



אדמה פתרונות לחקלאות בע"מ
ADAMA Agricultural Solutions Ltd.

Quarterly Report for June 30, 2014



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Chapter A – Board of Directors' Report on the state of the Company's Affairs

Chapter B – Financial Statements (Unaudited) for June 30, 2014

Chapter C – Report Regarding the Effectiveness of the Internal Auditing of Financial Reporting and Disclosure

The information contained herein constitutes an unofficial translation of the Quarterly Report for the second quarter of 2014 published by the Company in Hebrew. The Hebrew version is the binding version. This translation was prepared for convenience purposes only.



אדמה פתרונות לחקלאות בע"מ
ADAMA Agricultural Solutions Ltd.

Chapter A

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



ADAMA Agricultural Solutions Ltd.

Board of Directors' Report for the Quarter ended June 30, 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 June 30, 2014 and for the cumulative six-month period ending on that date ("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 of the reporting date, focus primarily on the agriculture-related chemical industry (agrochemicals). In this context, the Company develops, manufactures and markets crop protection products. In addition, the Company has other operations which are based on its core capabilities (in the agricultural and chemical industries), the scope of which, as of the reporting date, is insignificant. As of 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, high level of experience and agronomic ability, excellent technological-chemical capabilities, first-rate research and development capacities and product registration expertise, adherence to stringent environmental standards, strict quality control, global marketing and distribution system, comprehensive operating infrastructure from R&D through manufacture, cooperation with multinational companies for the manufacture and marketing of the products, financial robustness and available cash resources. Steady and consistent investment in development facilitates the launching of new generic products, mixtures and formulations at opportune times.

For a description of the corporation's affairs and material events during the Reporting Period, see Chapter A of the Periodic Report for 2013.

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

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

In the second quarter of 2014 and in the Reporting Period the Company presented a significant increase in sales and also an increase in gross profit, gross margin and net profit compared with the corresponding quarter and period last year. This increase stemmed mainly from an increase in quantities sold.

In the second quarter of 2014, the plant protection market and the Company's operations were influenced by the following trends:

- a. Despite harsh weather conditions during the quarter in North America, mainly during the first half of the quarter, and the resulting accumulation of inventory in the distribution channel which reduced sales of crop protection products in the market during the quarter, the Company increased its sales in North America in the quarter.
- b. An early start to the season in Europe, which led to the shifting of sales to the first quarter, as well as unseasonably cold and wet weather in Europe in the first half of the second quarter, reduced sales in the crop protection market, including those of the Company. However, the Company increased its sales over the whole season (the first two quarters).
- c. Despite severe drought conditions in several countries in Asia, the Company increased its sales in this region in the quarter.

2. **Results of Operations – Condensed Statement of Income**

Accounting Statement of Income for Q2 2014 (in USD millions):

	%	4-6/2014	%	4-6/2013	Change	% of change
Revenue		875.9		803.3	72.6	9.0%*
Gross profit	31.9%	279.7	31.5%	253.4	26.3	10.3%
Operating expenses	20.6%	180.2	19.9%	160.1	20.1	12.5%
Operating profit (EBIT)	11.4%	99.5	11.6%	93.3	6.2	6.7%
Finance expenses, net	3.3%	29.2	4.3%	34.7	(5.5)	(15.9%)
Pre-tax profit	8.5%	74.8	7.8%	62.8	12.0	19.1%
Net profit after non-controlling interest	6.8%	59.4	6.0%	48.1	11.3	23.5%
EBITDA	16.1%	141.2	16.5%	132.6	8.6	6.5%

* The Company's revenue in the second quarter of 2014, eliminating currency effects, increased by 10.1% compared to the corresponding quarter last year.

Accounting statement of profit and loss for the Reporting Period (in USD millions)

	%	1-6/2014	%	1-6/2013	Change	% of change
Revenue		1,785.7		1,688.6	97.1	5.7%*
Gross profit	33.2%	592.7	32.5%	548.2	44.5	8.1%
Operating expenses	20.3%	362.6	19.2%	323.8	38.8	12.0%
Operating profit (EBIT)	12.9%	230.2	13.3%	224.4	5.8	2.6%
Finance expenses, net	3.0%	54.2	3.8%	64.0	(9.8)	(15.3%)
Pre-tax profit	10.1%	180.6	9.8%	165.6	15.0	9.1%
Net profit after non-controlling interest	8.9%	158.3	8.2%	138.4	19.9	14.4%
EBITDA	17.5%	312.7	17.8%	301.0	11.7	3.9%

* The Company's revenue in the Reporting Period, eliminating currency effects, increased by 6.9% compared to the corresponding period last year

3. Analysis of business results

A. Geographical split of revenues

The Company's sales in the second quarter of 2014 amounted to USD 875.9 million, compared to USD 803.3 million in the corresponding quarter last year, an increase of USD 72.6 million.

The Company's sales in the Reporting Period amounted to USD 1,785.7 million, compared to USD 1,688.6 million in the corresponding period last year, an increase of USD 97.1 million.

The increase in total sales stemmed mainly from an increase in quantities sold.

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

Geographical split of quarterly sales (in USD millions):

	%	4-6/2014	%	4-6/2013	Change	% of Change*
Europe	38.4%	336.1	42.4%	340.6	(4.5)	(1.3%)
Latin America	19.4%	169.6	17.4%	139.8	29.8	21.3%
North America	20.0%	175.5	18.8%	150.8	24.7	16.4%
Asia Pacific and Africa	18.9%	165.2	18.0%	144.2	21.0	14.5%
Israel	3.4%	29.5	3.5%	27.9	1.6	5.7%
Total	100%	875.9	100.0%	803.3	72.6	9.0%

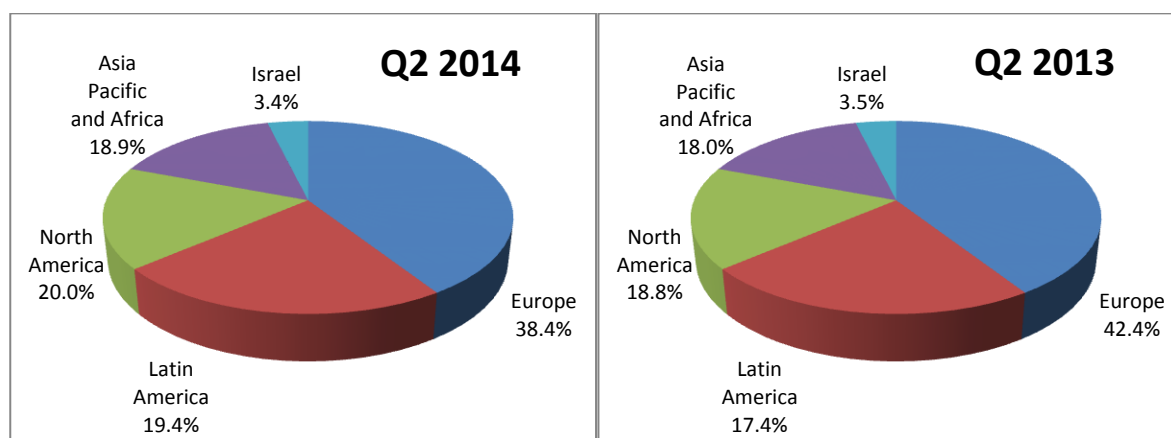
*The Company's revenues in the second quarter, split by geographical regions, eliminating currency effects, increased compared to the corresponding period last year, by the following rates: Europe (1.4%), Latin America 21.7%, North America 17.6%, Asia Pacific and Africa (including Israel) 17%.

Geographical split of sales in the Reporting Period (in USD millions)

	%	1-6/2014	%	1-6/2013	Change	% of Change*
Europe	45.0%	803.4	46.0%	776.6	26.8	3.4%
Latin America	17.1%	305.9	15.9%	268.2	37.7	14.0%
North America	17.6%	313.9	17.6%	296.6	17.3	5.8%
Asia Pacific and Africa	17.2%	307.9	17.3%	292.3	15.6	5.3%
Israel	3.1%	54.6	3.3%	54.9	(0.3)	(0.5%)
Total	100%	1,785.7	100.0%	1,688.6	97.1	5.7%

*The Company's revenues in the Reporting Period, split by geographical regions, eliminating currency effects, increased compared to the corresponding period last year, by the following rates: Europe 2.9%, Latin America 14.7%, North America 7%, Asia Pacific and Africa (including Israel) 9.8%.

Geographical split of quarterly sales by percentage:



Europe:

Sales in the second quarter of 2014 amounted to USD 336.1 million, compared to USD 340.6 million in the corresponding quarter last year, a decrease of USD 4.5 million.

The decrease in sales in the quarter stemmed primarily from a decrease in quantities sold, amongst other factors, resulting from an early start of the season that led to a shift of sales to the first quarter as well as from unseasonably cold and wet weather during the first half of the second quarter. The strengthening of the Euro was offset by the effect of currency hedging performed by the Company.

In the Reporting Period, sales in Europe amounted to USD 803.4 million compared to USD 776.6 million in the corresponding period last year, an increase of USD 26.8 million.

The increase in sales in the Reporting Period stemmed mainly from an increase in quantities sold in the first quarter of 2014 and raising of selling prices in the Reporting Period. The strengthening of the Euro was offset by the effect of currency hedging performed by the Company.

