the weakening of some of the currencies in which the Company operates in Asia and the Pacific that was partially offset by the strengthening of the Euro.

2. Results of Operations – Condensed Statement of Income

Accounting Statement of Income for Q2 2013 (in USD millions):

	%	1-3/2014	%	1-3/2013	Change	% of change
Revenue		909.7		885.4	24.3	2.7%
Gross profit	34.4%	313.1	33.3%	294.8	18.3	6.2%
Operating expenses	20.1%	182.4	18.5%	163.7	18.7	11.4%
Operating profit (EBIT)	14.4%	130.7	14.8%	131.1	(0.4)	(0.3%)
Finance expenses, net	2.8%	25.0	3.3%	29.3	(4.3)	(14.5%)
Pre-tax profit	11.6%	105.8	11.6%	102.8	3.0	2.9%
Net profit after non-controlling interest	10.9%	98.7	10.2%	90.2	8.5	9.4%
EBITDA	18.8%	171.5	19.0%	168.5	3.0	1.8%

* The Company's revenue in the first quarter of 2014, eliminating currency effects, increased by 4.1% compared with the corresponding quarter last year.

3. Analysis of business results

A. Breakdown of revenues by geographical region

Company sales in the first quarter of 2014 amounted to USD 909.7 million, compared with USD 885.4 million in the corresponding quarter last year, an increase of USD 24.3 million.

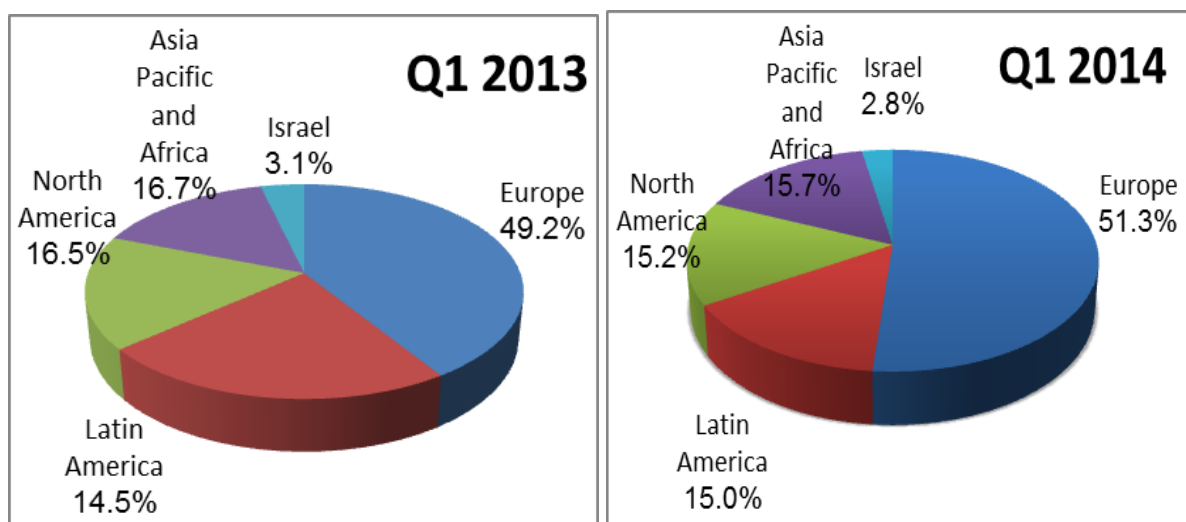
The increase in total sales stemmed mainly from an increase in quantities sold and the raising of selling prices.

See below for a specific description of trends unique to the principal regions of operation.

Breakdown of quarterly sales (in USD millions):

	%	1-3/2014	%	1-3/2013	Change	% of Change
Europe	51.3%	467.2	49.2%	436.0	31.2	7.2%
Latin America	15.0%	136.2	14.5%	128.3	7.9	6.2%
North America	15.2%	138.4	16.5%	145.8	(7.4)	(5.1%)
Asia Pacific and Africa	15.7%	142.8	16.7%	148.1	(5.3)	(3.6%)
Israel	2.8%	25.1	3.1%	27.2	(2.1)	(7.6%)
Total	100.0%	909.7	100.0%	885.4	24.3	2.7%

Breakdown of quarterly sales by percentage:



Europe

Sales in the first quarter of 2014 amounted to USD 467.2 million, compared with USD 436.0 million in the corresponding quarter last year, an increase of USD 31.2 million.

The increase in sales in the quarter stemmed primarily from an increase in quantities sold, from raising the selling prices, and from the strengthening of the Euro that was partially offset by currency hedging performed by the Company.

Latin America

Sales in the first quarter of 2014 amounted to USD 136.2 million, compared with USD 128.3 million in the corresponding quarter last year, an increase of USD 7.9 million.

The increase in sales in the quarter stemmed mainly from an increase in quantities sold that was partially offset by lower selling prices.

North America

Sales in the first quarter of 2014 amounted to USD 138.4 million, compared with USD 145.8 million in the corresponding quarter, a decrease of USD 7.4 million.

The decrease in sales in the quarter stemmed primarily from a decrease in quantities sold, inter alia, because of difficult climate conditions and due to lower selling prices.

Asia Pacific and Africa

Sales in the first quarter of 2014 amounted to USD 142.8 million, compared with USD 148.1 million in the corresponding quarter, a decrease of USD 5.3 million.

The decrease in sales in the quarter stemmed primarily from a decrease in quantities sold mostly because of difficult climate conditions (especially in Australia) and from the weakening of currencies in which the Company operates in these regions, that was partially offset by raising selling prices.

Israel

Sales in the first quarter of 2014 amounted to USD 25.1 million, compared with USD 27.2 million in the corresponding quarter, a decrease of USD 2.1 million.

B. Revenues by segment of operation

Breakdown of quarterly sales by segment of operation (in USD millions)

	%	1-3/2014	%	1-3/2013	Change	% of Change
Crop protection products	94.5%	859.3	94.5%	836.5	22.8	2.7%
Other operations	5.5%	50.4	5.5%	48.9	1.5	3.1%

Sales of crop protection products in the first quarter of 2014 amounted to USD 859.3 million, compared with USD 836.5 million in the corresponding quarter.

Sales from the Company's other operations in the first quarter of 2014 amounted to USD 50.4 million, compared with USD 48.9 million in the corresponding quarter.

C. Gross profit

Gross profit in the first quarter of 2014 amounted to USD 313.1 million (34.4% of sales), compared with USD 294.8 million (33.3% of sales) in the corresponding quarter.

The increase in gross profit and gross margin in the quarter stemmed mainly from a better product mix and from an increase in quantities sold, which were partially offset by the weakening of currencies in which the Company operates.

D. Operating income

Operating income in the first quarter of 2014 amounted to USD 130.7 million (14.4% of sales) compared with USD 131.1 million (14.8% of sales) in the corresponding quarter last year.

Operating expenses in the first quarter of 2014 amounted to USD 182.4 million (20.1% of sales), compared with USD 163.7 million (18.5% of sales) in the corresponding quarter last year.

R&D expenses in the first quarter of 2014 amounted to USD 10.1 million (1.1% of sales), compared with USD 8.8 million (1.0% of sales) in the corresponding quarter last year.

Selling expenses in the first quarter of 2014 amounted to USD 145.2 million (16.0% of sales), compared with USD 128.3 million (14.5% of sales) in the corresponding quarter last year.

The increase in selling expenses stemmed, inter alia, from an increase in marketing expenses, an increase in variable expenses as a result of an increase in quantities sold and an increase in provisions.

