אדמה פתרונות לחקלאות בע"מ
ADAMA Agricultural Solutions Ltd.

Quarterly Report for March 31, 2017

אדמה פתרונות לחקלאות בע"מ
ADAMA Agricultural Solutions Ltd.

Quarterly Report for March 31, 2017

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

Chapter B – Financial statements (unaudited) for March 31, 2017

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

The information contained herein constitutes an unofficial translation of the Quarterly Report for the first quarter of 2017, as published by the Company in Hebrew.

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

אדמה פתרונות לחקלאות בע"מ
ADAMA Agricultural Solutions Ltd.

Chapter A

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

Adama Agricultural Solutions Ltd.

Board of Directors' Report for the Quarter Ended March 31, 2017

This Report is limited in scope and should be reviewed together with the Periodic Report for 2016, published on March 30, 2017 (Ref: 2017-01-028000).

Adama is one of the world's leading crop protection companies. We strive to Create Simplicity in Agriculture – offering farmers effective products and services that simplify their lives and help them grow. With one of the most comprehensive and diversified portfolios of differentiated, quality products, our 5,000-strong team reaches farmers in over 100 countries, providing solutions to control weeds, insects and disease, and improve crop yields.

Adjusted financial highlights – first quarter of 2017

Another year of strong start for Adama, delivering record high profits

- **Sales of $843 million, in line with Q1 last year in constant currencies:**
  - 1.2% lower in USD terms
  - Volumes up 3.7%, commencing another year of consecutive market growth

- **Gross profit up 5.2% to $311 million:**
  - 2.2 percentage point increase in gross margin to 36.9%
  - Driven by strong improvement in portfolio mix and continued cost reduction

- **All-time record high operating income of $136 million, up 5.8%:**
  - Operating margin up 1.1 percentage points to 16.2%

- **All-time record high net income of $114 million, up 13.3%:**
  - Net income margin up 1.8 percentage points to 13.6%

- **All-time record high EBITDA of $180 million, up 4.5%:**
  - EBITDA margin up 1.1 percentage points to 21.3%

- **Improvement of $97 million in working capital:**
  - Driven by $74 million reduction in inventory

- **Significantly reduced leverage:**
  - Balance sheet net debt of $953 million, $248 million below Q1 last year
  - Reduced financial expenses
  - Net debt / EBITDA ratio of 1.8x vs. 2.5x in Q1 last year

- **Combination with Sanonda:**
  - Following recent approval by a significant majority of Sanonda's public shareholders, now awaiting final CSRC consent

Summary of developments in the sector and in the Company's activities

- **Continued subdued demand for crop protection products, while some markets recover from weather-related lows** – despite a moderate increase in the prices of some agricultural commodities in 2016, their prices have generally remained at low levels during the first quarter of 2017. This price environment continues to negatively affect farmers' profitability for the third consecutive year, and while in some regions the inventory levels in the distribution channels have been reduced in comparison to 2016, high inventory levels in other regions continue to result in subdued demand. Despite this overall market conditions, the Company achieved continued volume growth due to introduction of new products and market penetration.

- **The average exchange rate of the US dollar had a negative yet immaterial effect on the Company's sales in comparison to the corresponding quarter last year**, reflecting the strengthening of the US dollar against some currencies, primarily the Euro, and concurrently the weakening of the US dollar against other currencies, primarily the Brazilian Real.

- **Containment of manufacturing and reduction of procurement costs** – continued control of manufacturing costs, including transportation and energy, combined with 2016 reduced raw material costs benefited the costs of goods sold. However, in light of changes in supply dynamics, higher raw material costs have been noted as of the end of 2016, which will impact production cost during the course of 2017.

  In the 2016 Board of Directors report, the Company described its expectation that the higher raw material, energy and transportation costs, the continued strengthening of the US dollar, together with lingering high levels of inventory in distribution channels in Europe following a soft 2016 season, will impact performance especially in the first half of 2017. The Company weathered these challenges well in the first quarter of this year, yet it nevertheless expects such conditions to continue to impact its performance in the second quarter.

- **Adama–Sanonda combination and flotation** – within the framework of advancing the Company's integration in China and the formation of its commercial and manufacturing infrastructure there, on March 27, 2017, following the approval of the Board of Directors of Hubei Sanonda Co. Ltd. ("**Sanonda**") and the approval of the State-owned Assets Supervision and Administration Commission (SASAC), the general shareholders meeting of Sanonda approved the transaction whereby Sanonda will acquire the entire share capital of the Company, in return for assigning new shares of Sanonda to CNAC (the "**Combination**"). Following the submission of the Combination documents to the China Securities Regulatory Commission (CSRC) on March 28, 2017 and a subsequent response to the CSRC's questions on May 14, 2017, final CSRC approval is now awaited. The Combination is expected to be completed around mid-2017, pursuant to the receipt of the necessary approvals. Upon completion of the Combination, shares of the combined group will trade on the Shenzhen Stock Exchange.

- **Corporate activity of companies in the sector –** in the last two years, the agrochemical industry has seen the signing of a number of significant transactions, including the merger of Dow Chemical Co. with E.I Du Pont De Nemours and Company, the acquisition of Monsanto Company by Bayer AG and the acquisition of Syngenta AG by the ChemChina group ("**Syngenta**" and the "**Transaction**", respectively). In addition, as a result of these transactions, and to secure their regulatory approval, the industry has seen the subsequent announcement of related divestments.

  On May 18, 2017 the Transaction was completed, and subsequently, the Company is working according to its agreement with the said parties to effect the divestment of a number of its products (the "**Divested Products**"), while receiving products of similar nature and economic value from Syngenta (the "**Transferred Products**"). The Company intends to divest several of its products in Europe, while maintaining its ability to continue to sell such products in other countries outside Europe, and in some cases within Europe as well, while in the U.S. the Company entered into an agreement for the sale of a few of its products, all against the receipt of the Transferred Products. Although the aggregate sales in 2016 terms of the products that the Company may divest in Europe is significant with respect to its sales in this region, in relation to the Company's aggregate global sales, it is not material, and moreover, the combined impact of entering into agreements for the sale of the Divested Products and the receipt of the Transferred Products is expected to be immaterial.[1]

  The Company's assessments regarding the projected effects on the Company's results in 2017 as well as its assessments regarding the products to be divested and received in connection with the Transaction and their characteristics, the timing of reaching agreements and their corporate approval by the Company and their combined impact on the Company's business, are forward-looking statements, as defined in the Securities Law, 1968. These assessments may not be realized, or be realized in a different manner than the Company estimates, inter alia, due to factors that are not in the Company's control, amongst which, are developments in the crop protection market, changes in demand for the Company's products, in currencies and commodity prices and other macroeconomic trends.

[1] See the immediate reports of May 21, 2017, April 5, 2017, and February 5, 2017 (reference numbers: 2017-01-051024, 2017-01-030721 and 2017-01-010690) and Note 28 of the 2016 financial statements.