Latin America:

Sales in the second quarter of 2014 amounted to USD 169.6 million, compared to USD 139.8 million in the corresponding quarter last year, an increase of USD 29.8 million.

In the Reporting Period, sales in Latin America amounted to USD 305.9 million compared to USD 268.2 million in the corresponding period last year, an increase of USD 37.7 million.

The increase in sales in the second quarter and in the Reporting Period stemmed mainly from an increase in quantities sold, partially offset by lower selling prices.

North America:

Sales in the second quarter of 2014 amounted to USD 175.5 million, compared to USD 150.8 million in the corresponding quarter last year, an increase of USD 24.7 million.

The increase in sales in the quarter stemmed mainly from an increase in quantities sold despite unusual drought conditions in the west coast of the USA during the first half of the quarter and inventory that accumulated in the marketing channels as a result of the hard winter and the previous season, that was partially offset by lower selling prices and by the weakening of the Canadian dollar.

In the Reporting Period, sales in North America amounted to USD 313.9 million compared to USD 296.6 million in the corresponding period, an increase of USD 17.3 million.

The increase in sales in the Reporting Period stemmed mainly from an increase in quantities sold, partially offset by lower selling prices and by the weakening of the Canadian dollar.

Asia Pacific and Africa:

Sales in the second quarter of 2014 amounted to USD 165.2 million, compared to USD 144.2 million in the corresponding quarter last year, an increase of USD 21.0 million.

The increase in sales in the quarter stemmed primarily from an increase in quantities sold, despite unusual drought conditions in several countries in Asia, partially offset by the weakening of currencies in these regions.

Sales in Asia Pacific and Africa in the Reporting Period amounted to 307.9 million compared to USD 292.3 million in the corresponding period last year, an increase of USD 15.6 million.

The increase in sales in the Reporting Period stemmed primarily from an increase in quantities sold in the second quarter that compensated for the decrease in quantities sold during the first quarter due to drought conditions in the first quarter (mainly in Australia) and the weakening of currencies in these regions.

Israel:

Sales in the second quarter of 2014 amounted to USD 29.5 million, compared to USD 27.9 million in the corresponding quarter, an increase of USD 1.6 million.

Sales in Israel in the Reporting Period amounted to USD 54.6 million compared to USD 54.9 million in the corresponding period, a decrease of USD 0.3 million.

B. Revenues split by operating segment

Split of quarterly sales by operating segment (in USD millions)

	%	4-6/2014	%	4-6/2013	Change	% of Change
Crop protection (Agro)	94.3%	826.2	93.2%	748.2	77.9	10.4%
Other (Non Agro)	5.7%	49.8	6.8%	55.0	(5.2)	(9.5%)

Split of sales in the Reporting Period by operating segment (in USD millions)

	%	1-6/2014	%	1-6/2013	Change	% of Change
Crop protection (Agro)	94.4%	1,685.4	93.8%	1,584.7	100.7	6.4%
Other (Non Agro)	5.6%	100.2	6.2%	104.0	(3.8)	(3.6%)

Sales of crop protection products in the second quarter of 2014 amounted to USD 826.2 million, compared to USD 748.2 million in the corresponding quarter last year.

Sales from the Company's other operations in the second quarter amounted to USD 49.8 million, compared to USD 55.0 million in the corresponding quarter last year.

Sales of crop protection products in the Reporting Period amounted to USD 1,685.4 million, compared to USD 1,584.7 million in the corresponding period last year.

Sales from the Company's other operations in the Reporting Period amounted to USD 100.2 million, compared to USD 104.0 million in the corresponding period last year.

C. Gross profit

Gross profit in the second quarter of 2014 amounted to USD 279.7 million (31.9% of sales), compared to USD 253.4 million (31.5% of sales) in the corresponding quarter last year.

Gross profit in the Reporting Period amounted to USD 592.7 million (33.2% of sales) compared to USD 548.2 million (32.5% of sales) in the corresponding period last year.

The increase in gross profit and gross margin in the quarter and in the Reporting Period stemmed mainly from an increase in quantities sold, an improvement in the Company's product mix, and a decline in manufacturing costs following the move to the use of natural gas at the production facilities in Israel, which were partially offset by the effect of currency hedging performed by the Company.

D. Operating income

Operating income in the second quarter of 2014 amounted to USD 99.5 million (11.4% of sales) compared to USD 93.3 million (11.6% of sales) in the corresponding quarter last year.

Operating income in the Reporting Period amounted to USD 230.2 million (12.9% of sales) compared to USD 224.4 million (13.3% of sales) in the corresponding period last year.

Operating expenses in the second quarter of 2014 amounted to USD 180.2 million (20.6% of sales), compared to USD 160.1 million (19.9% of sales) in the corresponding quarter last year.

Operating expenses in the Reporting Period amounted to USD 362.6 million (20.3% of sales) compared to USD 323.8 million (19.2% of sales) in the corresponding period last year.

R&D expenses: In the second quarter of 2014, R&D expenses amounted to USD 7.7 million (0.9% of sales), compared to USD 8.0 million (1.0% of sales) in the corresponding quarter last year.

R&D expenses in the Reporting Period amounted to USD 17.7 million (1.0% of sales) compared to USD 16.9 million (1.0% of sales) in the corresponding period last year.

Selling expenses: In the first quarter of 2014, selling expenses amounted to USD 146.0 million (16.7% of sales), compared to USD 129.1 million (16.1% of sales) in the corresponding quarter last year.

Selling expenses in the Reporting Period amounted to USD 291.2 million (16.3% of sales) compared to USD 257.4 million (15.2% of sales) in the corresponding period last year.

The increase in selling expenses stemmed, inter alia, from an increase in marketing expenses due to the launching of the global brand as well as an increase in variable expenses resulting from an increase in quantities sold.

General and administrative expenses: In the second quarter of 2014, general and administrative expenses amounted to USD 26.7 million (3.0% of sales), compared to USD 28.2 million (3.5% of sales) in the corresponding quarter last year.

General and administrative expenses in the Reporting Period amounted to 54.2 million (3.0% of sales) compared to USD 55.0 million (3.3% of sales) in the corresponding period last year.

E. Financing expenses

Financing expenses (net) in the second quarter of 2014 amounted to USD 29.2 million, compared to USD 34.7 million in the corresponding quarter last year.

Financing expenses (net) in the Reporting Period amounted to USD 54.2 million compared to USD 64.0 million in the corresponding period last year.

The financing expenses in the Reporting Period decreased compared to the corresponding period last year due mainly to a decrease in the Consumer Price Index ("CPI") compared to the corresponding period last year.

F. Income tax

Tax expenses in the second quarter of 2014 amounted to USD 15.4 million compared to USD 14.7 million in the corresponding quarter last year.

Tax expenses in the Reporting Period amounted to USD 22.5 million compared to USD 27.4 million in the corresponding period last year.

G. Net profit

Net profit in the second quarter of 2014 amounted to USD 59.5 million (6.8% of sales), compared to USD 48.2 million (6.0% of sales) in the corresponding quarter last year.

Net profit in the Reporting Period amounted to USD 158.3 million (8.9% of sales) compared to USD 138.4 million (8.2% of sales) in the corresponding period last year.

H. EBITDA

EBITDA in the second quarter of 2014 amounted to USD 141.2 million (16.1% of sales), compared to USD 132.6 million (16.5% of sales) in the corresponding quarter last year.

EBITDA in the Reporting Period amounted to USD 312.7 million (17.5% of sales) compared to USD 301.0 million (17.8% of sales) in the corresponding period last year.

4. Financial Condition and Liquidity

A. Cash flow

The Company's cash flow from operating activities in the second quarter of 2014 was positive at USD 161.7 million, compared to a positive cash flow of USD 223.7 million in the corresponding quarter last year.

Cash flow from operating activities in the Reporting Period was negative at USD 58.8 million compared to a positive cash flow of USD 67.0 million in the corresponding period last year.

The change in cash flow from operating activities in the quarter and the Reporting Period stemmed primarily from an increase in the Company's sales in geographic regions that generally have longer credit days than the average of the Company and from the timing of sales during the Reporting Period.

The Company's investments in the second quarter of 2014 amounted to USD 60.7 million, compared to USD 50.3 million in the corresponding quarter last year. These investments included primarily investments in product registrations, intangible assets and fixed assets. The investments in fixed assets, which included investment in plant and equipment, including facilities for the maintenance and protection of environmental standards, amounted to USD 30.3 million, compared to USD 26.9 million in the corresponding quarter last year.

Investments in the Reporting Period amounted to USD 122.3 million compared to USD 107.9 million in the corresponding period last year. These investments included primarily investments in product registrations, intangible assets and fixed assets. The investments in fixed assets, which included investment in plant and equipment, including facilities for the maintenance and protection of environmental standards, amounted to USD 57.3 million, compared to USD 49.1 million in the corresponding period last year.

B. Current assets

Total current assets as of June 30, 2014 amounted to USD 3,100.5 million compared to USD 2,841.6 million on June 30, 2013 and USD 2,740.6 million on December 31, 2013.

C. Investments in fixed assets

See the section on cash flow above.