General and administrative expenses in the first quarter of 2014 amounted to USD 27.5 million (3.0% of sales), compared with USD 26.8 million (3.0% of sales) in the corresponding quarter last year.

E. Finance expenses

Finance expenses (net) in the first quarter of 2014 amounted to USD 25.0 million, compared with USD 29.3 million in the corresponding quarter last year.

The finance expenses in the quarter decreased compared to the corresponding period due mainly to a decrease in the CPI to which most of the Company's debentures are linked.

F. Income tax

Tax expenses in the first quarter of 2014 amounted to USD 7.1 million compared with USD 12.7 million in the corresponding quarter last year.

The first quarter in general and this quarter in particular, are characterized by a lower tax rate compared to the effective tax rate applicable to the Company and It is so mostly because:(1) pursuant to the IFRS rules,

tax expenses are calculated in inter-company sales at the buying company's tax rate and not that of the Selling company. As a result of the transfer of inventory, which has yet to be sold, to the seller company, tax income was generated in the quarter, although this is a temporary difference, which is expected to change later in the year; (2) profits generated in a company whose tax rate is significantly lower than the effective tax rate applicable to the Company.

G. Net profit

Net profit in the first quarter of 2014 amounted to USD 98.7 million (10.9% of sales), compared with USD 90.2 million (10.2% of sales) in the corresponding quarter last year.

H. EBITDA

EBITDA in the first quarter of 2014 amounted to USD 171.5 million (18.8% of sales), compared with USD 168.5 million (19.0% of sales) in the corresponding quarter last year.

4. Financial Condition and Liquidity

A. Cash flow

The Company's current cash flow in the first quarter of 2014 was negative at USD 220.5 million, compared with a negative current cash flow of USD 156.7 million in the corresponding quarter last year.

The change in cash flow from operating activities in the quarter stemmed primarily from an increase in Company's activities.

It should be noted that the first quarter of each year is marked by a growth in the working capital in light of the high volume of sales compared to other quarters due to the seasonality of sales, and therefore higher trade receivables which are repaid during the year. In addition the first quarter of each year is marked by higher inventories in order to prepare for the second quarter's sales.

The Company's investments in the first quarter of 2014 amounted to USD 61.6 million, compared with approx. USD 57.6 million in the corresponding quarter last year. These investments were mostly in product registration, intangible assets and fixed assets. The investment in fixed assets, which included investment in equipment and facilities, including facilities for the maintenance and protection of environmental standards, amounted to USD 27.0 million, compared with USD 22.3 million in the corresponding quarter last year.

B. Current assets

Total current assets as of March 31, 2014 amounted to USD 3,167.8 million compared with USD 2,919.2 million on March 31, 2013 and USD 2,740.6 million on December 31, 2013.

C. Investments in fixed assets

See the section on cash flows above.

D. Cash, current liabilities and long-term loans

The volume of the Company's credit (bank loans and debentures) as of March 31, 2014 amounted to USD 1,989.3 million (of which 31.5% short term), compared with USD 1,864.1 million (of which 33.7% short term) on March 31, 2013 and USD 1,738.0 million (of which 26.6% short term) on December 31, 2013.

The Company's balances of cash and short-term investments as of March 31, 2014 amounted to USD 332.8 million, compared with USD 305.4 million on March 31, 2013 and USD 390.4 million on December 31, 2013.

The Company's net debt (bank loans, debentures and finance of securitization net of cash, short-term investments and the effects of hedging transactions attributed to debt and long term deposits) as of March

31, 2014 amounted to USD 1,595.9 million, compared with USD 1,509.2 million on March 31, 2013 and USD 1,271.7 million on December 31, 2013.

According to the bank finance documents for the long-term loans of the Company and its subsidiaries, the Company is required to comply with financial covenants towards certain banks ("the Finance Documents"), the principal of which at March 31, 2014 and at the date of publication of this report, are these:

- (1) The ratio between the Company's interest-bearing financial liabilities and its equity will not exceed 1.25. At March 31, 2014, the actual ratio was 0.9;
- (2) The ratio between the Company's interest-bearing financial liabilities and its earnings before finance expenses, taxes, depreciation and amortization (EBITDA) will not exceed 4. At March 31, 2014, the ratio between the Company's interest-bearing financial liabilities and EBITDA was 3.0;
- (3) The Company's equity will be no less than USD 1.22 billion. At March 31, 2014, equity totaled USD 1.51 billion.
- (4) The Finance Documents of one of the banks further provide that the balance of Company's surpluses or of its retained earnings according to the financial statements for every date, shall not be less than USD 700 million. At March 31, 2014, the Company's surplus balance is USD 1,060 million.

In addition, some of the Finance Documents contain sections providing that a Change of Control (as defined in the relevant Finance Documents) in the Company or in a number of subsidiaries, which is effected without the prior written consent of the relevant banks, shall constitute cause for immediate and full foreclosure on the relevant liabilities.

The customer debt securitization agreement of the Company and its subsidiaries (as detailed in section 22.3 in Chapter A of the Periodic Report for 2013) ("the Securitization Agreement") includes undertakings by the Company to comply with financial covenants, of which the key covenants are:

- (1) The ratio between the Company's financial liabilities and its equity will not exceed 1.25. At March 31, 2014, the ratio was 0.9;
- (2) The ratio between the Company's interest-bearing financial liabilities and EBITDA will not exceed 4. At March 31, 2014, the ratio was 3.0;
- (3) The Company's equity will be no less than USD 1 billion. At March 31, 2014, the equity totaled USD 1.51 billion.

At March 31, 2014 and during the first quarter of 2014, and at the date of publication of this report, the Company was in compliance with the financial covenants applicable to it under the Finance Documents and the Securitization Agreement.

For more information, see section 23.4 in Chapter A of the Periodic Report for 2013, and Note 20(c) and (d) to the financial statements as of December 31, 2013.

According to the arrangement with the bank with which the Company signed the securitization agreement and with the banks towards which the Company is required to fulfill financial covenants pursuant to the Finance Documents, the outstanding debt under the securitization agreement is not included as part of the financial liabilities for the purpose of reviewing the financial covenants, even though the Company changed its accounting treatment regarding the securitization agreement after having applied IFRS 10, and includes the outstanding debt under the securitization agreement within its balance sheet.

E. Equity

The Company's Equity as of March 31, 2014 amounted to USD 1,513.4 million, compared with USD 1,435.7 million on March 31, 2013 and USD 1,404.2 million on December 31, 2013. Equity as a proportion of the total balance sheet was 30.9% as of March 31, 2014, 31.8% on March 31, 2013, and 31.5% on December 31, 2013.

The Company's issued and paid-up share capital as of March 31, 2014 is 430,531,550 ordinary shares of NIS 1 par value each.

F. Financial ratios

	<u>March 31</u>		<u>December 31</u>
	<u>2014</u>	<u>2013</u>	<u>2013</u>
Ratio of current assets to current liabilities (current ratio)	1.68	1.72	1.69
Ratio of current assets, excluding inventory, to current liabilities (quick ratio)	1.02	1.04	0.94
Ratio of financial liabilities to total gross balance sheet	40.6%	41.3%	39.0%
Ratio of financial liabilities to total equity, gross	131.4%	129.8%	123.8%

G. Finance resources

The Company finances its business operations from its equity and from non-bank credit (mainly debentures), bank loans (short- and long-term), customer debt securitization, and supplier credit.