Results of Operations – Adjusted Income Statement

Income Statement for the Quarter

	Q1 2017 $m	Q1 2016 $m	Change $m	% Change CER	% Change USD
Revenues	**843**	**853**	**-10**	**-0.6%**	**-1.2%**
Gross profit	311	296	15		+5.2%
% of revenue	*36.9%*	*34.7%*			
Operating expenses	175	167	8		
Operating income (EBIT)	**136**	**129**	**7**		**+5.8%**
% of revenue	*16.2%*	*15.1%*			
Finance expenses, net	19	29	-10		
Net income before taxes	117	99	18		
Net income	**114**	**101**	**13**		**+13.3%**
% of revenue	*13.6%*	*11.8%*			
EBITDA	**180**	**172**	**8**		**+4.5%**
% of revenue	*21.3%*	*20.2%*			

The first quarter of 2017 does not include adjustments. **Income Statement items adjusted in the above table for the first quarter of 2016, as presented in the financial statements (in USD million):** Gross profit 296 (34.7%), operating expenses 164 (19.2%), operating income (EBIT) 132 (15.5%), net income before taxes 102 (12.0%), net income 104 (12.2%) and EBITDA 175 (20.6%).[2]

CER: Constant Exchange Rates

Analysis of the Company's Adjusted Results

Sales

Sales in the quarter were lower by 0.6% compared to the corresponding quarter last year, in constant currency terms. Volumes grew by 3.7% in the quarter, driven by, amongst other things, launch of new products in several markets. Alongside this increase in volumes, a portion of the significant reduction in cost of sales was passed on to customers in a number of markets.

In US dollar terms, the net impact of the weakening of the Euro and strengthening of the Brazilian Real against the US Dollar compared to the corresponding quarter last year, as well as the lower contribution of currency hedging, saw sales in the quarter end lower by 1.2%.

[2] The income statement items for Q1 2016 presented in the above table include adjustment for the value redeployment of employee options granted in 2014, which created an income in the amount of $3 million.
For an analysis of the differences between the adjusted income statement items and the income statement items reported in the financial statements, see Appendix A.

Revenue split by region

First quarter sales:

	Q1 2017 $m	Q1 2016 $m	Estimated % change in CER	% change in $
Europe	398	425	-2.3%	-6.4%
North America	169	153	+10.1%	+10.0%
Latin America	115	114	-9.3%	+1.1%
Asia-Pacific	87	84	+2.5%	+4.5%
India, Middle East and Africa	74	77	-2.7%	-4.2%
of which, Israel	*23*	*23*	*-3.7%*	*-0.6%*
Total	**843**	**853**	**-0.6%**	**-1.2%**

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

The information included in the shaded boxes provides additional information about developments and events that affected the Company's operations during the quarter in a non-material manner.

Europe

Sales in Europe were lower by 2.3% in constant currency terms compared with the corresponding quarter last year. This is primarily due to lower demand due to weaker yields in 2016 and a delayed start to the agricultural season in Western Europe, as well as high inventory levels in the distribution channels in a number of countries and the passing on to customers of some of the benefit of products' significantly reduced cost.

In US dollar terms, reflecting the weaker exchange rates and the lower contribution of currency hedging compared with the corresponding quarter last year, sales in Europe were lower by 6.4% in the quarter.

- *In Ukraine, we continued to launch new products and expand our commercial reach throughout the country, while benefiting from the improvement in economic conditions.*
- *We saw a strong performance from our broad sugar beet portfolio in all major sugar beet markets in the region, capitalizing on an increase in planted areas.*
- *In the UK we are seeing significantly increased engagement through our digital platforms, including our WaterAware™ app which provides farmers with insights on safe use of crop protection around fresh water sources.*
- *In France a number of products including* Legacy®Duo *and* Protugan® *lost their registration ahead of the launch of alternative products, which resulted in lower sales.*
- *Despite a challenging economic environment, we grew well in Greece and further expanded our portfolio, with products as COTTONEX®, a differentiated systemic herbicide for pre-emergent weed control.*

North America

Sales in North America increased by 10.1% in constant currency terms, compared with the corresponding quarter last year. This increase was driven by a significant 15.6% increase in volumes of higher margin products, which was partially offset by the passing on to customers of a portion of the significant reduction in cost of sales.

In US dollar terms, sales increased by 10.0% compared with the corresponding quarter last year.

- *Our US crop protection business continuing its strong momentum from last year, building on an improved portfolio mix.*
- *We launched CORMORAN™, our distinctive mixture insecticide for apples and pears, which has had an encouraging start in advance of the upcoming season.*
- *We increased sales of our cotton portfolio, taking advantage of growth in the cotton market with products such as COTORAN® and DIREX®, herbicides for broadleaf weed, and DIAMOND®, a differentiated insect growth regulator.*
- *We are deepening our relationship with customers across the channel, through such programs as our NIMITZ University campaign in which our field specialists work together with farmers to understand their nematode-related problems, finding ways to maximize their benefit from our flagship NIMITZ® product.*
- *Our Consumer and Professional Solutions business continues to grow strongly.*

Latin America

Sales in Latin America were lower by 9.3% in constant currency terms, compared with the corresponding quarter last year, despite an increase in volumes, primarily in Brazil, which was offset by lower volumes in Argentina and by the passing on to customers of a portion of the significant reduction in cost of sales.

In US dollar terms, sales increased by 1.1% compared with the corresponding quarter last year, reflecting the impact of the appreciation of the local currencies, primarily the Brazilian Real, against the US dollar.

The Company saw robust sales growth in Brazil in the quarter, with significant volume growth complemented by an improved portfolio. This strong performance is particularly noteworthy when considered against the slight decline of the overall Brazilian agrochemical market.

Tight credit conditions in Brazil as well as in additional countries in the region continue to affect the pace of collection, and the Company continues its policy of aligning its sales with customers' demonstrated ability to meet their credit terms on an ongoing basis.

- *We continued to outperform in Brazil, where we saw strong sales of our comprehensive insecticide portfolio for corn, with products such as VORAZ®, a novel formulation for caterpillar control, offering a much-needed solution in the face of increasing resistance in Bt corn.*
- *Our sugarcane and pasture portfolio also performed well in Brazil, in particular ARREIO®, a new advanced selective herbicide for the control of a variety of weeds in pastures, and PREMERLIN®, a distinctive herbicide for the control of pre-emergent weeds in sugar cane.*

- *High levels of inventory in the distribution channels, alongside low insect and disease pressure, impacted sales and pricing in Argentina.*
- *We grew and improved our business in Colombia, Ecuador, and Mexico, where our efforts to enhance our portfolio are bearing fruit. Our growth in these countries was also supported by positive weather conditions.*

Asia Pacific

Sales in Asia-Pacific increased by 2.5% in constant currency terms, compared with the corresponding quarter last year. This increase was driven by significant volume growth, primarily in Australia and parts of south-east Asia, supported by new product launches and positive weather conditions. This significant volume growth was partially offset by the passing on to the customers of a portion of the significant reduction in cost of sales.

In US dollar terms, sales increased by 4.5% compared to the corresponding quarter last year.

- *We obtained several new product registrations, among them COUNTDOWN™, a differentiated cereal herbicide for resistance management in Australia, NARKIS®, a unique rice herbicide in the Philippines, and ALMAGOR®, a distinctive rice fungicide in Vietnam.*
- *In China we continued the expansion of our commercial reach to four additional regions, bringing to growers Adama's advanced product portfolio alongside with additional products from the CNAC entities.*

India, Middle East and Africa

Sales in the region were lower by 2.7% in constant currency terms, compared with the corresponding quarter last year, with a moderate increase in prices being offset by lower sales volumes, reflecting the negative impact of the weather in a number of countries.

In US dollar terms, sales in the region were lower by 4.2% compared to the corresponding quarter last year.

- *In India, farmers were faced with unfavorable weather conditions as well as disruption to their cash availability, putting pressure on our sales.*
- *We saw a robust performance in South Africa, benefiting also from positive currency movement and good weather conditions.*
- *In Turkey, we continue to expand our commercial platform through a widening network of distributors, and also launched the ADAMA ARTI ™* app, *for smart farm management.*

Gross profit

Gross profit increased significantly by 5.2% to $311 million, with gross margin up by 2.2 percentage points to 36.9%, compared to the corresponding quarter last year.

