אדמה פתרונות לחקלאות בע"מ
ADAMA Agricultural Solutions Ltd.

Quarterly Report for June 30, 2016

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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, 2016

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

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

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

אדמה פתרונות לחקלאות בע"מ
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Chapter A

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

ADAMA Agricultural Solutions Ltd.

Board of Directors' Report for the Quarter and the Half-Year Period Ended June 30, 2016

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

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

Adjusted financial highlights – second quarter and first half of 2016

Adama's strong momentum continues with sales growth in constant currencies, higher volumes and increases in profit and profitability, with robust cash flow generation, despite the ongoing challenges for global agriculture

- Sales of $808 million in the second quarter and $1,661 million in the half-year
  - Growth in sales of 3.5% at constant exchange rates in the half-year, stable over the quarter
  - Recorded USD sales lower by 3.3% in the half-year and by 5.1% in the quarter due to the strength of the US dollar and lower contribution from currency hedging

- Growth in constant currencies driven by volume growth of 4.6% in the half-year and 2.3% in the quarter, largely due to focus on an improved product mix and increased market penetration, despite ongoing challenging conditions in agricultural markets and extreme weather conditions in many geographies

- Growth in profits and profitability, both in the quarter and the half-year
  - Gross margin in the quarter rose by 1.4 percentage points to 33.5%, with gross profit reaching $271 million. Gross margin for the half-year increased by a full percentage point to 34.1%, with gross profit of $567 million
  - Operating income in the quarter increased by 1.9% to $99 million, with an increase of 0.8 percentage points in operating margin to 12.2%. Operating income in the half-year increased by 2.3% to reach $228 million, with an increase of 0.7 percentage points in operating margin to 13.7%
  - Net income in the quarter grew by 5.6% to $57 million, with an increase of 0.8 percentage points in net income margin to 7.1%. Net income in the half-year grew by 6.2% to reach $158 million, with an increase of 0.9 percentage points in net income margin to 9.5%
  - EBITDA in the quarter rose by 2.4% to $143 million, with an increase of 1.2 percentage points in EBITDA margin to 17.6%. EBITDA in the half-year rose by 2.8% to $315 million, with an increase of 1.1 percentage points in EBITDA margin to 18.9%

- Decrease of $127 million in inventory levels from those at the end of June last year; significant improvement of $123 million in free cash flow in the half-year

- The results for both the quarter and the half-year continue to reflect Adama's sector-leading performance

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

- **The Company markedly outperformed the sector in the quarter and in the half-year** – continued deeper market penetration, combined with launches of new and differentiated products, as well as clear volume growth of an improved portfolio mix, together with reduction of manufacturing and procurement costs as well as of operating expenses, led to markedly positive results relative to the sector, despite the effects of exchange rates and the continuing challenging market conditions that negatively impacted both the Company and the sector as a whole.

- **The average exchange rate of the US dollar against most international currencies remained strong during the quarter and over the half-year, compared to the corresponding periods last year** – resulting in a lower US dollar value of the Company's sales, as well as those of the entire sector, during the quarter and half-year.

  Furthermore, the Company benefited less from the impact of currency hedging during the quarter and the half-year when compared to the corresponding periods last year. Without the impact of the lower benefit from hedging, the improvement in the Company's performance would have been even more notable. Although the Company had previously anticipated in its Board of Directors' Report for 2015 that the hedging transactions it had entered into with respect to 2016 would result in lower profitability for the Company in comparison to the parallel periods in 2015, in practice the Company has managed to deliver improved business and operating performance in the quarter and in the half-year.

- **Continued muted demand for crop-protection products** – despite a moderate increase in the prices of some grains and soft commodities during the quarter, agricultural commodity prices have generally remained at lower levels in the quarter and in the half-year, following on the low levels seen in recent years. This price environment continues to negatively affect farmers' profitability, which, when coupled with relatively high levels of inventory in the distribution channels, has led to a continued slowdown in demand for crop-protection products. Despite the slowdown and the continuing challenging market conditions, sales volumes of the Company increased markedly in the quarter and in the half-year, driven by the launch of new, differentiated products and the expansion of the Company's marketing activities in both existing and new markets.

- **Decrease in manufacturing, procurement and input costs in the quarter and half-year as a result of efficiencies and the global slowdown** – mainly due to the reduction of costs of operations, raw materials and intermediates, as well as transportation and energy costs.

- **Negative impact of weather conditions** – challenging weather conditions led to a decrease in demand in several areas. This season has seen cold and rainy weather in Europe in the quarter; continued extreme drought conditions in South Africa and several countries in South East Asia and widespread flooding in China; continued drought conditions and the late beginning of the monsoon season in India; and unstable weather conditions in different countries of Central and South America, including droughts in some areas and flooding in others.