H. Warning Signs

The Board of Directors of the Company reviewed the existence of Warning Signs in the Company, as these are defined in Article 10B(14) of the Securities regulations (Periodic and Immediate Reports), 1970. In view of the consolidated financial structure of the Company and its subsidiaries 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 and as of 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, these:

1. The Company's consolidated financial statements reflect a positive working capital. Furthermore, the consolidated annual financial statements reflect an ongoing positive cash flow from operating activities. This positive working capital, which includes, at the reporting date, a cash balance of approx. USD 316 million, is the principal source for payment of the Company's liabilities.
2. Based on the structure of the operations of the Group, the manufacturing subsidiaries in Israel, Makhteshim and Agan ("**the Manufacturing Companies**") 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.
3. The proceeds from the debentures issued by the Company were granted as loans to the manufacturing Companies on the same terms as the terms of the debentures, including the dates of payment.

B. Summary of Key Developments

See the chapter on Material Changes and Innovations in the Company's business.

C. Market Risks – Exposure and Management

1. General

The Company conducts its business in business environments that operate in various currencies. Due to its activities, the Company is exposed to market risks, mainly exchange rate fluctuations, partial adjustment of the prices of products to reflect the prices of raw materials, change in the rate of rise of the Consumer Price Index (CPI), and changes in the LIBOR interest rate. The Company's Board of Directors approved a policy of use of accepted financial instruments (such as options, forward contracts and swap transactions) for hedging against exposure – stemming from the Company's operations – 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 scenario-based level of collateral.

For details of the credit risk and the liquidity risk, see Note 29 to the consolidated financial statements of the Company as of December 31, 2013.

Exchange rate data for the Company's principal functional currencies vis-à-vis the US dollar and LIBOR:

1-3 average			March 31			
Change	2013	2014	Change	2013	2014	
3.7%	1.321	1.370	0.8%	1.278	1.380	EUR/USD
18.5%	1.996	2.364	12.4%	2.014	2.263	USD/BRL
(2.9%)	3.147	3.055	(6.9%)	3.259	3.034	USD/PLN
21.4%	8.933	10.847	14.6%	9.249	10.60	USD/ZAR
(13.7%)	1.039	0.896	(11.5%)	1.043	0.923	AUD/USD
6.6%	1.553	1.655	9.7%	1.517	1.665	GBP/USD
(5.8%)	3.701	3.488	(4.4%)	3.648	3.487	USD/ILS
(18.6%)	0.29%	0.24%	(16.8%)	0.28%	0.23%	USD L 3M

The exchange rate fluctuations of these currencies during the Reporting Period are attributed to the various items in the Company's financial statements. The net impact of the changes in currency exchange rates in the period after the date of the financial statements on the equity exposure is not material, due to the high rate of balance sheet hedging carried out by the Company as noted above.

2. Risk Management Officer

The Company's CFO, Mr. Aviram Lahav, is responsible for the Company's market risk management. For information about his education, qualifications and business experience, see section 26A in Chapter D of the Periodic Report for 2013.

3. Description of Market Risks

For details of the Company's exposure to market risks and how they are managed, see the Directors' report of the Company as of December 31, 2013 and Note 29 to the Company's financial statements as of December 31, 2013.

D. Corporate Governance

1. Approval of the financial statements

Since February 27, 2012, the Company has a Financial Statements Review Committee whose members are members of the Audit Committee – Messrs. Yehezkel Ofir (Chairman of the committee, who is an independent external director with accounting and financial expertise), Shoshan Haran (independent external director who reads and understands financial statements), and Zhang Gong (independent director with accounting and financial expertise) ("the Committee Members"). All the Committee Members gave a declaration prior to their appointment, concerning their education and experience, as noted in section 26 of Chapter D of the Periodic Report for 2013, based on which the Company sees them as having accounting and financial expertise or as having the ability to read and understand financial statements, as the case may be. As part of the process for approval of the financial statements as of March 31, 2014, the CFO presented to the committee a detailed presentation of 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 important issues. The committee met on May 8, 2014 to review the financial statements for the period ended March 31, 2014. Other than the Committee members, the meeting was attended by interested parties and senior officers Aviram Lahav – CFO and Keren Yonayov – Controller.

The Committee Members and the members of the Board of Directors received a draft of the financial statements several days prior to the meeting.

Representatives of the Company's auditors, who comment and respond to questions from the Committee members and members of the Board of Directors on the material issues arising from the data presented in the financial statements under discussion, are invited to the meetings of Committee and the Board of Directors at which the financial statements are discussed and approved. The Company's Internal Auditor was notified of the committee's meeting and invited to attend. After discussing the financial statements, the committee drafted its recommendations concerning their approval and submitted them in writing to the Board of Directors prior to the date of the Board's discussions.

On May 12, 2014, when presenting the financial statements to the Board of Directors, the Company's CEO, Mr. Chen Lichtenstein, presented the main results of the Company's operations during the period under review and referred to material events that occurred during the period. In addition, the CFO, Mr. Aviram Lahav, gave a detailed presentation of the Company's financial results in the period, while comparing them with prior periods and emphasizing substantial 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 of March 31, 2014 and resolved to approve them.

E. Disclosure in financial reporting

1. Critical accounting estimates

As of the date of the report, no material changes occurred during the first quarter of 2014 in the critical accounting estimates used by the Company for its financial statements.

2. Events after the date of the report on the state of the Company's affairs

For events after the reporting date, see the chapter Material Changes and Innovations in the Company's Business and with regard to the grant of options to the Company's CEO see also Note 6 to the condensed interim consolidated financial statements as of March 31, 2014.

F. Information pertaining to the Company's Debentures

See the table attached hereto as an appendix.

Yang Xingqiang
Chairman of the Board

Chen Lichtenstein
President & CEO

Aviram Lahav
CFO

May 12, 2014

Appendix – Details of the Company's Liability Certificates

Series	Date of issue	Rating	Total par value on date of issue (in NIS millions)	Type of interest	Stated interest	Effective interest at report date	Stock exchange value on March 31, 2014 (NIS)	Dates of interest payments	Dates of principal payments	Linkage basis	Nominal par value at March 31, 2014 (in NIS millions)	CPI-linked nominal par value at March 31, 2014 (in NIS millions)	Carrying value of debenture balances at March 31, 2014 (in USD millions)	Carrying value of interest payable on March 31, 2014 (in USD millions)	Fair value at March 31, 2014 (in USD millions)
Series B (1)(3) (4)(5)	Dec. 06	ilA+ (8)	1,650	CPI-linked annual interest	5.15%	4.0%	(9)3,670.5	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	(9)2,683.1	(9)3,216.5	(9)886.7	(9)15.7	(9)1,052.6
	Jan. 12		514												
	Jan. 13		600												
Series D (2)(3) (5)(6)(7)	Dec. 06	ilA+ (8)	235	Annual interest	6.50%	1.8%	1,280.1	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	1,165.6	1,165.6	343.1	7.2	367.1
	Mar. 09		472												
	Jan. 12		541												
	Feb. 14		488												