This marked improvement resulted from a combination of strong volume growth, an improvement in portfolio mix towards a differentiated offering, and the significant reduction of costs. These factors were partially offset by the passing on to the customers of a portion of these reduced product costs into lower selling prices in some markets, as well as by the lower contribution of currency hedging.

Operating expenses

Total operating expenses in the quarter were $175 million (20.8% of sales), compared to $167 million (19.6% of sales) in the corresponding quarter last year. While the Company contained its level of expenses, the noted change is primarily due to a one-time income in the first quarter of 2016 of $6 million, related to the granting of an immaterial intellectual property license.

Within the total operating expenses, Sales and Marketing expenses in the quarter were $136 million (16.1% of sales), in line with the corresponding quarter last year. General and Administrative expenses in the quarter were $30 million (3.5% of sales) compared to $29 million (3.4% of sales) in the corresponding quarter last year. Research and Development expenses in the quarter were $9 million (1.1% of sales), compared to $8 million (0.9% of sales) in the corresponding quarter last year.

Financing expenses

Financing expenses decreased compared to the corresponding quarter last year, primarily due to a decrease in costs of currency hedging on receivables, as a result of lower currency volatility, as well as due to the decrease in the Company's financial debt.

Taxation

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

The Company recorded tax expenses of $3 million, compared to tax income of $4 million in the corresponding quarter last year. The change in tax expenses was mainly a result of the strengthening of the Brazilian Real against the US dollar during the corresponding quarter last year, which generated tax income due to a revaluation of tax assets and a reduction of non-cash tax provisions in Brazil, which outweighed the effect of the strengthening of the Brazilian Real in the current quarter.

Revenues by operating segment

First quarter sales split

	Q1 2017 $m	%	Q1 2016 $m	%	Change $m	Change %
Crop protection (Agro)	792	94.0%	805	94.3%	-13	-1.5%
Other (Non-Agro)	51	6.0%	48	5.7%	+3	+4.8%
Total	**843**	**100.0%**	**853**	**100.0%**	**-10**	**-1.2%**

Financial Condition and Liquidity[3]

Cash flow and investment in fixed assets

Operating cash flow was a negative $3 million compared to a positive $8 million in the corresponding quarter last year. Due to the seasonality of its activities, the Company generally does not generate positive or significant positive operating cash flow in the first quarter. The change in operating cash flow recorded in the quarter results primarily from the reflection in the Company's consolidated financial reports of an $18 million non-cash write-off performed at the end of 2016, in the financial statements of a non-consolidated joint venture, which is not in the Company's core business.

The Company's investments were $39 million, compared to $33 million in the corresponding quarter last year. These investments included primarily investments in product registrations and other intangible and fixed assets. Investments in fixed assets, net of investment grants, amounted to $16 million, compared to $17 million in the corresponding quarter last year.

The Company generated seasonal negative free cash flow of $42 million, compared to negative free cash flow of $25 million in the corresponding quarter last year.

Current assets

Total current assets of March 31, 2017 amounted to $2,773 million compared to $2,857 million as of March 31, 2016, and $2,561 million as of December 31, 2016.

Cash, current liabilities and long-term loans

The Company's total financial liabilities, including bank credit and debentures, was $1,383 million as of March 31, 2017 (of which 10.1% was short term), compared to $1,633 million as of March 31, 2016 (of which 23.0% was short term), and $1,364 million (of which 13.1% was short term) as of December 31, 2016.

The Company's balances of cash and short-term investments were $389 million as of March 31, 2017, compared to $415 million as of March 31, 2016, and $480 million as of December 31, 2016.

[3] The cash balance received within the framework of the Receivables Financing Facility (as well as the new Receivables Financing Facility added in 2016) was $357 million as of March 31, 2017 and $320 million as of March 31, 2016.

The Company's net debt, including credit, the impact of hedging transactions attributed to debt, and net of cash and short-term investments, was $953 million as of March 31, 2017, compared to $1,201 million as of March 31, 2016, and to $899 million as of December 31, 2016. The Company distributed dividends of approximately $18 million during 2016.[4]

Financial covenants

The financial covenants of the Company's bank financing documents and its Receivables Financing Facility Program are:

($m)	Net Debt/Equity	Net Debt/EBITDA	Minimum Equity	Retained Earnings
Financial Covenants – Bank Credit	1.25x	4.0x	1,220	700
Financial Covenants – Receivables Facility	1.25x	4.0x	-	-
Compliance of the Company with Financial Covenants as at March 31, 2017	**0.5x**	**1.8x**	**1,763**	**1,337**

As of March 31, 2017 and on the date of publication of this report, the Company complied with the financial covenants included in its financing documents and the Receivables Financing Facility Program.[5]

Shareholders' equity

The Company's shareholders' equity was $1,763 million as of March 31, 2017, compared to $1,637 million as of March 31, 2016 and $1,654 million as of December 31, 2016, following a dividend declaration of approximately $40 million during 2016. Equity as a proportion of total assets was 38.9% as of March 31, 2017, 35.6% as of March 31, 2016, and 38.6% as of December 31, 2016.

The Company's issued and paid-up share capital as of March 31, 2017 was 137,990,881 ordinary shares of NIS 3.12 par value each.

Financial ratios

As at March 31:	2017	2016
Ratio of current assets to current liabilities (current ratio)	1.98	1.82
Ratio of current assets, excluding inventory, to current liabilities (quick ratio)	1.22	1.10
Ratio of financial liabilities to total assets, gross	30.5%	35.5%
Ratio of financial liabilities to total equity, gross	78.5%	99.8%

[4] On September 15, 2016, the Company declared a dividend of approximately $40 million. Of this amount, a total of approximately $18 million has been paid as of the date of the report. For further details regarding the dividend, including the deferred dividend, see Section 4 of Chapter A of the Periodic Report for 2016.

[5] The calculation of the covenant Net Debt/EBITDA is based on the twelve months ended on the date of the financial statements. For more information about the Financial Covenants and additional limitations that apply to the Company pursuant to the provisions of the financing agreements and the Receivables Financing Facility Program, see Section 26 in Chapter A of the Periodic Report for 2016, and Note 20 to the financial statements as at December 31, 2016.

Financing sources

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

Warning signs

In view of the consolidated financial structure of the Group, and based on the financial data recorded 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, despite occasional positive cash flow in past quarters, does not point to a liquidity issue, and accordingly, as at the report date, there are no Warning Signs in the Company.

The primary considerations supporting the resolution of the Board of Directors include, inter alia: the Company's consolidated financial statements reflect a positive level of working capital and continued positive cash flow from operating activities, with such positive working capital, which includes, at the reporting date, a cash balance of approximately $387 million, being the principal source for the repayment of the Company's liabilities; Based on the structure of the Group operations, Adama Makhteshim and Adama Agan are the principal manufacturers of the Group's products sold by the Group's marketing companies, such that a continuous liability of the marketing companies towards these manufacturing companies is created. These current liabilities form the primary source for repayment of the loans issued to Adama Makhteshim and Adama Again by the Company, which were issued on the basis of, and at identical terms to, those of the debentures, including the repayment date.

Events occurring subsequent to the date of the financial statements

For information concerning events that occurred after the date of the report, see the introduction to this report. For information about the debentures held by the public at the reporting date, see Appendix B.

[6] For details, see Section 26, Credit Financing, and Section 25, under the titles “Receivables Credit” and “Payables Credit” of Chapter A to the Periodic Report for 2016.