On July 24, 2016, the Company reported that Discount Investment Corporation Ltd., an indirect shareholder in the Company, accepted the proposal of China National Agrochemical Corporation ("**CNAC**"), the controlling shareholder in the Company, according to which CNAC will acquire, on its own or with a third party, the minority shares held by Koor Industries Ltd. Subsequently, Discount Investment Corporation Ltd. informed the Company that on August 15, 2016, the parties signed the above agreement, while the closing of the aforementioned transaction is subject to several conditions precedent. The Company reported that this transaction, together with the new regulatory outline published by the CSRC on June, 16, 2016 regarding "a material restructuring of a company's assets", are expected to promote and accelerate the process towards the completion of the transaction for the acquiring of the entire share capital of the Company by Hubei Sanonda Co. Ltd. ("**Sanonda**") in exchange for allotment of shares in Sanonda to the Company’s shareholder (the "**Transaction**").

On August 7, 2016, the Company reported that the Transaction was discussed in the meeting of the Sanonda board of directors on August 4, 2016, after the main details required for its completion were agreed upon between the parties, and that soon after the entry into force of the new regulatory outline published by the CSRC, the Transaction report is expected to be brought to the board for its approval and submitted to the Shenzhen Stock Exchange. The suspension of trade of the Sanonda shares was extended until the stated entry into force. For more information about the acquisition of minority shares, the Transaction, including the sale of the class B shares of Sanonda, held by the Company, see the immediate reports of the Company dated August 7, 2016, July 24, 2016, July 17, 2016 and February 7, 2016 (Reference No. 2016-01-098284, 2016-01-088471, 2016-01-083212 and 2016-01-023893, respectively).

The Company estimates that the conditions prevailing in the sector are expected to continue into the second half of 2016, including the high levels of inventory in the distribution channels and liquidity difficulties in emerging markets, especially in Brazil, and are expected to continue to pose challenges for the sales in the sector and those of the Company, and on the pace of collections.

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

Results of Operations – Income Statement

Adjusted Income Statement for the Quarter

	Q2 2016 $m	Q2 2015 $m	Change $m	% Change CER	% Change USD
Revenues	**808**	**851**	**-43**	**+0.1%**	**-5.1%**
Gross profit	271	273	-2		-0.9%
% of revenue	*33.5%*	*32.1%*			
Operating expenses	172	176	-4		-2.5%
Operating income (EBIT)	**99**	**97**	**2**		**+1.9%**
% of revenue	*12.2%*	*11.4%*			
Finance expenses, net	38	38	0		0.0%
Net income before taxes	62	60	2		+2.4%
Net income	**57**	**54**	**3**		**+5.6%**
% of revenue	*7.1%*	*6.3%*			
EBITDA	**143**	**139**	**4**		**+2.4%**
% of revenue	*17.6%*	*16.4%*			

Adjusted Income Statement for the Half-Year

	H1 2016 $m	H1 2015 $m	Change $m	% Change CER	% Change USD
Revenues	**1,661**	**1,718**	**-57**	**+3.5%**	**-3.3%**
Gross profit	567	568	-1		-0.2%
% of revenue	*34.1%*	*33.1%*			
Operating expenses	339	345	-6		-1.9%
Operating income (EBIT)	**228**	**223**	**5**		**+2.3%**
% of revenue	*13.7%*	*13.0%*			
Finance expenses, net	67	49	18		+35.6%
Net income before taxes	161	176	-15		-8.3%
Net income	**158**	**149**	**9**		**+6.2%**
% of revenue	*9.5%*	*8.6%*			
EBITDA	**315**	**306**	**9**		**+2.8%**
% of revenue	*18.9%*	*17.8%*			

Income statement items shown as adjusted in the above tables, as presented in the financial statements (in USD millions)[1]:
The second quarter of 2016 does not include adjustments. For the second quarter of 2015: Net financing expenses – 40 (4.7%), net income before taxes – 58 (6.8%) and net income – 51 (6.0%).
For the first half of 2016: Gross profit – 567 (34.1%), operating expenses – 336 (20.2%), operating income (EBIT) – 231 (13.9%), net income before taxes – 164 (9.9%), net income – 161 (9.7%) and EBITDA – 318 (19.1%). For the first half of 2015: Net financing expenses – 56 (3.3%), net income before taxes – 169 (9.8%) and net income – 137 (8.0%).