- (1) The trustee for Debentures (Series B) is Aurora Fidelity Trust Company Ltd., 12 Menachem Begin Road, Ramat Gan (Tel: 03-6005946; Fax: 03-6120675). Contact person: Adv. Iris Shlevin, CEO. E-mail: ishlevin@aurorafidelity.com. Series B is considered a material liability of the Company.
- (2) The trustee for Debentures (Series C and D) is Hermetic Trust (1975) Ltd., 113 Hayarkon Street, Tel Aviv, Israel; (Tel: 03-5274867, Fax: 03-5271736). Contact person: Dan Avnon or Meirav Ofer. Email: hermetic@hermetic.co.il. Series C and D are considered a material liability of the Company.
- (3) 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.
- (4) On January 9, 2013 the Company issued, in a private placement by way of series expansion, NIS 600,000,000 par value of Debentures (Series B). For details, see the Company's immediate reports dated January 6 and 8, 2013 (Refs. 2013-01-004971 and 2013-01-008559).
- (5) On January 16, 2012 the Company issued, by way of series expansion under a shelf prospectus published by the Company in May 2010, NIS 513,527,000 par value debentures (Series B) and NIS 540,570,000 par value of debentures (Series D). For more details, see the Company's immediate report dated January 17, 2012 (Ref: 2012-01-017373) and the amending report of the same date (Ref: 2012-01-018225).
- (6) On March 25, 2009 the Company issued, by way of series expansion under a shelf prospectus published by the Company in May 2008, NIS 661,000,000 par value of debentures (Series C) and NIS 472,000,000 par value of debentures (Series D). For more details, see the Company's immediate report dated March 26, 2009 (Ref: 2009-01-067944).
- (7) On February 11, 2014 the Company issued, in a private placement by way of series expansion, NIS 487,795,000 par value of debentures (Series D). For more details, see the Company's immediate report dated February 12, 2014 (Ref: 2014-01-038191).
- (8) On July 6, 2011, Standard & Poor's Maalot ("Maalot") announced that it was lowering the rating for Debentures (Series B, C and D) from iIAA to iIA+ with stable outlook (Ref. 2011-01-205167). On January 4, 2012 Maalot announced that it had set a rating of iIA+ for Debentures (Series B and/or D), issued by way of series expansion pursuant to a shelf prospectus, of up to NIS 950 million (Ref. 2012-01-005190). On January 12, 2012 Maalot announced that the above rating will be valid also for additional expansions of these series up to NIS 200 million, so that the total expansion will amount to up to NIS 1,150 million par value (Ref: 2012-01-013914). On August 20, 2012, Maalot confirmed the rating of iIA+ for the Company's debentures (Ref. 2012-01-214512). On December 31, 2012 Maalot confirmed a rating of iIA+ for Debentures (Series B) issued in a private placement by way of series expansion, of up to NIS 600 million par value (Ref. 2012-01-325494). On September 15, 2013 Maalot confirmed a rating of iIA+ for the Company's Debentures (Ref. 2013-01-146784). On February 3 2014, Maalot confirmed a rating of iIA+ for the Company's Debentures (series D) issued upon a private placement of up to NIS 550 Million (Ref. 2014-01-030130)
- (9) Net of debentures purchased by a wholly-owned subsidiary, which at the date of this report holds 67,909,858 debentures (Series B), accounting for 2.47% of total issued debentures (Series B).

Material changes or innovations in matters described in Chapter A – Description of the Corporation's Business in the Periodic Report as of December 31, 2013

1. Organizational structure changes

On May 12, 2014 the Board of Directors approved an organizational structure change which will assist the Company in implementing its strategy. The changes will become effective gradually in the course of the second half of 2014 and will conclude by January 2015.

The organizational change will include, inter alia, division of the commercial regions into clusters; expanding of the Company's management to include, inter alia, additional managers from within the organization who shall manage the clusters and the establishment of a committee of management members which will observe the company's performance.

As part of the said organizational change, the Company's senior officers list will be modified or changes to the responsibilities or role of certain of the Company's senior officers will be made as the Company shall report, the key of which are as follows:

1. Mr. Shaul Friedland, current head of the Americas region, will act as CCO and will be responsible for several clusters.
2. Mr. Ignacio Dominguez, currently CCO and head of the global product and marketing division, will continue to hold his position and will be responsible for several clusters.
3. Mr. Dani Harari, currently SVP strategy, innovation and business intelligence, will act as SVP Strategy and Resources responsible for strategic planning, human resources, information and digital technologies.
4. Mr. Anders Harfstrand, current Head of Europe, will remain with the company until the end of the year.
5. Ms. Shiri Ailon, currently acting as Head of Corporate Development will be appointed as VP Corporate Development and Head of China Integration as of July 1, 2014.
6. Ms. Rony Patishi-Chillim will be appointed as CEO of Lycored leaving her position as SVP Business Development and Corporate Communications as of December 31, 2014.
7. Mr. Amos Rabin will be appointed as Head of China Organizational Processes leaving his position as SVP Human Resources as of July 1, 2014.
8. Mr. Uri Shani and Mr. David Hebel will continue to hold their current positions but will cease to act as officers as of July 1, 2014 and December 31, 2014, respectively.

2. Section 1.4.2- Structural Changes in the Group's Development: Material M&A's+ Section 2.1.3 – Shareholders agreement – Asset Injection

- Within the Company's activities to maximize the potential of the Merger Transaction, and pursuant to the Merger Agreement and its related agreements, the Company continues to promote the negotiations with CNAC regarding the transaction of purchasing all or part of the shares or assets of several companies and their subsidiaries which are directly and/or indirectly controlled by CNAC, among them the Class A shares of Hubei Sanonda Co., Ltd.. Nevertheless, and although the negotiations are progressing, to this date there is still no certainty as to the identity of the assets to be purchased, to the final compensation in the

transaction, to the contribution, embedded in the transaction, to the Company's revenues and to the future anticipated impact of such purchase.

- The Company continues to evaluate business opportunities in China that will support the creating of a significant R&D, operational and commercial infrastructure in the country, in a way that will contribute to the Company's presence in the Chinese market, to strengthen its presence in the Asia-Pacific region and strengthen its global capabilities. However, during the reporting period, the negotiations held between the Company and Shenzhen Noposion Agrochemicals Co., Ltd, regarding the incorporation of a joint company, and regarding collaboration in distribution in China, has ended with no results.

3. Section 21-Human capital

- On January 29, 2014, the Company issued 9,322,227 options exercisable to 9,322,227 ordinary NIS 1 per value shares of the Company, to officers and employees of the Company and its subsidiaries. The issuance was performed according to an Outline dated December 25, 2013. For additional details regarding the outline and the options, see a report dated December 25, 2013 (ref. 2013-01-107494).
- On April 24, 2014 and May 11, 2014, the Company's Remuneration Committee, Board of Directors and Shareholders approved the employment terms of Mr. Lichtenstein as the Company President and CEO, effective as from his date of employment (February 7, 2014), including the grant of additional options, all in accordance to the Company's Remuneration Policy. For additional details see the Company's immediate report and private placement report dated May 12, 2014 (ref. 2014-01-061290 and 2014-01-061308) and also for the grant of options see Note 6 to the condensed interim consolidated financial statements as of March 31, 2014.

4. Section 29 – Corporate governance

Following the appointment of Mr. Chen Lichtenstein as President and CEO of the Company, on March 7, 2014 Mr. Lichtenstein has suspended himself from his tenure as President and CEO of CNAC and it was also agreed that Mr. Lichtenstein will not be entitled to any remuneration for his services to CANC. Accordingly, the Audit Committee and the Board of Directors approved on April 27, 2014 and on May 11, 2014, respectively, an amendment to an Arrangement for Prevention of Conflict of Interest, that was executed with regard of Mr. Lichtenstein's appointment as President and CEO of CNAC. For additional details see the Company's immediate report dated May 12, 2014 (ref. 2014-01-061290).