Yang Xingqiang	**Chen Lichtenstein**	**Aviram Lahav**
Chairman of the Board	President & CEO	CFO

March 25, 2017

Appendixes

Appendix A – Analysis of the Gaps between the Adjusted Income Statement Items and the Income Statement Items in the Financial Statements

$m	Adjusted		Adjustments		Reported	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Revenues	843	853	-	-	843	853
Gross profit	311	296	-	-0.2	311	296
Operating expenses	175	167	-	3.2	175	164
Operating income (EBIT)	136	129	-	-3.3	136	132
Finance expenses, net	19	29	-	-	19	29
Pretax income	117	99	-	-3.3	117	102
Net income	114	101	-	-3.3	114	104
EBITDA	180	172	-	-3.3	180	175

The adjusted Income Statement items for Q1 2016 include adjustment for the value redeployment of employee options granted in 2014, which created an income in the amount of $3 million.

Appendix B – Details of the Company's Debentures as at the end of the reported Year

<table>
<tr><th>Series</th><th>Date of issue</th><th>Rating</th><th>Total par value on date of issue (in NIS millions)</th><th>Type of interest</th><th>Nominal interest rate</th><th>Effective interest rate at reporting date</th><th>Market value on March 31, 2017 (in NIS millions)</th><th>Dates of interest payments</th><th>Dates of principal payments</th><th>Linkage basis</th><th>Nominal par value at March 31, 2017 (in NIS millions)</th><th>CPI-linked nominal par value at March 31, 2017 (in NIS millions)</th><th>Carrying value of debenture balances at March 31, 2017 (in USD millions)</th><th>Carrying value of interest payable on March 31, 2017 (in USD millions)</th><th>Fair value at March 31, 2017 (in USD millions)</th></tr>
<tr><td rowspan="5">Series B</td><td>Dec. 06</td><td rowspan="5">ilAA-</td><td>1,650</td><td rowspan="5">CPI-linked annual interest</td><td rowspan="5">5.15%</td><td rowspan="5">3.7%</td><td rowspan="5">4,771.7 (2)</td><td rowspan="5">Twice a year on May 31 and on Nov, 30 in each of the years 2006-2036</td><td rowspan="5">Nov. 30 of each of the years 2020-2036</td><td rowspan="5">CPI for October 2006</td><td rowspan="5">3,483.1 (2)</td><td rowspan="5">4,141.6 (2)</td><td rowspan="5">1,130.0 (2)</td><td rowspan="5">19.3 (2)</td><td rowspan="5">1,313.8 (2)</td></tr>
<tr><td>Jan. 12</td><td>514</td></tr>
<tr><td>Jan. 13</td><td>600</td></tr>
<tr><td>Feb. 15</td><td>533</td></tr>
<tr><td>Feb-May 15</td><td>267</td></tr>
</table>

(1) At the date of the report, the Company was in compliance with all the terms and undertakings under the Deed of Trust, and no conditions existed giving rise to a cause of action for immediate repayment of the debentures.

(2) Net of debentures purchased by a wholly-owned subsidiary, which, as of March 31, 2017, holds 67,909,858 debentures (Series B), which accounts for 1.91% of total issued debentures (Series B).

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

	March 31			Q1 Average		
	2017	2016	Change	2017	2016	Change
EUR/USD	1.069	1.138	(6.1%)	1.065	1.103	(3.4%)
USD/BRL	3.168	3.559	11.0%	3.143	3.910	19.6%
USD/PLN	3.946	3.759	(5.0%)	4.060	3.954	(2.7%)
USD/ZAR	13.442	14.722	8.7%	13.246	15.812	16.2%
AUD/USD	0.766	0.769	(0.4%)	0.757	0.721	5.0%
GBP/USD	1.246	1.441	(13.5%)	1.239	1.433	(13.6%)
USD/ILS	3.632	3.766	3.6%	3.733	3.904	4.4%
USD L 3M	1.15%	0.63%	82.9%	1.07%	0.62%	71.4%

אדמה פתרונות לחקלאות בע"מ

ADAMA Agricultural Solutions Ltd.

Chapter B

Financial statements (unaudited)

for March 31, 2017

Adama Agricultural Solutions Ltd.

Condensed Consolidated Interim Financial Statements

(Unaudited)

As at March 31, 2017

In U.S. Dollars

Condensed Consolidated Interim Financial Statements as at March 31, 2017 (Unaudited)

Contents

	Page
Auditors' Review Report	2
Condensed Consolidated Interim Statement of Financial Position	3
Condensed Consolidated Interim Statement of Income	5
Condensed Consolidated Interim Statement of Comprehensive Income	6
Condensed Consolidated Interim Statement of Changes in Equity	7
Condensed Consolidated Interim Statement of Cash Flows	10
Notes to the Condensed Consolidated Interim Financial Statements	12

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

Review Report to the Shareholders of Adama Agricultural Solutions Ltd.

Introduction

We have reviewed the accompanying financial information of Adama Agricultural Solutions Ltd. and its subsidiaries (hereinafter – "the Group") comprising of the condensed consolidated interim statement of financial position as of March 31, 2017 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "*Interim Financial Reporting*", and are also responsible for the preparation of financial information for this interim period in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain consolidated subsidiaries whose assets constitute 4.9% of the total consolidated assets as of March 31, 2017, and whose revenues constitute 6.3% of the total consolidated revenues for the three month period then ended. Furthermore, we did not review the condensed interim financial information of equity-accounted investees, the investment in which amounted to $63,602 thousand as at March 31, 2017, and the Group's share in their profits amounted to $718 thousand for the three-month period then ended. The condensed interim financial information of those companies was reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial information of such companies, is based solely on the said review reports of the other auditors.

Scope of Review

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

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

Conclusion

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

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

Sincerely,

Somekh Chaikin
Certified Public Accountants (Isr.)

May 25, 2017

Condensed Consolidated Interim Statement of Financial Position as at

	March 31 2017 (Unaudited) $ thousands	March 31 2016 (Unaudited) $ thousands	December 31 2016 (Audited) $ thousands
Current assets			
Cash and cash equivalents	**386,560**	410,370	474,885
Short-term investments	**2,241**	4,736	5,131
Trade receivables	**909,438**	987,536	764,157
Trade receivables as part of securitization transaction not yet eliminated	**49,425**	40,918	30,156
Subordinated note in respect of sale of trade receivables	**154,955**	96,766	51,618
Prepaid expenses	**21,587**	19,199	20,578
Financial and other assets, including derivatives	**177,465**	163,400	163,739
Tax deposits less provision for taxes	**16,859**	10,841	15,949
Inventories	**1,054,747**	1,123,473	1,035,071
Total current assets	**2,773,277**	2,857,239	2,561,284
Long-term investments, loans and receivables			
Investments in equity-accounted investee companies	**70,936**	70,025	70,776
Other financial investments and receivables	**56,742**	48,554	52,871
Non-financial assets, including non-current inventory	**22,550**	26,561	18,426
	150,228	145,140	142,073
Fixed assets			
Cost	**1,736,948**	1,670,526	1,711,212
Less – accumulated depreciation	**926,288**	881,881	907,662
	810,660	788,645	803,550
Deferred tax assets	**103,164**	96,466	87,226
Intangible assets			
Cost	**1,784,926**	1,694,341	1,755,199
Less – accumulated amortization	**1,090,456**	987,091	1,062,771
	694,470	707,250	692,428
Total non-current assets	**1,758,522**	1,737,501	1,725,277
Total assets	**4,531,799**	4,594,740	4,286,561