1 The Income Statement items for the half-year that appear in the above table include an adjustment for the redeployment in the first quarter of 2016 of options granted to employees in 2014, in the amount of $3 million. The Income Statement items for the corresponding periods last year that appear in the above tables include adjustments for: revaluation of $7 million in the first and second quarters of 2015 of options on debentures issued by the Company in the first quarter of 2015; a capital gain of $10 million in the first quarter of 2015 from the sale of intellectual property; a $5 million provision in the first quarter of 2015 due to a tax-related event from 1985 and expenses of $10 million in the first quarter of 2015 due to the early retirement of employees under an agreement from 2010. For an analysis of the differences between the adjusted income statement items and the income statement items reported in the financial statements, see Appendix A.

Analysis of the Company's Adjusted Results

Sales

Sales increased by 3.5% in the half-year and remained stable in the quarter, at constant exchange rates, compared with the corresponding periods last year. This was driven by volume growth in most regions in which the Company operates, with overall volume growth of 4.5% in the half-year and 2.2% in the quarter, despite the continuing challenging market conditions. The volume growth in the quarter was partly offset by the passing on of part of the significant reduction in cost of sales into lower selling prices in some of the markets in which the Company operates.

The depreciation of local currencies in the main regions in which the Company operates, together with the lower contribution of currency hedging transactions as compared with the corresponding periods last year, resulted in lower sales in US dollar terms of 3.3% and 5.1% in the half-year and in the quarter, respectively, compared to the corresponding periods last year.

Revenue split by region

Second quarter sales:

	Q2 2016 $m	Q2 2015 $m	Estimated % change in CER	% change in $
Europe	279	322	*-7.0*	*-13.4*
North America	186	178	*+5.0*	*+4.3*
Latin America	159	165	*+4.7*	*-3.7*
Asia-Pacific	85	80	*+10.8*	*+5.8*
India, Middle East and Africa	99	106	*-1.8*	*-6.2*
Of which, Israel	*28*	*26*	*+6.9*	*+8.0*
Total	**808**	**851**	***+0.1***	***-5.1***

Half-year sales:

	H1 2016 $m	H1 2015 $m	Estimated % change in CER	% change in $
Europe	704	779	*-2.2*	*-9.6*
North America	340	317	*+8.0*	*+7.2*
Latin America	272	289	*+7.3*	*-5.7*
Asia-Pacific	169	158	*+12.6*	*+6.6*
India, Middle East and Africa	176	175	*+6.5*	*+0.4*
Of which, Israel	*51*	*49*	*+3.3*	*+4.8*
Total	**1,661**	**1,718**	***+3.5***	***-3.3***

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

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

Europe

Sales in Europe declined by 2.2% in the half-year, at constant exchange rates, compared to the corresponding period last year and by 7.0% in the quarter. This decrease stemmed primarily from reduced sales volumes, mainly in the quarter, as a result of the cold and rainy weather, as well as from a certain decrease in selling prices in several countries in the region, partly passing on to customers some of the benefit of the products' significantly reduced cost.

In US dollar terms, as a result of the lower contribution of currency hedging and the weaker exchange rates prevailing during the half-year as compared to the corresponding period last year, sales in Europe decreased by 13.4% and 9.6% in the quarter and in the half-year respectively, compared to the corresponding periods last year.

- *Extended cold and rainy conditions, unusual for this season, especially in Southern Europe, continued to pose challenges for farmers, who were often unable to apply crop protection due to frost and floods in their fields.*
- *These conditions, along with the ongoing challenging general agricultural market conditions which have impacted farmer profitability, cash generation and access to credit, have led to constrained demand.*
- *Adama nevertheless continued to drive the evolution of its portfolio through the introduction of new and differentiated products, such as GOLTIX TITAN®, a sugar beet herbicide launched in Poland; BREVIS™, an innovative and proprietary product that promotes growth of bigger and more uniform fruit which was launched in Spain; and ORDAGO®, a selective pre-emergent weed herbicide for multiple crops also launched in Spain.*

North America

Sales in North America increased by 5.0% in the quarter and by 8.0% in the half-year, at constant exchange rates, compared to the corresponding periods last year. This significant increase in sales stemmed from volume growth, both in crop protection products as well as in the Consumer and Professional Solutions (non-crop) segment, largely due to the Company's demand creation activities, and despite the challenging marketing conditions and the slowdown in demand for crop protection products.

In US dollar terms, sales in North America increased by 4.3% in the quarter and by 7.2% in the half-year, compared to the corresponding periods last year.

- *The Company's focus on marketing and improved customer access resulted in a good performance in a number of crops, most notably in its cotton-related offering.*
- *Adama continues to advance its collaboration with its affiliate entities in the ChemChina group, and significantly increased its sales of products sourced from them, with strong performance in the US particularly of PARAZONE® and ETHEPHON.*
- *Although the long drought in California broke during the quarter, lower insect pressure in the region led to a drop in demand for insecticides.*
- *Adama continued its positive momentum in Canada, with strong demand for fungicides and insecticides in Western Canada. The Company significantly increased its investment in field research and development, supporting the evolution of its portfolio in the country towards differentiated products that provide increased value to farmers.*

Latin America

Sales in Latin America increased by 4.7% in the quarter and by 7.3% in the half-year, at constant exchange rates, compared to the corresponding periods last year. This growth stemmed from both increased selling prices, as well as volume growth in the quarter, and was achieved despite extreme weather conditions in Brazil, high inventory levels in the distribution channels remaining from 2015, and the continuing challenging economic conditions in the main countries in the region, including a shortage of credit available to farmers and customers.