5. Section 31.3 – business objectives and strategy- Company's plans following closing of the Merger Transaction

According to the shareholders agreement, the Company started initial preparations towards a process of reissuance of the Company's shares in an IPO on an overseas stock exchange.



אדמה פתרונות לחקלאות בע"מ
ADAMA Agricultural Solutions Ltd.

Chapter B
Financial Statements (Unaudited)
for March 31, 2014

Adama Agricultural Solutions Ltd.

Condensed Consolidated Interim

Financial Statements

(Unaudited)

As at March 31, 2014

In U.S. Dollars

Condensed Consolidated Interim Financial Statements as at March 31, 2014 (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 the condensed consolidated interim statement of financial position as of March 31, 2014 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 5.4% of the total consolidated assets as of March 31, 2014, and whose revenues constitute 7.3% 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 \$7,312 thousand as at March 31, 2014, and the Group’s share in their profits amounted to \$794 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.

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.

Somekh Chaikin
Certified Public Accountants (Isr.)

May 12, 2014

Condensed Consolidated Interim Statement of Financial Position as at

	March 31 2014	March 31 2013	December 31 2013
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Current assets			
Cash and cash equivalents	315,714	302,631	379,386
Short-term investments	17,088	2,767	11,063
Trade receivables	1,432,707	1,265,468	979,497
Prepaid expenses	18,990	18,267	16,991
Financial and other assets, including derivatives	121,498	157,280	122,986
Current tax assets	10,915	11,741	12,481
Inventories	1,250,857	1,161,032	1,218,200
Total current assets	3,167,769	2,919,186	2,740,604
Long-term investments, loans and receivables			
Investments in equity-accounted investee companies	74,381	18,145	73,307
Other financial investments and receivables	85,447	53,943	87,451
Other non-financial investments and receivables, including non-current inventory	26,272	38,005	26,546
	186,100	110,093	187,304
Fixed assets			
Cost	1,510,989	1,422,406	1,485,631
Less – accumulated depreciation	776,408	722,782	762,437
	734,581	699,624	723,194
Deferred tax assets	90,598	81,084	82,101
Intangible assets			
Cost	1,569,450	1,455,956	1,546,382
Less – accumulated amortization	850,594	753,729	822,684
	718,856	702,227	723,698
Total non-current assets	1,730,135	1,593,028	1,716,297
Total assets	4,897,904	4,512,214	4,456,901

	March 31 2014	March 31 2013	December 31 2013
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Current liabilities			
Credit from banks and other lenders	511,780	473,736	397,143
Current maturities of debentures	114,383	153,661	65,378
Trade payables	682,061	556,388	641,525
Other payables	496,623	413,460	415,742
Current tax liabilities	43,008	44,456	39,458
Put options to holders of non-controlling interests	33,699	53,277	63,703
Total current liabilities	1,881,554	1,694,978	1,622,949
Long-term liabilities			
Loans from banks	247,596	213,952	248,187
Debentures	1,115,495	1,022,773	1,027,340
Other long-term liabilities	29,531	33,115	40,990
Deferred tax liabilities	18,333	25,253	19,450
Employee benefits	84,116	86,465	86,038
Put options to holders of non-controlling interests	7,874	–	7,795
Total long-term liabilities	1,502,945	1,381,558	1,429,800
Total liabilities	3,384,499	3,076,536	3,052,749
Equity			
Share capital	125,595	125,595	125,595
Share premium	623,829	623,829	623,829
Capital reserves	(296,694)	(240,800)	(307,096)
Retained earnings	1,060,144	926,273	960,823
Total equity attributable to the owners of the Company	1,512,874	1,434,897	1,403,151
Non-controlling interests	531	781	1,001
Total equity	1,513,405	1,435,678	1,404,152
Total liabilities and equity	4,897,904	4,512,214	4,456,901

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 12, 2014

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
	2014	2013	2013
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Revenues	909,701	885,385	3,076,355
Cost of sales	596,608	590,598	2,108,282
Gross profit	313,093	294,787	968,073
Other income	(437)	(400)	(12,815)
Selling and marketing expenses	145,179	128,305	522,050
General and administrative expenses	27,473	26,799	114,485
Research and development expenses	10,051	8,833	33,667
Other expenses	155	163	1,697
	182,421	163,700	659,084
Operating income	130,672	131,087	308,989
Financing expenses	47,685	73,729	273,176
Financing income	(22,648)	(44,455)	(132,611)
Financing expenses, net	25,037	29,274	140,565
Share of income of equity-accounted investee companies	173	995	3,197
Profit before taxes on income	105,808	102,808	171,621
Taxes on income	7,127	12,674	44,550
Profit for the period	98,681	90,134	127,071
Attributable to:			
The owners of the Company	98,744	90,198	127,248
Non-controlling interests	(63)	(64)	(177)
Profit for the period	98,681	90,134	127,071

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

Condensed Consolidated Interim Statement of Comprehensive Income for the

	Three-month period ended		Year ended
	March 31		December 31
	2014	2013	2013
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Profit for the period	98,681	90,134	127,071
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			
Foreign currency translation differences in respect of foreign operations	2,727	(2,539)	(16,691)
Effective portion of change in fair value of cash flow hedges	(405)	26,002	(19,145)
Net change in fair value of cash flow hedges transferred to the statement of income	8,412	(4,532)	(13,174)
Taxes on the components of other comprehensive income that were transferred or will be transferred to the statement of income in succeeding periods	3	(1,860)	118
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	10,737	17,071	(48,892)
Components of other comprehensive income that will not be transferred to the statement of income			
Re-measurement of defined benefit plan	(981)	602	170
Taxes in respect of items of comprehensive income that will not be transferred to the statement of income	117	(42)	(47)
Total components of other comprehensive income (loss) for the period that will not be transferred to the statement of income, net of tax	(864)	560	123
Total comprehensive income for the period	108,554	107,765	78,302
Total comprehensive income attributable to:			
The owners of the Company	108,625	107,829	78,351
Non-controlling interests	(71)	(64)	(49)
Total comprehensive income for the period	108,554	107,765	78,302

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>
For the three-month period ended March 31, 2014 (unaudited)							
Balance as at January 1, 2014	125,595	623,829	(307,096)	960,823	1,403,151	1,001	1,404,152
Comprehensive income for the period							
Profit (loss) for the period	–	–	–	98,744	98,744	(63)	98,681
Components of other comprehensive income							
Foreign currency translation differences in respect of foreign operations	–	–	2,735	–	2,735	(8)	2,727
Effective portion of change in fair value of cash flow hedges	–	–	(405)	–	(405)	–	(405)
Net change in fair value of hedged cash flows transferred to the statement of income	–	–	8,412	–	8,412	–	8,412
Re-measurement of defined benefit plan	–	–	–	(981)	(981)	–	(981)
Taxes on components of other comprehensive income	–	–	3	117	120	–	120
Other comprehensive income (loss) for the period, net of tax	–	–	10,745	(864)	9,881	(8)	9,873
Total comprehensive income (loss) for the period	–	–	10,745	97,880	108,625	(71)	108,554
Share-based payments	–	–	–	1,876	1,876	–	1,876
Dividends to holders of non-controlling interests	–	–	–	(327)	(327)	–	(327)
Elimination of non-controlling interests due to loss of control of subsidiary	–	–	–	–	–	(659)	(659)
Transactions with holders of non-controlling interests holding a put option	–	–	(260)	–	(260)	260	–
Exercise of options granted to employees in subsidiary	–	–	(83)	(108)	(191)	–	(191)
Balance as at March 31, 2014	125,595	623,829	(296,694)	1,060,144	1,512,874	531	1,513,405