Condensed Consolidated Interim Statement of Financial Position as at

	March 31 2017 (Unaudited) $ thousands	March 31 2016 (Unaudited) $ thousands	December 31 2016 (Audited) $ thousands
Current liabilities			
Loans and credit from banks and other lenders	**139,370**	270,846	178,161
Current maturities of debentures	**-**	104,103	-
Trade payables	**573,358**	555,477	520,739
Other payables	**621,498**	578,694	570,773
Current tax liabilities	**32,390**	30,788	21,160
Put options to holders of non-controlling interests	**36,349**	30,403	37,253
Total current liabilities	**1,402,965**	1,570,311	1,328,086
Long-term liabilities			
Long-term loans from banks	**113,704**	173,652	116,129
Debentures	**1,129,995**	1,084,784	1,069,253
Other long-term liabilities	**29,197**	31,269	27,237
Deferred tax liabilities	**10,172**	15,961	11,218
Employee benefits	**76,047**	74,465	73,672
Put options to holders of non-controlling interests	**6,895**	7,260	6,686
Total long-term liabilities	**1,366,010**	1,387,391	1,304,195
Total liabilities	**2,768,975**	2,957,702	2,632,281
Equity			
Share capital	**125,595**	125,595	125,595
Share premium	**623,829**	623,829	623,829
Capital reserves	**(323,909)**	(337,711)	(322,454)
Retained earnings	**1,337,309**	1,222,687	1,227,310
Total equity attributable to the owners of the Company	**1,762,824**	1,634,400	1,654,280
Non-controlling interests	**-**	2,638	-
Total equity	**1,762,824**	1,637,038	1,654,280
Total liabilities and equity	**4,531,799**	4,594,740	4,286,561

Yang Xingqiang	Chen Lichtenstein	Aviram Lahav
Chairman of the Board of Directors	President & Chief Executive Officer	Chief Financial Officer

Date the financial statements were approved: May 25, 2017

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

Condensed Consolidated Interim Statement of Income for the

	Three-month period ended March 31		Year ended December 31
	2017	2016	2016
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Revenues	**843,060**	853,156	3,070,165
Cost of sales	**531,727**	557,018	2,036,858
Gross profit	**311,333**	296,138	1,033,307
Other income	**(621)**	(6,273)	(9,738)
Selling and marketing expenses	**135,946**	135,020	549,731
General and administrative expenses	**29,646**	26,887	111,665
Research and development expenses	**9,491**	7,743	32,684
Other expenses	**648**	618	4,803
	175,110	163,995	689,145
Operating income	**136,223**	132,143	344,162
Financing expenses	**77,561**	50,668	260,962
Financing income	**(58,307)**	(21,440)	(120,612)
Financing expenses, net	**19,254**	29,228	140,350
Share of income (loss) of equity-accounted investee companies	**307**	(433)	(16,622)
Profit before taxes on income	**117,276**	102,482	187,190
Income taxes	**3,029**	(4,050)	22,520
Profit for the period	**114,247**	106,532	164,670
Attributable to:			
The owners of the Company	**114,247**	104,190	162,328
Non-controlling interests	**-**	2,342	2,342
Profit for the period	**114,247**	106,532	164,670

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

Condensed Consolidated Interim Statement of Comprehensive Income for the

	Three-month period ended March 31		Year ended December 31
	2017	2016	2016
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Profit for the period	**114,247**	106,532	164,670
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 for foreign operations	**12,879**	6,952	(13,865)
Foreign currency translation differences for foreign operations transferred to the statement of income	-	-	(82)
Effective portion of changes in fair value of cash flow hedges	**(4,273)**	(22,826)	14,310
Net change in fair value of cash flow hedges transferred to the statement of income	**(11,538)**	(15,774)	(14,237)
Taxes in respect of other comprehensive income items that were or will be transferred to the statement of income in succeeding periods	**1,477**	3,056	539
Total other comprehensive loss that after initial recognition in comprehensive income were or will be transferred to the statement of income, net of tax	**(1,455)**	(28,592)	(13,335)
Other comprehensive income that will not be transferred to the statement of income			
Re-measurement of defined benefit plan	**(4)**	(2,728)	84
Taxes in respect of other comprehensive income items that will not be transferred to the statement of income	**3**	317	52
Total other comprehensive income (loss) for the period that will not be transferred to the statement of income, net of tax	**(1)**	(2,411)	136
Total comprehensive income for the period	**112,791**	75,529	151,471
Total comprehensive income attributable to:			
The owners of the Company	**112,791**	73,098	149,040
Non-controlling interests	-	2,431	2,431
Total comprehensive income for the period	**112,791**	75,529	151,471

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

Condensed Consolidated Interim Statement of Changes in Equity

	Share capital	Share premium	Capital reserves (1)	Retained earnings	Total equity
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
For the three-month period ended March 31, 2017 (unaudited)					
Balance as at January 1, 2017	**125,595**	**623,829**	**(322,454)**	**1,227,310**	**1,654,280**
Total comprehensive income for the period					
Profit for the period	**-**	**-**	**-**	**114,247**	**114,247**
Other comprehensive income					
Foreign currency translation differences for foreign operations	**-**	**-**	**12,879**	**-**	**12,879**
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**(4,273)**	**-**	**(4,273)**
Net change in fair value of cash flows hedges transferred to the statement of income	**-**	**-**	**(11,538)**	**-**	**(11,538)**
Re measurement of defined benefit plan	**-**	**-**	**-**	**(4)**	**(4)**
Taxes on other comprehensive income	**-**	**-**	**1,477**	**3**	**1,480**
Other comprehensive loss for the period, net of tax	**-**	**-**	**(1,455)**	**(1)**	**(1,456)**
Total comprehensive income (loss) for the period	**-**	**-**	**(1,455)**	**114,246**	**112,791**
Dividends to holders of non-controlling interests holding a put option	**-**	**-**	**-**	**(4,247)**	**(4,247)**
Balance as at March 31, 2017	**125,595**	**623,829**	**(323,909)**	**1,337,309**	**1,762,824**

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

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

Condensed Consolidated Interim Statement of Changes in Equity

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

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

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

Condensed Consolidated Interim Statement of Changes in Equity

	Share capital	Share premium	Capital reserves (1)	Retained earnings	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
For the year ended December 31, 2016 (Audited)							
Balance as of January 1, 2016	125,595	623,829	(309,030)	1,126,239	1,566,633	207	1,566,840
Total comprehensive income for the year							
Profit for the year	-	-	-	162,328	162,328	2,342	164,670
Other comprehensive income							
Foreign currency translation differences for foreign operations	-	-	(13,954)	-	(13,954)	89	(13,865)
Foreign currency translation differences for foreign operation recognized in the statement of income	-	-	(82)	-	(82)	-	(82)
Effective portion of changes in fair value of cash flow hedges	-	-	14,310	-	14,310	-	14,310
Net change in fair value of cash flow hedges transferred to the statement of income	-	-	(14,237)	-	(14,237)	-	(14,237)
Re-measurement of defined benefit plan	-	-	-	84	84	-	84
Taxes on other comprehensive income	-	-	539	52	591	-	591
Other comprehensive income (loss) for the year, net of tax	-	-	(13,424)	136	(13,288)	89	(13,199)
Total comprehensive income (loss) for the year	-	-	(13,424)	162,464	149,040	2,431	151,471
Dividends to holders of non-controlling interests holding a put option	-	-	-	(4,149)	(4,149)	-	(4,149)
Derecognition of non-controlling interests due to loss of control in subsidiaries	-	-	-	-	-	(2,638)	(2,638)
Share-based payments	-	-	-	(16,981)	(16,981)	-	(16,981)
Dividends to owners of the company	-	-	-	(40,263)	(40,263)	-	(40,263)
Balance as of December 31, 2016	125,595	623,829	(322,454)	1,227,310	1,654,280	-	1,654,280