D. Cash, current liabilities and long-term loans

The Company's total financial credit (bank loans and debentures) as of June 30, 2014 amounted to USD 1,962.3 million (of which 30.6% was short term), compared to USD 1,827.3 million (of which 32.5% was short term) on June 30, 2013 and USD 1,738.0 million (of which 26.6% was short term) on December 31, 2013.

The Company's balances of cash and short-term investments as of June 30, 2014 amounted to USD 383.2 million, compared to USD 425.7 million on June 30, 2013 and USD 390.4 million on December 31, 2013.

The Company's net debt (short term bank loans excluding the receivables financing facility in the amount of USD 220.9 million, receivables financing facility in the amount of USD 263.9 million, long term bank loans in the amount of USD 226.6 million, short term debentures in the amount of USD 115.5 million, long term debentures in the amount of USD 1,135.4 million, net of cash in the amount of USD 366.3 million, short-term investments in the amount of USD 16.8 million, long term deposits in the amount of USD 52.5 million and the effects of hedging transactions attributed to debt in the amount of USD 13.4 million) as of June 30, 2014 amounted to USD 1,513.3 million, compared to USD 1,375.7 million on June 30, 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 June 30, 2014 and at the date of publication of this report, are as follows:

- (1) The ratio between the Company's interest-bearing financial liabilities and its equity will not exceed 1.25. At June 30, 2014, the actual ratio was 0.8.
- (2) The ratio between the Company's interest-bearing financial liabilities and its earnings before finance expenses, taxes, depreciation and amortization (EBITDA) for 12 months will not exceed 4. As of June 30, 2014, the ratio between the Company's interest-bearing financial liabilities and EBITDA for 12 months was 2.7.
- (3) The Company's equity will be no less than USD 1.22 billion. As of June 30, 2014, equity totaled USD 1.59 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. As of June 30, 2013, the Company's surplus balance is USD 1,119.6 million.

The receivables financing facility of the Company and its subsidiaries (as detailed in section 22.3 in Chapter A of the Periodic Report for 2013) ("the Receivables Financing Facility 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 June 30, 2014, the ratio was 0.8.
- (2) The ratio between the Company's interest-bearing financial liabilities and EBITDA for 12 months will not exceed 4. As of June 30, 2013, the ratio was 2.7.
- (3) The Company's equity will be no less than USD 1 billion. As of June 30, 2013, the equity totaled USD 1.59 billion.

As of June 30, 2014 and during the second quarter of 2014 and as of the date of this report, the Company was in compliance with the financial covenants applicable to it under the Finance Documents and the Receivables Financing Facility 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 Receivables Financing Facility 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 Receivables Financing Facility 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 Receivables Financing Facility Agreement after having applied IFRS 10, and includes the outstanding debt under the Receivables Financing Facility Agreement within its balance sheet.

E. Equity

The Company's Equity as of June 30, 2014 amounted to USD 1,587.6 million, compared to USD 1,464.4 million on June 30, 2013 and USD 1,404.2 million on December 31, 2013. Equity as a proportion of the total assets was 32.7% as of June 30, 2014, 33.1% on June 30, 2013, and 31.5% on December 31, 2013.

The Company's issued and paid-up share capital as of June 30, 2014 is 430,531,550 ordinary shares of NIS 1 par value each.

F. Financial ratios

	<u>December 31</u>	<u>June 30</u>	
	<u>2013</u>	<u>2013</u>	<u>2014</u>
Ratio of current assets to current liabilities (current ratio)	1.69	1.80	1.75
Ratio of current assets, excluding inventory, to current liabilities (quick ratio)	0.94	1.10	1.07
Ratio of financial liabilities to total assets	39.0%	41.4%	40.4%
Ratio of financial liabilities to total equity, gross	123.8%	124.8%	123.6%

G. Financing sources

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(4) 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, 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, the following:

1. The Company's consolidated financial statements reflect a positive level of working capital. Furthermore, the consolidated annual financial statements reflect consistent positive cash flow from operating activities. This positive working capital, which includes, at the reporting date, a cash balance of USD 366 million, is the principal source for the repayment 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 below on Material Changes and New Information in the Company's business.

C. Market Risks – Exposure and Risk Management

1. General

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

For details relating to credit risk and 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:

	30 June			4-6 average			1-6 average		
	2014	2013	Change	2014	2013	Change	2014	2013	Change
EUR/USD	1.365	1.305	4.7%	1.372	1.306	5.0%	1.371	1.313	4.4%
USD/BRL	2.203	2.216	(0.6%)	1.072	2.070	48.2%	2.297	2.033	13.0%
USD/PLN	3.047	3.318	(8.1%)	3.038	3.216	5.5%	3.046	3.182	(4.3%)
USD/ZAR	10.601	9.953	6.5%	10.531	9.468	(11.2%)	10.689	9.200	16.2%
AUD/USD	0.936	0.925	1.2%	0.933	0.990	(5.8%)	0.914	1.014	(9.8%)
GBP/USD	1.704	1.526	11.7%	1.683	1.536	9.6%	1.669	1.544	8.1%
USD/ILS	3.438	3.618	(5.0%)	3.461	3.624	4.5%	3.474	3.663	(5.1%)
USD L 3M	0.23%	0.28%	(15.6%)	0.23%	0.28%	(17.5%)	0.23%	0.28%	(18.5%)

The exchange rate fluctuations of these currencies during the Reporting Period impact various sections 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 balance sheet 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 Chief Financial Officer ("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 process of the financial statements

Since February 27, 2012, the Company has a Financial Statements Review Committee (the "Committee") whose members are members of the Audit Committee – Messrs. Yehezkel Ofir (an independent external director with accounting and financial expertise) who acts as Chairman of the Committee, Shoshan Haran (independent external director who is able to read and understand 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 regards 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 June 30, 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 material issues. The committee met on August 4, 2014 to review the financial statements for the period ended June 30, 2014. Other than the Committee Members, the meeting was attended by interested parties and senior officers Aviram Lahav (CFO), Michal Arlosoroff – SVP and General Counsel, 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 are invited to the meetings of the Committee and of the Board of Directors at which the financial statements are discussed and approved, provided their comments and responded to questions from the Committee Members and members of the Board of Directors on material issues arising from the data presented in the financial statements under discussion,. The Company's Internal Auditor was notified of the Committee's and of the Board of Directors meetings and invited to attend. After discussing the financial statements, the Committee drafted its recommendations concerning their approval of the financial statements and submitted them in writing to the Board of Directors three business days prior to the date of the Board's discussions.

On August 7, 2014, when presenting the financial statements to the Board of Directors, the Company's Chief Executive Officer ("CEO"), Mr. Chen Lichtenstein, presented the main results of the Company's operations during the period under review and referred to key initiatives and 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 under review, while comparing them with prior periods and highlighting material issues arising from them. During the reviews, the Company's management responded to questions from the members of the Board of Directors on all areas of the Company's operations.

The Board of Directors of the Company discussed the Company's financial statements as of June 30, 2014 and resolved to approve them.

E. Disclosure in financial reporting

1. Critical accounting estimates

As of the reporting date, no material changes occurred during the second 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 New Information in the Company's Business and Note 6 to the condensed interim consolidated financial statements as of June 30, 2014 concerning the issuance of options to an officer, senior management members and additional employees of the Company and its subsidiaries.

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

August 7, 2014

Appendix – Details of the Company's Debentures

Series	Date of issue	Rating	Total par value on date of issue (in NIS millions)	Type of interest	Nominal interest rate	Effective interest rate at reporting date	Market value on June 30, 2014 (NIS)	Dates of interest payments	Dates of principal payments	Linkage basis	Nominal par value at June 30, 2014 (in NIS millions)	CPI-linked nominal par value at June 30, 2014 (in NIS millions)	Carrying value of debenture balances at June 30, 2014 (in USD millions)	Carrying value of interest payable on June 30, 2014 (in USD millions)	Fair value at June 30, 2014 (in USD millions)
Series B (1)(3)(4)(5)	Dec. 06	iIAA- (8)	1,650	CPI-linked annual interest	5.15%	3.6%	3,810.6 (9)	Twice a year on May 31 and on Nov, 30 in each of the years 2006-2036	Nov. 30 of each of the years 2020-2036	CPI for October 2006	2,683.1(9)	3,232.3(9)	904.3(9)	4.0	1,108.4(9)
	Jan. 12		514												
	Jan. 13		600												
Series D (2)(3)(5)(6)(7)	Dec. 06	-iIAA (8)	235	Annual interest	6.50%	1.7%%	1,248.9	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	346.6	1.8	363.3
	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 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 D is 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 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 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). On July 1, 2014, Maalot announced that it has raised the rating for the Company's Debentures (B and D series) from iIA+ to a rating of iIAA- with stable outlook (ref. 2014-01-104136).
- (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 new information in the quarter relating to matters described in
Chapter A – Description of the Corporation's Business in the Periodic Report as of
December 31, 2013**

The information detailed hereunder includes changes or material new information relating to the chapter describing the corporation's business in the Company's Periodic Report as of December 31, 2013 (the "Annual Report"), taking into consideration also information included in the draft Registration Statement that the company intends to file with the U.S. Securities and Exchange Commission within the next few days, due to different disclosure requirements under U.S regulations and practice (see section 9 below) that were not included in the Company's previous reports.