(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>
For the three-month period ended March 31, 2013 (unaudited)							
Balance as at January 1, 2013	125,595	623,829	(257,662)	836,378	1,328,140	636	1,328,776
Comprehensive income for the period							
Profit (loss) for the period	–	–	–	90,198	90,198	(64)	90,134
Components of other comprehensive income							
Foreign currency translation differences in respect of foreign operations	–	–	(2,539)	–	(2,539)	–	(2,539)
Effective portion of change in fair value of cash flow hedges	–	–	26,002	–	26,002	–	26,002
Net change in fair value of hedged cash flows transferred to the statement of income	–	–	(4,532)	–	(4,532)	–	(4,532)
Re-measurement of defined benefit plan	–	–	–	602	602	–	602
Taxes on components of other comprehensive income	–	–	(1,860)	(42)	(1,902)	–	(1,902)
Other comprehensive income for the period, net of tax	–	–	17,071	560	17,631	–	17,631
Total comprehensive income (loss) for the period	–	–	17,071	90,758	107,829	(64)	107,765
Dividends to holders of non-controlling interests holding a put option	–	–	–	(863)	(863)	–	(863)
Transactions with holders of non-controlling interests	–	–	(209)	–	(209)	209	–
Balance as at March 31, 2013	125,595	623,829	(240,800)	926,273	1,434,897	781	1,435,678

(1) Including treasury shares that were cancelled at 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's shareholders</u> <u>\$ thousands</u>	<u>Non-controlling interests</u> <u>\$ thousands</u>	<u>Total equity</u> <u>\$ thousands</u>
For the year ended December 31, 2013 (audited)							
Balance as at January 1, 2013	125,595	623,829	(257,662)	836,378	1,328,140	636	1,328,776
Comprehensive income for the year							
Profit (loss) for the year	–	–	–	127,248	127,248	(177)	127,071
Components of other comprehensive income							
Foreign currency translation differences in respect of foreign operations	–	–	(16,819)	–	(16,819)	128	(16,691)
Effective portion of change in fair value of cash flow hedges	–	–	(19,145)	–	(19,145)	–	(19,145)
Net change in fair value of hedged cash flow transferred to the statement of income	–	–	(13,174)	–	(13,174)	–	(13,174)
Re-measurement of defined benefit plan	–	–	–	170	170	–	170
Taxes in respect of items of other comprehensive income	–	–	118	(47)	71	–	71
Other comprehensive income (loss) for the year, net of tax	–	–	(49,020)	123	(48,897)	128	(48,769)
Total comprehensive income (loss) for the year	–	–	(49,020)	127,371	78,351	(49)	78,302
Dividends to holders of non-controlling interests holding a put option	–	–	–	(2,926)	(2,926)	–	(2,926)
Transactions with holders of non-controlling interests	–	–	(414)	–	(414)	414	–
Balance as at December 31, 2013	<u>125,595</u>	<u>623,829</u>	<u>(307,096)</u>	<u>960,823</u>	<u>1,403,151</u>	<u>1,001</u>	<u>1,404,152</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
	2014	2013	2013
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Cash flows from operating activities			
Profit for the period	98,681	90,134	127,071
Adjustments			
Depreciation and amortization	40,801	37,396	157,001
Capital gain on sale of investment	–	–	(3,619)
Expenses in respect of employee options	1,876	–	–
Capital loss on realization of fixed and other assets, net	(13)	(52)	(442)
Amortization of discount/premium and issuance expenses	(427)	155	667
Share of income of equity-accounted investee companies, net	(173)	(995)	(3,197)
Revaluation of put options	75	3,301	10,878
Adjustment of long-term liabilities	(8,921)	30,303	106,599
SWAP transactions	–	(1,990)	(7,882)
Change in provision for taxes and advance tax deposits, net	5,053	17,328	11,461
Increase in deferred taxes, net	(9,571)	(2,945)	(8,060)
Changes in assets and liabilities			
Increase in trade and other receivables	(449,302)	(416,310)	(139,548)
Decrease (increase) in inventories	(28,461)	69,793	10,648
Increase in trade and other payables	131,565	16,445	98,787
Change in employee benefits	(1,699)	737	2,161
Net cash provided by (used in) operating activities	(220,516)	(156,700)	362,525
Cash flows for investing activities			
Acquisition of fixed assets	(27,042)	(22,281)	(84,867)
Increase in intangible assets	(26,637)	(32,747)	(113,554)
Short-term investments, net	(7,184)	(1,160)	(9,456)
Long-term investment, net	(701)	–	(52,429)
Proceeds from realization of fixed and intangible assets	249	147	1,616
Investment in equity-accounted investee	–	–	(58,294)
Dividend from equity-accounted investee	–	–	2,097
Proceeds from sale of investment	–	–	4,508
Transition from proportionate consolidation to the equity method	–	(1,603)	(1,603)
Acquisition of subsidiaries net of cash acquired	–	–	(9,568)
Transition from consolidation to the equity method	(261)	–	–
Net cash used in investing activities	(61,576)	(57,644)	(321,550)

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
	2014	2013	2013
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Cash flows from financing activities			
Receipt of long-term loans from banks	27,466	2,461	118,304
Repayment of long-term loans and liabilities from banks	(29,115)	(28,237)	(130,649)
Repayment of debentures	–	–	(160,959)
Increase in short-term liabilities to banks and others	108,781	65,473	15,191
SWAP repayment	–	–	21,309
Dividend to holders of non-controlling interests	(518)	(349)	(2,412)
Issuance of debentures less issuance expenses	146,806	177,215	177,215
Realization of put options of holders of non-controlling interests	(30,000)	–	–
Payment of contingent consideration in respect of business combination	(5,000)	–	–
Net cash provided by financing activities	218,420	216,563	37,999
Increase (decrease) in cash and cash equivalents	(63,672)	2,219	78,974
Cash and cash equivalents at the beginning of the period	379,386	300,412	300,412
Cash and cash equivalents at the end of the period	315,714	302,631	379,386
Additional information:			
Interest paid in cash	(7,504)	(9,148)	(95,215)
Interest received in cash	2,265	3,893	21,878
Taxes received (paid) in cash, net	(11,606)	1,052	(29,257)
Investments in first time consolidated companies			
Working capital (excluding cash and cash equivalents)	–	–	(7,340)
Fixed assets, net	–	–	(1,019)
Put options in respect of business combinations	–	–	(3,068)
Excess cost created on acquisition	–	–	(10,403)
Long-term liabilities	–	–	825
Liability in respect of acquisition of a company	–	–	3,960
Put options to holders of non-controlling interests	–	–	7,477
	–	–	(9,568)

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

Notes to the Financial Statements as at March 31, 2014 (Unaudited)

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 the Arava Building in Airport City Park. The condensed consolidated financial statements of the Company as at March 31, 2014 include those of the Company and its subsidiaries (hereinafter together – “the Group”) as well as the Company’s rights in associated companies 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.
- (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 dispersement 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, 2013 (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 12, 2014.

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 assumption used in estimates that involve uncertainty are consistent with those used in the Annual Financial Statements.

Notes to the Financial Statements as at March 31, 2014 (Unaudited)

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:

- Activity in the agrochemical products market (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.
- Non-agro activity
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.

The basis of segmentation and the measurement basis for the segment profit or loss are the same as that presented in Note 30 "Operating Segments" in the Annual Financial Statements for 2013.