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

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

Condensed Consolidated Interim Statement of Cash Flows for the

	Three-month period ended March 31		Year ended December 31
	2017	2016	2016
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Cash flows from operating activities			
Profit for the period	**114,247**	106,532	164,670
Adjustments			
Depreciation and amortization	**43,481**	43,235	175,294
Loss (gain) on realization of fixed and intangible assets, net	**141**	(5,146)	(6,883)
Amortization of discount/premium and debt issuance costs	**116**	(243)	(824)
Impairment of assets	**-**	-	8,703
Share of losses (income) of equity- accounted investee companies	**(307)**	433	16,622
Share-based payments transactions	-	(1,623)	(16,981)
Revaluation of put and call options to holders of non-controlling interests	**(647)**	(1,202)	(811)
Adjustment of long-term liabilities	**60,102**	33,877	15,939
SWAP transactions	**(120)**	(120)	(481)
Change in provision for income tax and tax advances, net	**14,192**	7,125	(364)
Increase in deferred taxes, net	**(15,354)**	(24,473)	(22,884)
Changes in assets and liabilities			
Decrease (increase) in trade and other receivables	**(293,710)**	(263,035)	6,786
Decrease (increase) in inventories	**(8,966)**	41,820	135,348
Increase in trade and other payables	**78,804**	67,690	24,381
Change in employee benefits	**5,013**	3,159	3,663
Net cash from (used in) operating activities	**(3,008)**	8,029	502,178
Cash flows for investing activities			
Acquisition of fixed assets	**(18,225)**	(17,571)	(94,061)
Additions to intangible assets	**(25,771)**	(22,297)	(93,854)
Short-term investments, net	**2,985**	-	(431)
Long-term investments, net	-	-	(9,147)
Proceeds from sale of fixed and intangible assets	**298**	6,126	6,223
Investment grant received	**1,896**	728	1,436
Dividend from equity-accounted investee company	**219**	301	1,112
Disposal of subsidiaries	**-**	-	(1,430)
Deferred payment for business combination	**-**	-	(600)
Net cash used in investing activities	**(38,598)**	(32,713)	(190,752)

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

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

	Three-month period ended March 31		Year ended December 31
	2017	**2016**	**2016**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	$ thousands	**$ thousands**	**$ thousands**
Cash flows from financing activities			
Receipt of long-term loans from banks	**-**	10,000	12,700
Repayment of long-term loans and liabilities from banks and others	**(10,718)**	(12,787)	(104,165)
Repayment of debentures	**-**	-	(101,210)
Increase (decrease) in short-term liabilities to banks, net	**(31,754)**	49,471	(9,028)
Dividend paid to owners of the Company	**-**	-	(18,521)
Dividend paid to holders of non-controlling interests	**(4,247)**	(1,982)	(4,149)
Payment of contingent consideration in respect of business combination	**-**	(5,000)	(7,520)
Net cash from (used in) financing activities	**(46,719)**	39,702	(231,893)
Increase (decrease) in cash and cash equivalents	**(88,325)**	15,018	79,533
Cash and cash equivalents at the beginning of the period	**474,885**	395,352	395,352
Cash and cash equivalents at the end of the period	**386,560**	410,370	474,885
Additional information:			
Interest paid in cash	**(7,355)**	(8,230)	(93,605)
Interest received in cash	**4,060**	4,185	35,009
Taxes paid in cash, net	**(5,834)**	(9,740)	(43,836)

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

Note 1 - Reporting Principles and Accounting Policies

A. The reporting entity

(1) Adama Agricultural Solutions Ltd. (hereinafter – "the Company") is an Israel-resident company that was incorporated in Israel, and its official address is at Golan Street in Airport City Park. The condensed consolidated financial statements of the Company as at March 31, 2017 include those of the Company and its subsidiaries (hereinafter together – "the Group") as well as the Company's rights in an associated company and in joint ventures. The Group operates in Israel and abroad and is engaged in the development, manufacture and marketing of agrochemicals, intermediate materials for other industries, food additives and synthetic aromatic products, mainly for export.

100% of the Company's shares are held by China National Agrochemical Corporation (hereinafter - "CNAC"). The Company is a reporting entity.

(2) Sales of agrochemical products are directly impacted by the agricultural seasons (in each of the different markets), the weather in each region and the cycles of the growing seasons. Therefore, the Company's income is not uniform or the same during the quarters of the year. The agricultural seasons in countries located in the northern hemisphere (mainly the United States and Europe) take place in the first two quarters of the year, and therefore in these countries the highest sales are usually in the first half of the year. On the other hand, in the southern hemisphere, the seasonal trends are the opposite and most of the local sales are made in the second half of the year, except for Australia where most of the sales are made in April through July.
In the Company's estimation, the Company's worldwide operations along with the dispersement of the markets in which it operates, moderates part of the seasonal impacts, even though the Company's sales are higher in the northern hemisphere.

Note 2 - Basis for Financial Statement Preparation

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

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting* and do not include all the information required for full annual financial statements. They should be read in conjunction with the financial statements as at and for the year ended December 31, 2016 (hereinafter – "the Annual Financial Statements"). Furthermore, these financial statements have been prepared in accordance with the Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.
The condensed consolidated interim financial statements were authorized for issue by the Group's Board of Directors on May 25, 2017.

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

B. Use of estimates and judgment

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

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

Note 3 - Significant Accounting Policies

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

Note 4 - Information on Business Segments

A. Products and services:

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

- Crop Protection (Agro)
  This is the main area of the Company's operations and includes the manufacture and marketing of conventional agrochemical products and activities in the seeds' sector.

- Other (Non Agro)
  This field of activity includes a large number of sub-fields, including: Lycopan (an oxidization retardant), aromatic products, and other chemicals. It combines all the Company's activities not included in the agro-products segment.

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

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

A. Products and services: (cont'd)

	For the three-month period ended March 31, 2017 (Unaudited)			
	Crop protection	Other	Reconciliation	Consolidated
	$ thousands	$ thousands	$ thousands	$ thousands
Statement of income information:				
Revenues				
Sales outside the Group	**792,284**	**50,776**	**-**	**843,060**
Inter-segment sales	**-**	**296**	**(296)**	**-**
Total revenues	**792,284**	**51,072**	**(296)**	**843,060**
Results				
Segment's results	**132,966**	**3,257**	**-**	**136,223**
Financing expenses, net				**(19,254)**
Share of gain of equity accounted in investees, net				**307**
Income taxes				**(3,029)**
Net income for the period attributable to the owners of the Company				**114,247**

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

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

A. Products and services: (cont'd)

	For the year ended December 31, 2016 (Audited)			
	Crop protection	Other	Reconciliation	Consolidated
	$ thousands	$ thousands	$ thousands	$ thousands
Statement of income information:				
Revenues				
Sales outside the Group	2,877,360	192,805	-	3,070,165
Inter-segment sales	-	1,236	(1,236)	-
Total revenues	2,877,360	194,041	(1,236)	3,070,165
Results				
Segment's results	337,489	6,673	-	344,162
Financing expenses, net				(140,350)
Share of loss of equity accounted investees, net				(16,622)
Income taxes				(22,520)
Non-controlling interests				(2,342)
Net income for the year attributable to the owners of the Company				162,328

B. Sales distribution by geographic regions

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

	Three-month period ended March 31		Year ended December 31
	2017	2016	2016
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Europe	**398,043**	425,358	1,041,508
North America	**168,831**	153,421	604,316
Latin America	**114,926**	113,627	739,327
Asia Pacific	**87,564**	83,822	291,952
India, the Middle East and Africa	**50,793**	53,892	295,373
Israel	**22,903**	23,036	97,689
	843,060	853,156	3,070,165

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 is based on bank quotes. The reasonableness of the quotes is evaluated through discounting future cash flow estimates, based on the conditions and duration to maturity of each contract, using the market interest rates of a similar instrument at the measurement date and in accordance with the Black & Scholes model.