1. Organizational structure changes

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

The organizational change will include, inter alia, division of the commercial regions into seven commercial clusters: North America, Brazil, Latin America, Asia Pacific, North Europe, South Europe and India, Middle East and Africa. The Company also predicts that as its operations in China will grow (including by means of the Acquisition Transaction as defined below), then China will be defined as the eighth cluster.

In addition, the organizational change will include the expansion of the Company's management to include, inter alia, additional managers from within the organization who will manage the clusters and the establishment of a committee of management members which will oversee the company's performance.

As part of the said organizational change, there have been, and there will be, changes to the number of senior officers or the responsibilities or roles of certain of the Company's senior officers, as the Company has reported or shall report, the most notable 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 Senior Vice President ("SVP") Strategy, Innovation and Business Intelligence, will act as SVP Strategy and Resources and will be 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 Head of Corporate Development, will be appointed as Vice President ("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 September 30, 2014.
7. Mr. Amos Rabin will be appointed as Head of Organizational Processes in China, 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 Mergers and Acquisitions + Section 2.1.3 – Shareholders Agreement – Asset Injection

- As part of 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 advance the negotiations with CNAC regarding the acquisition of 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. (the "Acquisition Transaction"). Nevertheless, and although the negotiations are progressing, to this date there is still no certainty as to the signing of the purchase agreement and/or to the fulfillment of the conditions to its execution, to the identity of the assets to be acquired, to the final consideration in respect of the Acquisition Transaction, to the contribution embedded in the Acquisition Transaction to the Company's revenues and to the future anticipated impact of such Acquisition Transaction.
- 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 6.3 – Trends and changes in the scope of activities in the field and Profitability

Further to section 6.3 of Chapter A of the Company's Annual Report, the annual rate of increase in the Company's revenues in the past 20 years is an average annual rate of approximately 12%, which is roughly three times the industry's general growth rate.

4. Section 7.3 – the Company's products

Further to section 7.3 of Chapter A of the Company's Annual Report, with regard to the fact that, in recent years, the Company has been striving to transform its product portfolio to a more diversified one (hybrid), the Company offers to the farmers a product offering which is distinct and customized according to the specific demand of the region and the crop.

The Company is striving to offer a hybrid product mix, comprised of, on one hand, high-volume off-patent branded crop protection products, and on the other hand,- an increasing number of more innovative products based on unique mixtures and formulations. In this regard, the Company is striving to change its sales mix so that it will include a higher proportion of more complex, more innovative, high-value, IP-protected products with relatively higher margins.

5. Section 7.4 – Production Process; Section 15.1 – Development

Further to section 7.4 and 15.1 of Chapter A of the Company's Annual Report, as of the reporting date, the Company has begun the construction of a new R&D facility and of a new formulation facility in China.

6. Section 11 – Distribution and Marketing

Further to section 11 of Chapter A of the Company's Annual Report, with regard to countries where the Company has no subsidiaries, it operates networks of external distributors, the Company estimates that should external distributors choose to sell products that compete with the Company's products instead of distributing the Company's products, this may have an adverse effect on its business results in those countries in which most of the Company's marketing activities are performed by external distributors.

7. Section 21 – Human capital

- On January 29, 2014, the Company issued 9,322,227 options exercisable to 9,322,227 ordinary NIS 1 par 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 conditions of the options grant, see the 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's President and CEO, effective as from the date of his 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 June 30, 2014.
- In addition, on August 7, 2014, after the date of the report, the Company issued 1,798,887 options exercisable to 1,798,887 ordinary NIS 1 par value shares of the Company, to an officer, senior management members and additional employees of the Company and its subsidiaries. For additional details, see a non-material private placement report dated August 10, 2014 along with this report (ref. 2014-01-130125) and also note 6 to the condensed interim consolidated financial statements as of June 30, 2014.

At the report date, there are 11,600,510 options exercisable to 11,600,510 ordinary NIS 1 par value shares of the Company held by the Company's officers and employees.

8. Section 29 – Corporate governance

- Following the appointment of Mr. Chen Lichtenstein as President and CEO of the Company, on March 7, 2014 Mr. Lichtenstein suspended himself from his position 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 CNAC. Accordingly, the Audit Committee and the Board of Directors approved on April 27, 2014 and on May 11, 2014, respectively, an amendment to the Arrangement for Prevention of Conflict of Interest that was executed with regard to 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).

- Further to section 29.6 of Chapter A of the Company's Annual Report, with regard to the Law for the Advancement of Competition and the Reduction of Concentration - 2013 ("Concentration Law") and its non-applicability to the Company, the Company updates that it received a legal opinion from its external legal counsels, according to which the Company is not a "Third Layer Company" as this term is defined in the Concentration Law. The legal opinion was provided by the Company to the Ministry of Justice and to the Israeli Securities Authority during March 2014. It is to be noted that in June 2014, the Finance Committee of the Knesset (Israeli Parliament) approved the Regulations for the Advancement of Competition and the Reduction of Concentration (the classification of a company as a layer company)-2014, that relieves certain corporations that are considered to be "Third Layer Companies" from updating the composition of their Board of Directors in order to adjust it to the demands of the Concentration Law. According to the minutes of the meeting of the Knesset Finance Committee, the Ministry of Justice's first intention was that such relief would also be applicable to the Company; however, in practice such relief was not applied to the Company.

The Company will continue to evaluate the application of the Concentration Law to the Company and the necessary actions required in relation thereto, including in connection with the Company becoming a public company.

9. Section 31.3 – Business Objectives and Strategy – Company's plans following closing of the Merger Transaction + Section 2.3 – Shareholders Agreement

Further to section 2.3 of Chapter A of the Company's Annual Report regarding the commitment of the parties of the shareholders agreement to act in order to complete an IPO of the Company within three years from closing date of the merger between the Company and its controlling shareholder, -China National Agrichemical Corporation, on August 7, 2014 the Board of Directors of the Company approved the filing with the U.S. Securities and Exchange Commission of a draft Registration Statement that includes a Preliminary Prospectus with regard to a possible offering of the Company's shares to the public and the listing for trade of such shares on the New York Stock Exchange or the NASDAQ. The Registration Statement has not yet been filed, and the Company intends to file the draft Registration Statement in the next few days. As of the date of the report, there is no certainty as to the execution of the offering, its timing, the amount to be raised, the price per share, the valuation according to which the offering shall take place or any of the other offering terms. The Company shall report regarding the filing of the draft Registration Statement as applicable by law.

10. Section 33.3 – Specific Risk Factors

Working Capital Requirements and Cash Flow of the Company

Like other companies operating in the crop protection products industry, the Company has significant cash flow and working capital requirements in the ordinary course of its business. The Company's business requires significant financial resources and investments in light of its growth and considering its strategic geographic growth areas; broad product portfolio and investments in manufacturing infrastructure. The Company works consistently to improve its working capital management, and for the

last three years, has recorded positive cash flow from operating activities. However, in 2012, the Company's cash flow from operating activities less cash used in investing activities was negative, and in 2013, amounted to \$41 million. Although the Company currently satisfies all of its financial covenants, a significant deterioration in its results of operations could cause the Company to fail to comply with its financial covenants in the future, and be unable to satisfy its financing needs. As a result of this, the Company's ability to achieve its objectives and growth plans and to meet its financing obligations could be adversely affected.



אדמה פתרונות לחקלאות בע"מ
ADAMA Agricultural Solutions Ltd.

Chapter B
Financial Statements (Unaudited)
for June 30, 2014

Adama Agricultural Solutions Ltd.

Condensed Consolidated Interim

Financial Statements

(Unaudited)

As of June 30, 2014

In US Dollars

Condensed Consolidated Interim Financial Statements as of June 30, 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. (formerly, Makhteshim–Agan Industries Ltd.) and its subsidiaries (hereinafter – “the Group”) comprising of the condensed consolidated interim statement of financial position as of June 30, 2014 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six and three month periods 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 these interim periods 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 5.6% of the total consolidated assets as of June 30, 2014 and whose revenues constitute 8.9% and 10.6% of the total consolidated revenues for the six and three month periods then ended, respectively. Furthermore, we did not review the condensed interim financial information of equity accounted investees, the investment in which amounted to \$8,456 thousand, as of June 30, 2014, and the Group’s share in their profits amounted to \$2,187 thousand and \$1,393 thousand, for the six and three month periods then ended, respectively. 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.)