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, 2014 (Unaudited)

Note 4 - Information on Business Segments (cont'd)

A. Products and services: (cont'd)

	For the three-month period ended March 31, 2014 (Unaudited)			
	Agro activity	Non-agro activity	Adjustments	Consolidated
	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Statement of income information:				
Revenues				
Sales outside the Group	859,257	50,444	–	909,701
Inter-segment sales	–	360	(360)	–
Total revenues	<u>859,257</u>	<u>50,804</u>	<u>(360)</u>	<u>909,701</u>
Results				
Segment's results	<u>125,321</u>	<u>5,337</u>	<u>14</u>	<u>130,672</u>
Financing expenses, net				(25,037)
Share of income of equity accounted in investees, net				173
Taxes on income				(7,127)
Non-controlling interests				63
Profit for the period				<u>98,744</u>

	For the three-month period ended March 31, 2013 (Unaudited)			
	Agro activity	Non-agro activity	Adjustments	Consolidated
	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Statement of income information:				
Revenues				
Sales outside the Group	836,416	48,969	–	885,385
Inter-segment sales	–	337	(337)	–
Total revenues	<u>836,416</u>	<u>49,306</u>	<u>(337)</u>	<u>885,385</u>
Results				
Segment's results	<u>127,948</u>	<u>3,082</u>	<u>57</u>	<u>131,087</u>
Financing expenses, net				(29,274)
Share of income of equity accounted investees, net				995
Taxes on income				(12,674)
Non-controlling interests				64
Profit for the period				<u>90,198</u>

	For the year ended December 31, 2013 (Audited)			
	Agro activity	Non-Agro activity	Adjustments	Consolidated
	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Statement of income information:				
Revenues				
Sales outside the Group	2,876,198	200,157	–	3,076,355
Inter-segment sales	–	1,165	(1,165)	–
Total revenues	<u>2,876,198</u>	<u>201,322</u>	<u>(1,165)</u>	<u>3,076,355</u>
Results				
Segment's results	<u>292,884</u>	<u>15,905</u>	<u>200</u>	<u>308,989</u>
Financing expenses, net				(140,565)
Share of income of equity accounted investees, net				3,197
Taxes on income				(44,550)
Non-controlling interests				177
Profit for the year				<u>127,248</u>

Notes to the Financial Statements as at March 31, 2014 (Unaudited)**Note 4 - Information on Business Segments (cont'd)****B. Sales distribution by geographic regions**

	Three month period ended		Year ended
	March 31 2014 (Unaudited) \$ thousands	March 31 2013 (Unaudited) \$ thousands	December 31 2013 (Audited) \$ thousands
Europe	467,224	435,982	1,140,346
North America	138,390	145,789	516,153
Latin America	136,198	128,311	757,518
Asia Pacific and Africa	142,763	148,093	553,157
Israel	25,126	27,210	109,181
	909,701	885,385	3,076,355

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 balance of the contract period to maturity, using an appropriate interest rate.

The fair value of foreign currency options and interest rate 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, conform to or approximate their fair value.

The table below provides the carrying value and fair value of categories of long-term financial instruments, which are stated in the financial statements at other than their fair value:

	March 31, 2014		March 31, 2013		December 31, 2013	
	Carrying value Unaudited \$ thousands	Fair value Unaudited \$ thousands	Carrying value Unaudited \$ thousands	Fair value Unaudited \$ thousands	Carrying value Audited \$ thousands	Fair value Audited \$ thousands
Financial assets						
Long-term loans and other receivables (a)	81,166	79,841	48,011	32,741	83,425	76,328
Financial liabilities						
Long-term loans (b)	354,794	372,598	358,181	363,508	354,429	365,099
Debentures (c)	1,229,878	1,419,732	1,176,434	1,229,614	1,092,718	1,188,219

Notes to the Financial Statements as at March 31, 2014 (Unaudited)**Note 5 - Financial Instruments (cont'd)****(1) Financial instruments measured at fair value for disclosure purposes only (cont'd)**

- (a) The fair value of the long-term loans granted is based on a calculation of the present value of cash flows, using the acceptable interest rate for similar loans having similar characteristics (Level 2).
- (b) The fair value of the long-term 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).

(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: Data observed, directly or indirectly, that is not included in Level 1 above.
- Level 3: Data that is not based on observable market data.

The financial instruments measured at fair value are measured based on observed data and, therefore, they meet the definition of Level 2.

	<u>March 31, 2014</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>March 31, 2013</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>December 31, 2013</u> <u>(Audited)</u> <u>\$ thousands</u>
Derivatives used for hedging:			
Forward contracts and options	(28,479)	16,523	(36,123)
Interest SWAP contracts	-	16,461	-
Derivatives not used for hedging:			
Forward contracts and options	<u>17,108</u>	<u>53,381</u>	<u>44,994</u>
	<u>(11,371)</u>	<u>86,365</u>	<u>8,871</u>

Notes to the Financial Statements as at March 31, 2014 (Unaudited)

Note 6 - Additional Information**(1) Share-based payments**

During December 2013, and on January 1, 2014, the Company's Remuneration Committee and Board of Directors approved an issuance of 9,322,227 options to Group officers and employees, in accordance with the Company's options' plan (hereinafter – "the Plan"). The issuance date of the options is January 29, 2014.

Every option may be exercised for one share of NIS 1 par value.

The options will vest in three equal portions, where each third may be exercised after two years, three years and four years, respectively, commencing from January 1, 2014. The options may be exercised, in whole or in part, pursuant to the conditions of the Plan, subject to the Company's shares being listed for trading on the Tel-Aviv Stock Exchange Ltd or any other stock exchange outside of Israel (in whole or in part) on the exercise date, and subject to reaching the Group's net sales' targets and EBITDA targets, as provided in the Plan.

The cost of the benefit embedded in the options issued, as stated, based on the fair value on the date of their issuance, amounted to a total of \$21 million. This amount will be recognized in the statement of income over the vesting period of each portion.

The fair value of the options granted as stated above was estimated through application of a binominal model for pricing options. The parameters used in application of the model are shown below:

Exercise price (dollars)	6.11
Original exercise premium (dollars)	6.09
Expected volatility	37.59%
Risk free interest rate	2.47%
Economic value on the grant date (thousands of dollars)	21,013

During April and May 2014, the Company's Remuneration Committee, Board of Directors and shareholders approved the issuance of an additional 988,799 options to the Company's CEO based on the conditions set forth above.

The cost of the benefit embedded in the options issued, as stated, based on the fair value on the date of their issuance, amounted to a total of \$2.7 million. This amount will be recognized in the statement of income over the vesting period of each portion.

- (2)** On February 9, 2014, the Company issued debentures through an expansion of Series D in the aggregate amount of NIS 487.8 million par value of debentures, in exchange for a consideration of 106.74 of their par value. The total net proceeds from the issuance amounted to \$146.8 million.

The Series D debentures bear base annual interest of 6.5% and are unlinked. The principal is to be repaid in 3 equal payments in the years 2014 to 2016. The issuance costs for this series totaled \$563 thousand.

Notes to the Financial Statements as at March 31, 2014 (Unaudited)

Note 6 - Additional Information

- (3) In November 2013, the Company acquired, through a subsidiary, 10.6% of the issued and paid-up share capital of Hubei Sanonda Co. Ltd. (hereinafter – “Sanonda”), for a consideration of about \$56.8 million.