(1) Financial instruments measured at fair value for disclosure purposes only

The carrying value of certain financial assets and financial liabilities, including cash and cash equivalents, trade receivables, other receivables, other short-term investments, derivatives, bank overdrafts, short-term loans and credit, trade payables and other payables, are the same as or proximate to their fair value.

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

	March 31, 2017		March 31, 2016		December 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
Financial assets						
Long-term loans and other receivables (a)	**11,484**	**8,104**	16,219	12,002	10,490	6,697
Financial liabilities						
Long-term loans (b)	**179,280**	**180,975**	278,997	276,142	189,759	190,025
Debentures (c)	**1,129,995**	**1,313,839**	1,188,887	1,245,089	1,069,253	1,173,659

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

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

(c) The fair value of the debentures is based on stock exchange quotes (Level 1).

Note 5 - Financial Instruments (cont'd)

(2) Fair value hierarchy of financial instruments measured at fair value

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

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

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

	March 31 2017	March 31 2016	December 31 2016
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Derivatives used for hedging:			
Forward contracts and options	**8,460**	(57,616)	24,106
Derivatives not used for hedging:			
Forward contracts and options	**(14,711)**	(14,756)	(45,578)
	(6,251)	(72,372)	(21,472)

Note 6 - Additional Information

On May 18, 2017 the acquisition Transaction of Syngenta AG (hereinafter: "Syngenta") by China National Chemical Corporation, the Company's controlling shareholder (hereinafter: "the Transaction") was completed, this is following obtaining the respective regulatory approvals, particularly in the U.S and Europe. Subsequently, the Company is working according to its agreement with the said parties to effect the divestment of a number of its products (hereinafter: the "Divested Products"), while receiving products of similar nature and economic value from Syngenta (hereinafter: the "Transferred Products"). The Company intends to divest several of its products in Europe, while maintaining its ability to continue to sell such products in other countries outside Europe, and in some cases within Europe as well, while in the U.S. the Company entered into an agreement for the sale of a few of its products, all against the receipt of the Transferred Products. The Company's entering into most of the abovementioned agreements is still subject to the approval of the Company's competent organs as an extraordinary transaction in which the controlling shareholder of the Company has a personal interest (within the meaning of these terms in the Companies Law).

Adama Agricultural Solutions Ltd.

Condensed Separate Interim
Financial Data
(Unaudited)
As of March 31, 2017
In U.S. Dollars

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

To the Shareholders of Adama Agricultural Solutions Ltd.

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

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970 of Adama Agricultural Solutions Ltd. (hereinafter – "the Company") as of March 31, 2017 and for the three-month period then ended. The separate interim financial information is the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

We did not review the separate interim financial information of investee companies the investment in which amounted to $178,830 thousand as of March 31, 2017, and the profit from these investee companies amounted to $2,827 thousand for the three-month period then ended. The financial statements of those companies were reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial statements of such companies, is based solely on the said review reports of the other auditors.

Scope of Review

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

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

Conclusion

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

Somekh Chaikin
Certified Public Accountants (Isr.)

May 25, 2017

Condensed Interim Information on Financial Position

	March 31 2017	March 31 2016	December 31 2016
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Current assets			
Cash and cash equivalents	**7,286**	3,903	740
Prepaid expenses	**381**	659	332
Other receivables	**88,711**	84,970	45,781
Receivables from investee companies	**163,602**	355,233	200,115
Derivatives	**46,118**	29,405	919
Total current assets	**306,098**	474,170	247,887
Long-term investments, loans and receivables			
Investments in investee companies	**1,728,459**	1,628,475	1,598,014
Loans to investee companies	**961,309**	787,896	961,309
	2,689,768	2,416,371	2,559,323
Fixed assets, net	**2,564**	2,813	2,575
Intangible assets, net	**5,550**	5,522	5,356
Total non-current assets	**2,697,882**	2,424,706	2,567,254
Total assets	**3,003,980**	2,898,876	2,815,141

Condensed Interim Information on Financial Position

	March 31 2017	March 31 2016	December 31 2016
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Current liabilities			
Current maturities of debentures	-	104,103	-
Other payables	**78,132**	37,994	49,101
Derivatives	**4,553**	11,862	16,090
Total current liabilities	**82,685**	153,959	65,191
Long-term liabilities			
Debentures	**1,152,189**	1,106,105	1,090,257
Employee benefits	**6,282**	4,412	5,413
Total non-current liabilities	**1,158,471**	1,110,517	1,095,670
Total liabilities	**1,241,156**	1,264,476	1,160,861
Equity			
Share capital	**125,595**	125,595	125,595
Share premium	**623,829**	623,829	623,829
Reserves	**(323,909)**	(337,711)	(322,454)
Retained earnings	**1,337,309**	1,222,687	1,227,310
Total equity attributable to the owners of the Company	**1,762,824**	1,634,400	1,654,280
Total liabilities and equity	**3,003,980**	2,898,876	2,815,141

Yang Xingqiang	Chen Lichtenstein	Aviram Lahav
Chairman of the Board of Directors	President & Chief Executive Officer	Chief Financial Officer

Date the financial statements were approved: May 25, 2017

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

Condensed Interim Information on Income

	Three-month period ended March 31		Year ended December 31
	2017	2016	2016
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Revenues			
Income from services to investees companies	**13,911**	10,971	39,777
Expenses			
General and administrative	**12,584**	9,869	36,307
Operating profit (loss)	**1,327**	1,102	3,470
Financing expenses	**79,191**	58,477	200,558
Financing income	**(79,191)**	(58,477)	(200,558)
Financing income (expenses), net	**-**	-	-
Profit after financing expenses, net	**1,327**	1,102	3,470
Income from investee companies	**113,749**	104,234	160,435
Profit before tax on income	**115,076**	105,336	163,905
Taxes on income	**829**	1,146	1,577
Profit for the period attributable to the owners of the Company	**114,247**	104,190	162,328

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

Condensed Interim Information on Comprehensive Income

	Three-month period ended March 31		Year ended December 31
	2017	**2016**	**2016**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	$ thousands	**$ thousands**	**$ thousands**
Income for the period attributable to the owners of the Company	**114,247**	104,190	162,328
Components of other comprehensive income where after the initial recognition as part of the comprehensive income were transferred or will be transferred to the statement of income			
Net change in fair value of cash flow hedges transferred to the statement of income	**(120)**	(120)	(480)
Other comprehensive loss in respect of investee companies, net of tax	**(1,346)**	(28,572)	(12,986)
Taxes on the components of other comprehensive income that were transferred or will be transferred to the statement of income	**11**	11	42
Total other comprehensive loss for the period where after the initial recognition as part of the comprehensive income were transferred or will be transferred to the statement of income, net of tax	**(1,455)**	(28,681)	(13,424)
Components of other comprehensive income that will not be transferred to the statement of income			
Re-measurement of defined benefit plan	**-**	(138)	659
Other comprehensive loss in respect of investee companies, net of tax	**(1)**	(2,273)	(523)
Total components of other comprehensive income (loss) for the period that will not be transferred to the statement of income, net of tax	**(1)**	(2,411)	136
Total comprehensive income for the period attributable to the owners of the Company	**112,791**	73,098	149,040