August 7, 2014

Condensed Consolidated Interim Statement of Financial Position as of

	June 30 2014	June 30 2013	December 31 2013
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Current assets			
Cash and cash equivalents	366,315	423,459	379,386
Short-term investments	16,846	2,269	11,063
Trade receivables	1,364,381	1,133,244	979,497
Prepaid expenses	15,399	11,311	16,991
Financial and other assets, including derivatives	119,010	155,193	122,986
Tax deposits less provision for taxes	12,489	10,630	12,481
Inventories	1,206,078	1,105,474	1,218,200
Total current assets	3,100,518	2,841,580	2,740,604
Long-term investments, loans and receivables			
Investments in equity-accounted investee companies	83,833	18,503	73,307
Other financial investments and receivables	88,035	52,167	87,451
Non-financial investments and other receivables, including non-current inventory	28,526	23,165	26,546
	200,394	93,835	187,304
Fixed assets			
Cost	1,539,226	1,444,423	1,485,631
Less – accumulated depreciation	792,044	735,630	762,437
	747,182	708,793	723,194
Deferred tax assets	91,107	75,010	82,101
Intangible assets			
Cost	1,584,081	1,475,781	1,546,382
Less – accumulated amortization	868,240	776,372	822,684
	715,841	699,409	723,698
Total non-current assets	1,754,524	1,577,047	1,716,297
Total assets	4,855,042	4,418,627	4,456,901

	June 30 2014	June 30 2013	December 31 2013
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Current liabilities			
Loans and credit from banks and other lenders	484,807	438,111	397,143
Current maturities of debentures	115,548	155,542	65,378
Trade payables	622,191	494,405	641,525
Other payables	464,299	395,367	415,742
Current tax liabilities	47,757	43,915	39,458
Put options to holders of non-controlling interests	33,593	53,480	63,703
Total current liabilities	1,768,195	1,580,820	1,622,949
Long-term liabilities			
Long-term loans from banks	226,635	196,239	248,187
Debentures	1,135,357	1,037,379	1,027,340
Other long-term liabilities	25,933	31,938	40,990
Deferred tax liabilities	18,731	22,687	19,450
Employee benefits	84,575	85,146	86,038
Put options to holders of non-controlling interests	7,975	–	7,795
Total long-term liabilities	1,499,206	1,373,389	1,429,800
Total liabilities	3,267,401	2,954,209	3,052,749
Equity			
Share capital	125,595	125,595	125,595
Share premium	623,829	623,829	623,829
Capital reserves	(281,798)	(260,127)	(307,096)
Retained earnings	1,119,633	972,253	960,823
Equity attributable to owners of the Company	1,587,259	1,461,550	1,403,151
Non-controlling interests	382	2,868	1,001
Total equity	1,587,641	1,464,418	1,404,152
Total liabilities and equity	4,855,042	4,418,627	4,456,901

Yang Xingqiang
Chairman of the Board of Directors

Chen Lichtenstein
President & Chief Executive
Officer

Aviram Lahav
Chief Financial Officer

Date of approval financial statements: August 7, 2014

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

Condensed Consolidated Interim Statement of Income for the

	Six-month period ended June 30		Three-month period ended June 30		Year ended December 31
	2014	2013	2014	2013	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Revenues	1,785,651	1,688,640	875,950	803,255	3,076,355
Cost of sales	1,192,903	1,140,427	596,295	549,829	2,108,282
Gross profit	592,748	548,213	279,655	253,426	968,073
Other income	(1,013)	(5,732)	(576)	(5,332)	(12,815)
Selling and marketing expenses	291,186	257,374	146,007	129,069	522,050
General and administrative expenses	54,155	55,024	26,682	28,225	114,485
Research and development expenses	17,731	16,870	7,680	8,037	33,667
Other expenses	518	310	363	147	1,697
	362,577	323,846	180,156	160,146	659,084
Operating income	230,171	224,367	99,499	93,280	308,989
Financing expenses	99,563	141,248	51,878	67,519	273,176
Financing income	(45,347)	(77,271)	(22,699)	(32,816)	(132,611)
Financing expenses, net	54,216	63,977	29,179	34,703	140,565
Share of income of equity-accounted investee companies	4,639	5,191	4,466	4,196	3,197
Profit before taxes on income	180,594	165,581	74,786	62,773	171,621
Income taxes	22,542	27,362	15,415	14,688	44,550
Profit for the period	158,052	138,219	59,371	48,085	127,071
Attributable to:					
The owners of the Company	158,264	138,382	59,520	48,184	127,248
Holder of non-controlling interests	(212)	(163)	(149)	(99)	(177)
Profit for the period	158,052	138,219	59,371	48,085	127,071

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

Condensed Consolidated Interim Statement of Comprehensive Income for the

	Six-month period ended June 30		Three-month period ended June 30		Year ended December 31
	2014 (Unaudited) \$ thousands	2013 (Unaudited) \$ thousands	2014 (Unaudited) \$ thousands	2013 (Unaudited) \$ thousands	2013 (Audited) \$ thousands
Profit for the period	158,052	138,219	59,371	48,085	127,071
Other comprehensive income items that after initial recognition in comprehensive income were or will be transferred to the statement of income					
Foreign currency translation differences in respect of foreign operations	5,098	(18,624)	2,371	(16,085)	(16,691)
Effective portion of change in fair value of cash flow hedges	3,951	24,992	4,356	(1,010)	(19,145)
Net change in fair value of cash flow hedges transferred to the statement of income	16,561	(7,214)	8,149	(2,682)	(13,174)
Income taxes transferred to the statement of income in subsequent periods	23	(1,410)	20	450	118
Total other comprehensive income (loss) for the period that after initial recognition in comprehensive income were or will be transferred to the statement of income, net of tax	25,633	(2,256)	14,896	(19,327)	(48,892)
Other comprehensive income that will not be transferred to the statement of income					
Re-measurement of defined benefit plan	(1,803)	519	(822)	(83)	170
Income taxes that will not be transferred to the statement of income	207	(100)	90	(58)	(47)
Total other comprehensive income (loss) for the period that will not be transferred to the statement of income, net of tax	(1,596)	419	(732)	(141)	123
Total comprehensive income for the period	182,089	136,382	73,535	28,617	78,302
Total comprehensive income attributable to:					
The owners of the Company	182,309	136,545	73,684	28,716	78,351
Holder of non-controlling interests	(220)	(163)	(149)	(99)	(49)
Total comprehensive income for the period	182,089	136,382	73,535	28,617	78,302

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

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 six-month period ended June 30, 2014 (unaudited)							
Balance as of January 1, 2014	125,595	623,829	(307,096)	960,823	1,403,151	1,001	1,404,152
Total comprehensive income for the period							
Profit for the period	–	–	–	158,264	158,264	(212)	158,052
Other comprehensive income							
Foreign currency translation differences in respect of foreign operations	–	–	5,106	–	5,106	(8)	5,098
Effective portion of change in fair value of cash flow hedges	–	–	3,951	–	3,951	–	3,951
Net change in fair value of cash flow hedges transferred to the statement of income	–	–	16,561	–	16,561	–	16,561
Re-measurement of defined benefit plan	–	–	–	(1,803)	(1,803)	–	(1,803)
Income taxes on other comprehensive income	–	–	23	207	230	–	230
Other comprehensive income (loss) for the period, net of tax	–	–	25,641	(1,596)	24,045	(8)	24,037
Total comprehensive income for the period	–	–	25,641	156,668	182,309	(220)	182,089
Share-based payments	–	–	–	4,244	4,244	–	4,244
Dividends to holders of non-controlling interests holding a put option	–	–	–	(1,994)	(1,994)	–	(1,994)
Elimination of non-controlling interests due to loss of control of subsidiary	–	–	–	–	–	(659)	(659)
Transaction with holders of non-controlling interests	–	–	(260)	–	(260)	260	–
Exercise of options granted to employees of a subsidiary	–	–	(83)	(108)	(191)	–	(191)
Balance as of June 30, 2014	125,595	623,829	(281,798)	1,119,633	1,587,259	382	1,587,641

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

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

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 six-month period ended June 30, 2013 (unaudited)							
Balance as of January 1, 2013	125,595	623,829	(257,662)	836,378	1,328,140	636	1,328,776
Total comprehensive income for the period							
Profit for the period	–	–	–	138,382	138,382	(163)	138,219
Other comprehensive income							
Foreign currency translation differences in respect of foreign operations	–	–	(18,624)	–	(18,624)	–	(18,624)
Effective portion of change in fair value of cash flow hedges	–	–	24,992	–	24,992	–	24,992
Net change in fair value of cash flow hedges transferred to the statement of income	–	–	(7,214)	–	(7,214)	–	(7,214)
Re-measurement of defined benefit plan	–	–	–	519	519	–	519
Income taxes on other comprehensive income	–	–	(1,410)	(100)	(1,510)	–	(1,510)
Other comprehensive income (loss) for the period, net of tax	–	–	(2,256)	419	(1,837)	–	(1,837)
Total comprehensive income (loss) for the period	–	–	(2,256)	138,801	136,545	(163)	136,382
Dividends to holders of non-controlling interests holding a put option	–	–	–	(2,926)	(2,926)	–	(2,926)
Non-controlling rights in respect of business combinations	–	–	–	–	–	2,186	2,186
Transactions with holders of non-controlling interests	–	–	(209)	–	(209)	209	–
Balance as of June 30, 2013	125,595	623,829	(260,127)	972,253	1,461,550	2,868	1,464,418