In light of understandings the subsidiary reached with CNAC, the Company has significant influence over Sanonda. The Company is taking action and expects to receive during the second quarter of 2014, financial statements in the format required for purposes of recording its share in Sanonda’s profits based on the equity method. In the Company’s estimation, the impact of its share in Sanonda’s profits on the financial statements for the first quarter of 2014 is not significant.

Adama Agricultural Solutions Ltd.

Condensed Separate Interim

Financial Data

(Unaudited)

As of March 31, 2014

In U.S. Dollars



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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, 2014 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 \$113,482 thousand as of March 31, 2014, and the profit (loss) from these investee companies amounted to \$3,160 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.

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 12, 2014

Condensed Interim Information on Financial Position

	March 31 2014	March 31 2013	December 31 2013
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Current assets			
Cash and cash equivalents	1,315	1,424	4,242
Prepaid expenses	560	1,515	752
Other receivables and investee companies	237,043	259,522	320,595
Derivatives	16,422	49,484	28,709
Total current assets	255,340	311,945	354,298
Long-term investments, loans and receivables			
Balance of investee companies	1,594,133	1,504,393	1,483,697
Loans to investee companies	966,720	853,596	713,577
Derivatives	–	1,532	–
	2,560,853	2,359,521	2,197,274
Fixed assets, net	2,886	2,819	2,740
Intangible assets, net	2,711	1,482	2,108
Deferred tax assets	–	351	–
Total non-current assets	2,566,450	2,364,173	2,202,122
Total assets	2,821,790	2,676,118	2,556,420

Condensed Interim Information on Financial Position

	March 31 2014	March 31 2013	December 31 2013
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Current liabilities			
Current maturities of debentures	114,383	153,661	65,378
Other payables	50,224	37,819	32,478
Derivatives	1,047	1,524	–
Total current liabilities	165,654	193,004	97,856
Long-term liabilities			
Debentures	1,138,801	1,044,785	1,050,916
Employee benefits	4,461	3,432	4,497
Total non-current liabilities	1,143,262	1,048,217	1,055,413
Total liabilities	1,308,916	1,241,221	1,153,269
Equity			
Share capital	125,595	125,595	125,595
Share premium	623,829	623,829	623,829
Reserves	(296,694)	(240,800)	(307,096)
Retained earnings	1,060,144	926,273	960,823
Total equity attributable to the owners of the Company	1,512,874	1,434,897	1,403,151
Total liabilities and equity	2,821,790	2,676,118	2,556,420

 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 12, 2014

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

Condensed Interim Information on Income

	Three-month period ended		Year ended
	March 31 2014	March 31 2013	December 31 2013
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Revenues			
Management fees from investee companies	10,291	10,166	34,223
Expenses			
General and administrative	11,530	11,865	45,564
Operating loss	(1,239)	(1,699)	(11,341)
Financing expenses	17,173	44,660	171,466
Financing income	(17,168)	(44,660)	(171,578)
Financing income (expenses), net	(5)	–	112
Loss after financing expenses, net	(1,244)	(1,699)	(11,229)
Income from investee companies	100,224	92,083	139,184
Profit before tax on income	98,980	90,384	127,955
Taxes on income	236	186	707
Profit for the year attributable to the owners of the Company	98,744	90,198	127,248

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	March 31	December 31
	2014	2013	2013
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Income for the period attributable to the owners of the Company	98,744	90,198	127,248
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			
Effective portion of changes in fair value of cash flow hedges	–	2,448	7,294
Net change in fair value of cash flow hedges transferred to the statement of income	(120)	(1,992)	(7,881)
Other comprehensive income (loss) in respect of investee companies, net of tax	10,865	16,660	(48,509)
Taxes on the components of other comprehensive income that were transferred or will be transferred to the statement of income in succeeding periods	–	(45)	76
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	10,745	17,071	(49,020)
Components of other comprehensive income that will not be transferred to the statement of income			
Re-measurement of defined benefit plan	–	69	(11)
Other comprehensive income (loss) in respect of investee companies, net of tax	(864)	491	134
Total components of other comprehensive income (loss) for the period that will not be transferred to the statement of income, net of tax	(864)	560	123
Total comprehensive income for the period attributable to the owners of the Company	108,625	107,829	78,351

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

Condensed Interim Information on Cash Flows

	Three-month period ended		Year ended
	March 31	March 31	December 31
	2014	2013	2013
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Cash flows from operating activities			
Profit for the period attributable to the owners of the Company	98,744	90,198	127,248
Adjustments			
Income in respect of investee companies	(100,224)	(92,083)	(139,184)
Depreciation and amortization	379	407	1,572
Amortization of discount/premium and issuance costs	(427)	155	667
Expenses in respect of employee options	886	–	–
Adjustment of long-term liabilities	(9,341)	29,822	105,752
SWAP transactions	–	(1,990)	(7,882)
Change in deferred taxes, net	–	15	486
Changes in assets and liabilities			
Decrease (increase) in accounts receivable and current assets	12,488	(23,434)	(16,830)
Increase in accounts payable and other liabilities	18,915	19,291	12,836
Change in provisions and employee benefits	(158)	407	982
Net cash used in operating activities in respect of transactions with investee companies	(22,461)	(26,987)	(119,740)
Net cash used in operating activities	(1,199)	(4,199)	(34,093)
Cash flows from investing activities			
Acquisition of fixed assets	(280)	(60)	(365)
Additions to intangible assets	(848)	(274)	(1,681)
Net cash provided by (used in) operating activities in respect of transactions with investee companies	(147,406)	(172,353)	1,721
Net cash used in investing activities	(148,534)	(172,687)	(325)
Cash flows from financing activities			
Issuance of debentures net of issuance costs	146,806	177,215	177,215
Repayment of debentures	–	–	(160,959)
Settlement of SWAP transaction	–	–	21,309
Net cash provided by financing activities	146,806	177,215	37,565
Increase (decrease) in cash and cash equivalents	(2,927)	329	3,147
Cash and cash equivalents at beginning of the period	4,242	1,095	1,095
Cash and cash equivalents at end of the period	1,315	1,424	4,242
Supplementary information:			
Interest paid in cash	(1)	–	(62,848)
Interest received in cash	291	484	1,854
Taxes paid in cash, net	(271)	(171)	(216)

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

Notes to the Condensed Financial Statements as of March 31, 2014

Additional Information

1. General

Presented herein is condensed financial data from the Group's condensed consolidated interim financial statements as at March 31, 2014 (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, 2013 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, 2013.



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:

1. Chen Lichtenstein, President and CEO
2. Aviram Lahav, SVP CFO
3. Ignacio Dominguez, SVP CCO and head of the Global Products and Marketing Division
4. Michal Arlosoroff, SVP General Legal Counsel
5. Amos Rabin, SVP Global HR
6. Dani Harari, SVP Strategy, Innovation and Business Intelligence
7. Elhanan Abramov, SVP Global Resources
8. Rony Patishi-Chillim, SVP Business Development & Global Corporate Communications

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, 2013 (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, 2013 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 2014 (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 Audit Committee and Financial Statements Committee of the Board of Directors:
 - (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.

Chen Lichtenstein
CEO

12 May 2014

Officers' Certification
Certification of Chief Financial Officer

I, Aviram Lahav, certify that:

- (1) I have reviewed the quarterly report of ADAMA Agricultural Solutions Ltd. (hereinafter – "the Company") for the first quarter of 2014 (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 Audit committee and Financial Statements Committee of the Board of Directors:
 - (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, to the extent it relates to the financial statements and other financial information included in the reports, is made known to me by others in the 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.

Aviram Lahav
CFO

12 May 2014