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

Condensed Interim Information on Cash Flows

	Three-month period ended March 31		Year ended December 31
	2017	2016	2016
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Cash flows from operating activities			
Profit for the period attributable to the owners of the Company	**114,247**	104,190	162,328
Adjustments			
Profit in respect of investee companies	**(113,749)**	(104,234)	(160,435)
Depreciation and amortization	**742**	663	2,716
Amortization of discount/premium and issuance costs	**116**	(243)	(824)
Income in respect of share-based payment	**-**	(670)	(7,435)
Adjustment of long-term liabilities	**60,626**	31,967	14,117
SWAP transactions	**(120)**	(120)	(480)
Change in deferred taxes, net	**11**	11	42
Changes in assets and liabilities			
Decrease (increase) in accounts receivable and current assets	**(46,869)**	(29,149)	3,940
Increase (decrease) in accounts payable and other liabilities	**15,717**	6	(9,535)
Change in employee benefits	**1,038**	440	2,038
Net cash provided by (used in) operating activities in respect of transactions with investee companies	**17,021**	(13,737)	(76,077)
Net cash provided by (used in) operating activities	**48,780**	(10,876)	(69,605)
Cash flows from investing activities			
Acquisition of fixed assets	**(128)**	(139)	(313)
Additions to intangible assets	**(797)**	(707)	(2,182)
Dividend received	**-**	-	100,000
Net cash provided by (used in) operating activities in respect of transactions with investee companies	**(41,309)**	14,150	91,096
Net cash provided by (used in) investing activities	**(42,234)**	13,304	188,601
Cash flows from financing activities			
Dividend paid to owners of the company	**-**	-	(18,521)
Repayment of debentures	**-**	-	(101,210)
Net cash used in financing activities	**-**	-	(119,731)
Increase (decrease) in cash and cash equivalents	**6,546**	2,428	(735)
Cash and cash equivalents at beginning of the period	**740**	1,475	1,475
Cash and cash equivalents at end of the period	**7,286**	3,903	740
Supplementary information:			
Interest paid in cash	**(1)**	-	(63,285)
Interest received in cash	**305**	278	2,228
Taxes paid in cash, net	**(148)**	(654)	(1,118)

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

Additional Information

1. General

Presented herein is condensed financial data from the Group’s condensed consolidated interim financial statements as at March 31, 2017 (hereinafter – “the Consolidated Financial Statements”), which are published as part of the Periodic Reports, relating to the Company itself hereinafter – “the Condensed Interim Separate Financial Data”), presented in accordance with the provisions of Regulation 38D (“the Regulation”) and Addendum 10 to the Securities Regulations (Periodic and Immediate Reports) – 1970 (“Addendum 10”) regarding Condensed Interim Separate Financial Data of the Corporation.

The Condensed Interim Separate Financial Data should be read in conjunction with the separate financial information as at and for the period ended December 31, 2016 and in conjunction with the interim condensed consolidated financial statements.

In this interim financial information:

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

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

The accounting policies in these condensed interim financial data conform to the accounting principles detailed in the separate financial information as of December 31, 2016.

אדמה פתרונות לחקלאות בע"מ
ADAMA Agricultural Solutions Ltd.

Chapter C

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

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

The Management, under the supervisions of the Board of Directors of ADAMA Agricultural Solutions Ltd. (hereafter: the corporation) is responsible for determining and maintaining appropriate internal auditing of financial reporting and of disclosure in the corporation.

In this matter, the members of the Management are as follows:

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

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

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

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

In the annual report on the effectiveness of the internal auditing of the financial reports and disclosure which was attached to the periodic report for the period ended on December 31, 2016 (hereinafter: the last annual report on internal auditing), the Board of Directors and the Management assessed the corporation's internal auditing. Based on that assessment, the Board of Directors and the Management of the corporation reached the conclusion that the aforementioned internal auditing, as of December 31, 2016 is effective.

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

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

Officers’ Certification

Certification of CEO

I, Chen Lichtenstein, certify that:

1. I have reviewed the quarterly report of ADAMA Agricultural Solutions Ltd. (hereinafter – "the Company") for the first quarter of 2017 (hereinafter – “the reports").

2. Based on my knowledge, the reports do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the reports.

3. Based on my knowledge, the financial statements and other financial information included in the reports, fairly present in all material respects, the financial condition, results of operations and cash flows of the Company as of the dates and for the periods presented in the reports.

4. I have disclosed, based on my most recent evaluation regarding internal control over financial reporting and disclosure, to the Company's Auditors, Board of Directors and the Company's Audit Committee and Financial Statements Committee:
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure, which could reasonably adversely affect the Company's ability to record, process, summarize and report financial data so as to cast doubt on the reliability of financial reporting and the preparation of financial statements in accordance with law; and –
   b. Any fraud, whether or not material, that involves the CEO or anyone directly subordinated to the CEO or that involves other employees who have a significant role in internal control over financial reporting and disclosure.

5. I, alone or together with others in the Company, state that:
   a. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to ensure that material information relating to the Company, including its consolidated corporations within their meaning in the Securities Law (Annual Financial Statements) – 2010, is made known to me by others in the Company and within those corporations, particularly during the period in which the reports are being prepared; and –
   b. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with law, including in accordance with generally accepted accounting principles;
   c. No event or matter during the course of the period between the date of the last periodic report and the date of this report has been brought to my attention that would change the conclusion of the Board of Directors and the Management with respect to the effectiveness of the internal auditing of the Company's financial reporting and disclosure.

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

May 25, 2017

Chen Lichtenstein
CEO

Officers' Certification

Certification of Chief Financial Officer

I, Aviram Lahav, certify that:

1. I have reviewed the interim financial statements and other financial information included in the interim period reports of ADAMA Agricultural Solutions Ltd. (hereinafter – "the Company") for the first quarter of 2017 (hereinafter – "the reports" or "the interim period reports").

2. Based on my knowledge, the interim financial statements and other financial information included in the interim period reports do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the reports.

3. Based on my knowledge, the interim financial statements and other financial information included in the interim period reports, fairly present in all material respects, the financial condition, results of operations and cash flows of the Company as of the dates and for the periods presented in the reports.

4. I have disclosed, based on my most recent evaluation regarding internal control over financial reporting and disclosure, to the Company's Auditors, Board of Directors and the Company's Audit committee and Financial Statements Committee:
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure to the extent it relates to the interim financial statements and other financial information included in the interim period reports, which could reasonably adversely affect the Company's ability to record, process, summarize and report financial data so as to cast doubt on the reliability of financial reporting and the preparation of financial statements in accordance with law; and –
    b. Any fraud, whether or not material, that involves the CEO or anyone directly subordinated to the CEO or that involves other employees who have a significant role in internal control over financial reporting and disclosure.

5. I, alone or together with others in the Company, state that:
    a. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to ensure that material information relating to the Company, including its consolidated corporations within their meaning in the Securities Law (Annual Financial Statements) – 2010, is made known to me by others in the Company and within those corporations, particularly during the period in which the reports are being prepared; and –
    b. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with law, including in accordance with generally accepted accounting principles;
    c. No event or matter has been brought to my attention which occurred during the course of the period between the date of the last report (quarterly or periodic, as the case may be) and the date of this report that relates to the interim financial statements and any other financial information that is included in the interim period reports, that would change the conclusion of the Board of Directors and the Management with respect to the effectiveness of the internal auditing of the Company's financial reporting and disclosure.

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

May 25, 2017

Aviram Lahav
CFO