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

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

Condensed Consolidated Interim Statement of Changes in Equity

	<u>Share capital</u>	<u>Share premium</u>	<u>Capital reserves (1)</u>	<u>Retained earnings</u>	<u>Total equity attributable to the owners of the Company</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>
For the three-month period ended June 30, 2014 (unaudited)							
Balance as of April 1, 2014	125,595	623,829	(296,694)	1,060,144	1,512,874	531	1,513,405
Total comprehensive income for the period							
Profit for the period	–	–	–	59,520	59,520	(149)	59,371
Other comprehensive income							
Foreign currency translation differences in respect of foreign operations	–	–	2,371	–	2,371	–	2,371
Effective portion of change in fair value of cash flow hedges	–	–	4,356	–	4,356	–	4,356
Net change in fair value of cash flow hedges transferred to the statement of income	–	–	8,149	–	8,149	–	8,149
Re-measurement of defined benefit plan	–	–	–	(822)	(822)	–	(822)
Income taxes on other comprehensive income	–	–	20	90	110	–	110
Other comprehensive income (loss) for the period, net of tax	–	–	14,896	(732)	14,164	–	14,164
Total comprehensive income for the period	–	–	14,896	58,788	73,684	(149)	73,535
Share-based payments	–	–	–	2,368	2,368	–	2,368
Dividends to holders of non-controlling interests holding a put option	–	–	–	(1,667)	(1,667)	–	(1,667)
Balance as of June 30, 2014	125,595	623,829	(281,798)	1,119,633	1,587,259	382	1,587,641

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

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

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 June 30, 2013 (unaudited)							
Balance as of April 1, 2013	125,595	623,829	(240,800)	926,273	1,434,897	781	1,435,678
Total comprehensive income for the period							
Profit for the period	–	–	–	48,184	48,184	(99)	48,085
Other comprehensive income							
Foreign currency translation differences in respect of foreign operations	–	–	(16,085)	–	(16,085)	–	(16,085)
Effective portion of change in fair value of cash flow hedges	–	–	(1,010)	–	(1,010)	–	(1,010)
Net change in fair value of cash flow hedges transferred to the statement of income	–	–	(2,682)	–	(2,682)	–	(2,682)
Re-measurement of defined benefit plan	–	–	–	(83)	(83)	–	(83)
Income taxes on other comprehensive income	–	–	450	(58)	392	–	392
Other comprehensive loss for the period, net of tax	–	–	(19,327)	(141)	(19,468)	–	(19,468)
Total comprehensive income (loss) for the period	–	–	(19,327)	48,043	28,716	(99)	28,617
Dividends to holders of non-controlling interests holding a put option	–	–	–	(2,063)	(2,063)	–	(2,063)
Non-controlling rights in respect of business combinations	–	–	–	–	–	2,186	2,186
Balance as of June 30, 2013	125,595	623,829	(260,127)	972,253	1,461,550	2,868	1,464,418

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

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

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 year ended December 31, 2013 (audited)							
Balance as of January 1, 2013	125,595	623,829	(257,662)	836,378	1,328,140	636	1,328,776
Total comprehensive income for the year							
Profit for the year	–	–	–	127,248	127,248	(177)	127,071
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 cash flow hedges transferred to the statement of income	–	–	(13,174)	–	(13,174)	–	(13,174)
Re-measurement of defined benefit plan	–	–	–	170	170	–	170
Income taxes on 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 of 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 accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Cash Flows for the

	Six-month period ended June 30		Three-month period ended June 30		Year ended December 31
	2014	2013	2014	2013	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Cash flows from operating activities					
Profit for the period	158,052	138,219	59,371	48,085	127,071
Adjustments					
Depreciation and amortization	82,508	76,684	41,707	39,288	157,001
Gain on sale of investment	–	–	–	–	(3,619)
Share-based payment expenses	4,244	–	2,368	–	–
Capital gain on realization of fixed and other assets, net	(49)	(72)	(36)	(20)	(442)
Amortization of discount/premium and debt issuance costs	(1,439)	304	(1,012)	149	667
Share of income of equity accounted investee companies	(4,639)	(5,191)	(4,466)	(4,196)	(3,197)
Changes due to put options to holders of non-controlling interests	70	3,504	(5)	203	10,878
Adjustment of long-term liabilities	13,726	46,410	22,527	16,107	106,599
SWAP transactions	(240)	(3,762)	(120)	(1,772)	(7,882)
Change in provision for income tax and tax deposits, net	8,233	17,840	3,180	512	11,461
Decrease (increase) in deferred taxes, net	(9,611)	1,402	(40)	4,347	(8,060)
Changes in assets and liabilities					
Decrease (increase) in trade and other receivables	(374,466)	(286,101)	74,836	130,209	(139,548)
Decrease in inventories	17,583	124,281	46,044	54,488	10,648
Increase (decrease) in trade and other payables	48,236	(46,477)	(83,329)	(62,922)	98,787
Change in employee benefits	(1,038)	(7)	661	(744)	2,161
Net cash from (used in) operating activities	(58,830)	67,034	161,686	223,734	362,525
Cash flows from investing activities					
Acquisition of fixed assets	(57,344)	(49,132)	(30,302)	(26,851)	(84,867)
Additions to intangible assets	(51,490)	(57,494)	(24,853)	(24,747)	(113,554)
Short-term investments, net	(6,942)	(662)	242	498	(9,456)
Long-term investment, net	(350)	–	351	–	(52,429)
Proceeds from sale of fixed and intangible assets	249	884	–	737	1,616
Investment in equity-accounted investee companies	(6,169)	–	(6,169)	–	(58,294)
Dividend from equity-accounted investee company	–	–	–	–	2,097
Proceeds from sale of investment	–	–	–	–	4,508
Acquisition of subsidiaries net of cash acquired	–	65	–	65	(9,568)
Transition from proportionate consolidation to equity method	(261)	(1,603)	–	–	(1,603)
Net cash used in investing activities	(122,307)	(107,942)	(60,731)	(50,298)	(321,550)

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

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

	Six-month period ended June 30		Three-month period ended June 30		Year ended December 31
	2014	2013	2014	2013	2013
	(Unaudited) \$ thousands	(Unaudited) \$ thousands	(Unaudited) \$ thousands	(Unaudited) \$ thousands	(Audited) \$ thousands
Cash flows from financing activities					
Receipt of long-term loans from banks	29,739	3,403	2,273	942	118,304
Repayment of long-term loans and liabilities from banks and others	(51,442)	(52,462)	(22,327)	(24,225)	(130,649)
Repayment of debentures	–	–	–	–	(160,959)
Increase (decrease) in short-term liabilities to banks and others, net	80,148	38,211	(28,633)	(27,262)	15,191
SWAP settlement	–	–	–	–	21,309
Dividend to holders of non-controlling interests	(2,185)	(2,412)	(1,667)	(2,063)	(2,412)
Issuance of debentures, net of issuance costs	146,806	177,215	–	–	177,215
Exercise of put option of non-controlling interests	(30,000)	–	–	–	–
Payment of contingent in respect of business combination	(5,000)	–	–	–	–
Net cash from (used in) financing activities	168,066	163,955	(50,354)	(52,608)	37,999
Net increase (decrease) in cash and cash equivalents	(13,071)	123,047	50,601	120,828	78,974
Cash and cash equivalents at the beginning of the period	379,386	300,412	315,714	302,631	300,412
Cash and cash equivalents at the end of the period	366,315	423,459	366,315	423,459	379,386
Additional information:					
Interest paid in cash	(43,933)	(48,407)	(36,429)	(39,259)	(95,215)
Interest received in cash	16,300	13,351	14,036	9,458	21,878
Taxes paid in cash, net	(24,927)	(9,648)	(13,321)	(10,700)	(29,257)

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

Notes to the Financial Statements as of June 30, 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 Group’s condensed consolidated interim financial statements as of June 30, 2014, include those of the Company and its investee companies (hereinafter together – “the Group”) as well as the Company’s interest in associated companies and in jointly-controlled entities. The Group operates in and outside of Israel and is engaged in development, manufacturing 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 timing of the agricultural seasons (in each of the various markets), the weather in every region and the cyclical pattern of the harvests. Therefore, the Company’s income is not uniform and does not spread evenly throughout 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, accordingly, in these countries the sales are usually highest 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 Group's balanced regional exposure mitigates the inherent seasonality in the business to some extent, even though the Group’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 of and for the year ended December 31, 2013 (hereinafter – “the Annual Financial Statements”). Furthermore, these financial statements have been prepared in accordance with Section D of the Israeli 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 August 7, 2014.

B. Use of estimates and judgment

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

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

Notes to the Financial Statements as of June 30, 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.

New standards not yet adopted**A. IFRS 9 (2014), Financial Instruments**

A final version of the Standard, which includes revised guidance on the classification and measurement of financial instruments, and a new model for measuring impairment of financial assets. This guidance has been added to the chapter dealing with general hedge accounting requirements issued in 2013.

Classification and measurement

In accordance with IFRS 9 (2014), there are three principal categories for measuring financial assets: amortized cost, fair value through profit and loss and fair value through other comprehensive income. The basis of classification for debt instruments is the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. Investments in equity instruments will be measured at fair value through profit and loss (unless the entity elected at initial recognition to present fair value changes in other comprehensive income).

IFRS 9 (2014) requires that changes in fair value of financial liabilities designated at fair value through profit or loss that are attributable to changes in its credit risk, should usually be recognized in other comprehensive income.

Hedge accounting – general

Under IFRS 9 (2014), additional hedging strategies that are used for risk management will qualify for hedge accounting. IFRS 9 (2014) replaces the present 80%-125% test for determining hedge effectiveness, with the requirement that there be an economic relationship between the hedged item and the hedging instrument, with no quantitative threshold. In addition, IFRS 9 (2014) introduces new models that are alternatives to hedge accounting as regards credit exposures and certain contracts outside the scope of IFRS 9 (2014) and sets new principles for accounting for hedging instruments. In addition, IFRS 9 (2014) provides new disclosure requirements.

Impairment of financial assets

IFRS 9 (2014) presents a new 'expected credit loss' model for calculating impairment. For most assets, the new model presents a dual measurement approach for impairment: if the credit risk of a financial asset has not increased significantly since its initial recognition, an impairment provision will be recorded in the amount of the expected credit losses that result from default events that are possible within the twelve months after the reporting date.

If the credit risk has increased significantly, in most cases the impairment provision will increase and be recorded at the level of lifetime expected credit losses of the financial asset.

IFRS 9 (2014) is effective for annual periods beginning on or after January 1, 2018 with early adoption being permitted. It will be applied retrospectively with some exemptions.

The Group has not yet commenced examining the effects of adopting IFRS 9 (2014) on the financial statements.

Notes to the Financial Statements as of June 30, 2014 (Unaudited)

Note 3 - Significant Accounting Policies (cont'd)**New standards not yet adopted (cont'd)****B. IFRS 15, Revenue from Contracts with Customers**

IFRS 15 replaces the current guidance regarding recognition of revenues and presents a new model for recognizing revenue from contracts with customers. IFRS 15 provides two approaches for recognizing revenue: at a point in time or over time. The model includes five steps for analyzing transactions so as to determine when to recognize revenue and at what amount. Furthermore, IFRS 15 provides new and more extensive disclosure requirements than those that exist under current guidance.

IFRS 15 is applicable for annual periods beginning on or after January 1, 2017 and earlier application is permitted. IFRS 15 includes various alternative transitional provisions, so that companies can choose between one of the following alternatives at initial application: full retrospective application, full retrospective application with practical expedients, or application as from the mandatory effective date, with an adjustment to the balance of retained earnings at that date in respect of transactions that are not yet complete.

The Group has not yet commenced examining the effects of adopting IFRS 15 on the financial statements.

Note 4 - Operating Segments**A. Products and services:**

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

- Crop protection (Agro)
This is the main area of the Company's operation and includes the manufacture and marketing of conventional agrochemical products and activities in the seeds' sector.
- Other (Non-agro)
This field of activity includes a large number of sub-fields, including: Lycopan (an oxidization retardant), aromatic products, and other chemicals. It combines all the Company's activities not included in the crop protection 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 items that can be allocated on a reasonable basis. Unallocated items comprise mainly financing expenses, net.

Notes to the Financial Statements as of June 30, 2014 (Unaudited)

Note 4 - Operating Segments (cont'd)

A. Products and services: (cont'd)

Information regarding the results of each reportable segment is included below:

	For the six-month period ended June 30, 2014 (Unaudited)			
	<u>Crop protection</u>	<u>Other</u>	<u>Reconciliations</u>	<u>Consolidated</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>
Revenues				
External revenues	1,685,440	100,211	–	1,785,651
Inter-segment revenues	–	901	(901)	–
Total revenues	<u>1,685,440</u>	<u>101,112</u>	<u>(901)</u>	<u>1,785,651</u>
Results				
Segment's results	<u>223,283</u>	<u>6,966</u>	<u>(78)</u>	230,171
Financing expenses, net				(54,216)
Share of income of equity accounted in investees, net				4,639
Income taxes				(22,542)
Non-controlling interests				212
Profit for the period				<u>158,264</u>

	For the six-month period ended June 30, 2013 (Unaudited)			
	<u>Crop protection</u>	<u>Other</u>	<u>Reconciliations</u>	<u>Consolidated</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>
Revenues				
External revenues	1,584,652	103,988	–	1,688,640
Inter-segment revenues	–	671	(671)	–
Total revenues	<u>1,584,652</u>	<u>104,659</u>	<u>(671)</u>	<u>1,688,640</u>
Results				
Segment's results	<u>210,373</u>	<u>13,880</u>	<u>114</u>	224,367
Financing expenses, net				(63,977)
Share of income of equity accounted investees, net				5,191
Income taxes				(27,362)
Non-controlling interests				163
Profit for the period				<u>138,382</u>

Notes to the Financial Statements as of June 30, 2014 (Unaudited)

Note 4 – Operating Segments (cont'd)

A. Products and services: (cont'd)

Information regarding the results of each reportable segment is included below: (cont'd)

	For the three-month period ended June 30, 2014 (Unaudited)			
	Crop protection \$ thousands	Other \$ thousands	Reconciliations \$ thousands	Consolidated \$ thousands
Revenues				
External revenues	826,183	49,767	–	875,950
Inter-segment revenues	–	541	(541)	–
Total revenues	<u>826,183</u>	<u>50,308</u>	<u>(541)</u>	<u>875,950</u>
Results				
Segment's results	<u>97,962</u>	<u>1,629</u>	<u>(92)</u>	<u>99,499</u>
Financing expenses, net				(29,179)
Share of income of equity accounted in investees, net				4,466
Income taxes				(15,415)
Non-controlling interests				149
Profit for the period				<u>59,520</u>

	For the three-month period ended June 30, 2013 (Unaudited)			
	Crop protection \$ thousands	Other \$ thousands	Reconciliations \$ thousands	Consolidated \$ thousands
Statement of income information:				
Revenues				
External revenues	748,236	55,019	–	803,255
Inter-segment revenues	–	334	(334)	–
Total revenues	<u>748,236</u>	<u>55,353</u>	<u>(334)</u>	<u>803,255</u>
Results				
Segment's results	<u>82,425</u>	<u>10,798</u>	<u>57</u>	<u>93,280</u>
Financing expenses, net				(34,703)
Share of income of equity accounted investees, net				4,196
Income taxes				(14,688)
Non-controlling interests				99
Profit for the period				<u>48,184</u>

	For the year ended December 31, 2013 (Audited)			
	Crop protection \$ thousands	Other \$ thousands	Reconciliations \$ thousands	Consolidated \$ thousands
Statement of income information:				
Revenues				
External revenues	2,876,198	200,157	–	3,076,355
Inter-segment revenues	–	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
Income taxes				(44,550)
Non-controlling interests				177
Profit for the year				<u>127,248</u>

Notes to the Financial Statements as of June 30, 2014 (Unaudited)**Note 4 - Operating Segments (cont'd)****B. Information on geographical segments:**

Presented below are sales revenues according to geographic segments based on the location of the customers (sales targets):

	Six month period ended		Three month period ended		Year ended
	June 30	June 30	June 30	June 30	December 31
	2013	2013	2013	2013	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Europe	803,366	776,601	336,142	340,619	1,140,346
North America	313,916	296,590	175,526	150,801	516,153
Latin America	305,835	268,159	169,637	139,848	757,518
Asia Pacific and Africa	307,927	292,292	165,164	144,199	553,157
Israel	54,607	54,998	29,481	27,788	109,181
	1,785,651	1,688,640	875,950	803,255	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 residual period until redemption, using an appropriate interest rate.

The fair value of foreign currency options and cross currency swaps 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 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.

Notes to the Financial Statements as of June 30, 2014 (Unaudited)**Note 5 - Financial Instruments (cont'd)****(1) Financial instruments measured at fair value for disclosure purposes only (cont'd)**

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:

	June 30, 2014		June 30, 2013		December 31, 2013	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	(Unaudited)		(Unaudited)		(Audited)	
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Financial assets						
Long-term loans and other receivables	71,735	68,985	45,859	32,868	83,425	76,328
Financial liabilities						
Long-term loans including current liabilities	335,096	343,017	333,486	334,414	354,429	365,099
Debentures	1,250,905	1,471,619	1,192,921	1,247,647	1,092,718	1,188,219

(2) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active market for identical instrument.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: Inputs that are not based on observable market data.

The Company's financial instruments carried at fair value, are evaluated by observable inputs and therefore are concurrent with the definition of Level 2.

	June 30, 2014 (Unaudited) \$ thousands	June 30, 2013 (Unaudited) \$ thousands	December 31, 2013 (Audited) \$ thousands
Derivatives used for hedging:			
Forward contracts and options	(16,224)	12,746	(36,123)
Interest rate swaps	–	17,968	–
Derivatives not used for hedging:			
Forward contracts and options	24,431	37,362	44,994
	8,207	68,076	8,871

Notes to the Financial Statements as of June 30, 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:

Share price (dollars)	6.11
Original exercise price (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.

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:

Share price (dollars)	6.37
Original exercise price (dollars)	6.09
Expected volatility	38%
Risk free interest rate	2.07%
Economic value on the grant date (thousands of dollars)	2,729

Notes to the Financial Statements as of June 30, 2014 (Unaudited)

Note 6 - Additional Information (cont'd)

(1) Share-based payments (cont'd)

During August 2014, the Company's Remuneration Committee and Board of Directors approved the issuance of an additional 1,798,887 options to officers, senior managers, and additional employees of the Company and of Company subsidiaries, in accordance with 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 approximately \$4 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.

Adama Agricultural Solutions Ltd.

Condensed Separate Interim

Financial Data

(Unaudited)

As of June 30, 2014

In U.S. Dollars



Somekh Chaikin
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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 June 30, 2014 and for the six and three month periods 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 investments in which amounted to \$114,626 thousand as of June 30, 2014, and the profit from these investee companies amounted to \$8,424 thousand and \$5,264 thousand for the six and three month periods then ended, respectively. 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.)
August 7, 2014

Condensed Interim Information on Financial Position

	June 30 2014	June 30 2013	December 31 2013
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Current assets			
Cash and cash equivalents	982	1,032	4,242
Prepaid expenses	660	823	752
Other receivables and investee companies	273,205	282,604	320,595
Derivatives	19,385	24,744	28,709
Total current assets	294,232	309,203	354,298
Long-term investments, loans and receivables			
Investment in investee companies	1,664,496	1,532,586	1,483,697
Loans to investee companies	928,391	852,467	713,577
Derivatives	–	2,204	–
	2,592,887	2,387,257	2,197,274
Fixed assets, net	3,088	2,785	2,740
Intangible assets, net	3,298	1,382	2,108
Deferred tax assets	–	362	–
Total non-current assets	2,599,273	2,391,786	2,202,122
Total assets	2,893,505	2,700,989	2,556,420

Condensed Interim Information on Financial Position

	June 30 2014	June 30 2013	December 31 2013
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Current liabilities			
Current maturities of debentures	115,548	155,542	65,378
Other payables	26,593	19,480	32,478
Derivatives	–	1,129	–
Total current liabilities	142,141	176,151	97,856
Long-term liabilities			
Debentures	1,159,113	1,059,729	1,050,916
Other long-term liabilities	227	–	–
Employee benefits	4,765	3,559	4,497
Total non-current liabilities	1,164,105	1,063,288	1,055,413
Total liabilities	1,306,246	1,239,439	1,153,269
Equity			
Share capital	125,595	125,595	125,595
Share premium	623,829	623,829	623,829
Capital reserves	(281,798)	(260,127)	(307,096)
Retained earnings	1,119,633	972,253	960,823
Total equity attributable to the owners of the Company	1,587,259	1,461,550	1,403,151
Total liabilities and equity	2,893,505	2,700,989	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: August 7, 2014

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

Condensed Interim Information on Income

	Six month period ended June 30		Three month period ended June 30		Year ended December 31
	2014 (Unaudited) \$ thousands	2013 (Unaudited) \$ thousands	2014 (Unaudited) \$ thousands	2013 (Unaudited) \$ thousands	2013 (Audited) \$ thousands
Revenues					
Management fees from investee companies	24,096	19,625	13,805	9,456	34,223
Expenses					
General and administrative	22,436	22,556	10,906	10,688	45,564
Operating income (loss)	1,660	(2,931)	2,899	(1,232)	(11,341)
Financing expenses	57,428	78,222	40,255	33,562	171,466
Financing income	(57,428)	(78,222)	(40,260)	(33,562)	(171,578)
Financing income, net	–	–	5	–	112
Income (loss) after financing expenses, net	1,660	(2,931)	2,904	(1,232)	(11,229)
Income from investee companies	156,879	141,531	56,655	49,448	139,184
Profit before tax on income	158,539	138,600	59,559	48,216	127,955
Taxes on income	275	218	39	32	707
Profit for the period attributable to the owners of the Company	158,264	138,382	59,520	48,184	127,248

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

Condensed Interim Information on Comprehensive Income

	Six month period ended June 30		Three month period ended June 30		Year ended December 31
	2014 (Unaudited) \$ thousands	2013 (Unaudited) \$ thousands	2014 (Unaudited) \$ thousands	2013 (Unaudited) \$ thousands	2013 (Audited) \$ thousands
Income for the period attributable to the owners of the Company	158,264	138,382	59,520	48,184	127,248
Other comprehensive income that after initial recognition in comprehensive income were or will be transferred to the statement of income					
Effective portion of changes in fair value of cash flow hedges	–	3,954	–	1,507	7,294
Net change in fair value of cash flow hedges transferred to the statement of income	(240)	(3,762)	(120)	(1,770)	(7,881)
Other comprehensive income (loss) in respect of investee companies, net of tax	25,860	(2,429)	14,995	(19,090)	(48,509)
Taxes on the components of other comprehensive income that were transferred or will be transferred to the statement of income	21	(19)	21	26	76
Total other comprehensive income (loss) for the period that after initial recognition in comprehensive income were or will be transferred to the statement of income, net of tax transferred to the statement of income, net of tax	25,641	(2,256)	14,896	(19,327)	(49,020)
Components of other comprehensive income that will not be transferred to the statement of income					
Actuarial gains (losses) from defined benefit plan	(122)	30	(122)	(39)	(11)
Other comprehensive income (loss) in respect of investee companies, net from tax	(1,474)	389	(610)	(102)	134
Total components of other comprehensive income (loss) for the period that will not be transferred to the statement of income	(1,596)	419	(732)	(141)	123
Total comprehensive income for the period attributable to the owners of the Company	182,309	136,545	73,684	28,716	78,351

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

Condensed Interim Information on Cash Flows

	Six month period ended		Three month period ended		Year ended
	June 30		June 30		December 31
	2014	2013	2014	2013	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Cash flows from operating activities					
Profit for the period attributable to the owners of the Company	158,264	138,382	59,520	48,184	127,248
Adjustments					
Income in respect of investee companies	(156,879)	(141,531)	(56,655)	(49,448)	(139,184)
Depreciation and amortization	770	801	391	394	1,572
Amortization of discount/premium and issuance costs	(1,439)	304	(1,012)	149	667
Expenses in respect of options to employees	2,264	–	1,378	–	–
Adjustment of long-term liabilities	12,819	46,159	22,040	16,338	105,752
SWAP transactions	(240)	(3,762)	(120)	(1,772)	(7,882)
Change in deferred taxes, net	21	30	21	15	486
Changes in assets and liabilities					
Decrease (increase) in accounts receivable and current assets	9,425	982	(3,063)	24,416	(16,830)
Increase (decrease) in accounts payable and other liabilities	(5,620)	739	(24,535)	(18,552)	12,836
Change in provisions and employee benefits	108	313	266	(94)	982
Net cash used in operating activities in respect of transactions with investee companies	(58,626)	(58,705)	(36,165)	(31,719)	(119,740)
Net cash used in operating activities	(39,133)	(16,288)	(37,934)	(12,089)	(34,093)
Cash flows from investing activities					
Acquisition of fixed assets	(624)	(151)	(344)	(91)	(365)
Additions to intangible assets	(1,684)	(443)	(836)	(169)	(1,681)
Net cash provided by (used in) operating activities in respect of transactions with investee companies	(108,625)	(160,396)	38,781	11,957	1,721
Net cash provided by (used in) investing activities	(110,933)	(160,990)	37,601	11,697	(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	(3,260)	(63)	(333)	(392)	3,147
Cash and cash equivalents at beginning of the period	4,242	1,095	1,315	1,424	1,095
Cash and cash equivalents at end of the period	982	1,032	982	1,032	4,242
Supplementary information:					
Interest paid in cash	(28,391)	(33,395)	(28,390)	(33,395)	(62,848)
Interest received in cash	825	997	534	513	1,854
Taxes paid in cash, net	(254)	(188)	(17)	(17)	(216)

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

Notes to the Condensed Financial Statements as of June 30, 2014

Additional Information

1. General

Presented herein is condensed financial data from the Group's condensed consolidated interim financial statements as of June 30, 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 of and for the period ended December 31, 2013 and in conjunction with the interim condensed consolidated financial statements.

In this interim financial information:

- | | |
|-------------------------------|--|
| (1) <u>The Company</u> | – Adama Agricultural Solutions Ltd. |
| (2) <u>Subsidiaries</u> | – Companies, including partnerships, whose financial statements are fully consolidated, directly or indirectly, with the financial statements of the Company. |
| (3) <u>Investee companies</u> | – 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, EVP CFO
3. Ignacio Dominguez, EVP CCO
4. Shaul Friedland, EVP CCO
5. Elhanan Abramov, EVP Global Operations
6. Michal Arlosoroff, SVP General Legal Counsel
7. Dani Harari, SVP Strategy and Resources

The internal auditing of financial reporting and disclosure includes the existing controls and procedures in the corporation, which were designed by the Chief Executive Officer and the senior corporate financial officer or under their supervision, or by someone who in practice carries out these functions, under the supervision of the corporation's Board of Directors and which are intended to provide a reasonable degree of confidence regarding the reliability of financial reporting and the preparation of the reports according to the instructions of the law and to ensure that the information which the corporation is required to disclose in the reports that it publishes according to the instructions of the law is gathered, processed, summarized and reported on the dates and in the format dictated by law.

The internal auditing includes, among other things, audits and procedures that were designed to ensure that the information which the corporation is required to disclose was accumulated and submitted to the corporation's Management, including the Chief Executive Officer and the senior corporate financial officer or someone who in practice fulfills these functions, in order to facilitate decision making at the appropriate time, with regard to the disclosure requirements.

Due to its structural constraints, internal auditing of financial reporting and disclosure is not intended to fully guarantee that a biased presentation or the omission of information in the reports will be avoided or discovered.

In the quarterly report on the effectiveness of the internal auditing of the financial reports and disclosure which was attached to the quarterly report for the period ended on March 31, 2014 (hereinafter: the last quarterly report on internal auditing), the internal auditing was found to be 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 last quarterly 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 quarterly 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 second 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

7 August 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 second 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

7 August 2014