In US dollar terms, sales in Latin America were lower by 3.7% in the quarter and by 5.7% in the half-year, compared to the corresponding periods last year, reflecting the impact of the significant depreciation of local currencies, which was partially compensated by price increases in local currencies.

Credit conditions in Brazil and other countries in the region have slowed the pace of collections, and the Company is continuing with its policy of aligning sales with customers' demonstrated ability to meet their credit terms on an ongoing basis.

- *Adama's Brazilian business delivered strong results, driven by a more differentiated product offering, as well as a consistent improvement of the connection with farmers and end-customers, and supported by positive movements of the exchange rate during the quarter.*
- *The Andean operations delivered strong performance in the quarter, with the Company advancing a unique go-to-market approach and various digital initiatives aimed at increasing customer proximity.*
- *The Company's proprietary nematicide, NIMITZ®, performs well in Mexico, where it was launched last year.*

Asia Pacific

Sales in Asia-Pacific increased by 10.8% in the quarter and by 12.6% in the half-year, at constant exchange rates, compared to the corresponding periods last year, driven by significant volume growth, especially in the countries of the Pacific and in North East Asia. This increase compensated for a decrease in sales in other countries in Asia, which stemmed from the continued severe drought as a result of El-Niño in Thailand, Vietnam and other countries, and high inventories in the distribution channels.

In US dollar terms, despite the depreciation of local currencies, especially the Australian dollar, sales in the region increased by 5.8% in the quarter and by 6.6% in the half-year, especially in countries of the Pacific and in North East Asia, compared to the corresponding periods last year.

- *Adama's continued focus on deepening its access and connection to customers resulted in strong volume-driven growth in the region, most notably in the Pacific and North East Asia, where Adama placed an emphasis on improved product mix and focus on key customers and crops.*
- *During the quarter, Adama obtained registrations for three new differentiated products: In Australia, VERITAS®, a unique, broad-spectrum cereal fungicide and VORTEX® , a unique mixture for broadleaf weed control in cereals, and in New Zealand, ARROW® 360EC, a selective post-emergent herbicide for grass weed control.*
- *Adama continues to drive the roll-out of its commercial platform in China and to recruit experienced sales teams in selected key provinces, while achieving significantly improved results compared to last year.*

India, Middle East and Africa

Sales in the India, Middle East and Africa region increased by 6.5% in the half-year, despite a slight decrease in sales of 1.8% in the quarter, at constant exchange rates, compared to the corresponding periods last year. The increase in sales during the half-year stemmed from volume growth and despite the continuing drought and the late start of the monsoon season in India.

In US dollar terms, reflecting the impact of the depreciation of certain currencies such as the South African Rand and the Indian Rupee, sales in the region increased by 0.4% in the half-year, despite being lower by 6.2% in the quarter, compared to the corresponding periods last year.

- *Adama continued to focus on improving its offering in India, and launched three new differentiated herbicides: SHAKED®, a broad-spectrum herbicide for soybean and pulses, DEKEL™, a broad-spectrum herbicide for onion and garlic, and TAMAR®, a selective herbicide for sugarcane.*
- *In addition, the Company obtained new registrations for ACEPHATE to be sourced from a CNAC affiliate, with the product expected to be introduced to the Indian market in the second half of the year.*
- *Adama's business in Turkey, launched last year, continues to perform well and exceeds expectations, driven by a strong focus on increasing proximity to the farmers, as well as the entry into the sugar beet market in the country, with the launch of two differentiated products: GOLTIX® PLUS and BELVEDERE FORTE®, broad-spectrum herbicides for post-emergent broad-leaf weed control.*

Gross profit

The Company significantly increased its gross margins in both the quarter and the half-year, with gross margin up by 1.4 percentage points to 33.5% in the quarter and by 1.0 percentage point to 34.1% in the half-year, as compared to the corresponding periods last year, notwithstanding the lower sales in US dollar terms over these periods. This increase stemmed from volume growth, the improved differentiation of its product portfolio, and from a significant reduction of production and procurement costs, which was somewhat offset by the passing on of part of the drop in costs into lower selling prices in some markets, all against the backdrop of significant negative currency headwinds and the lower contribution of currency hedging compared to the corresponding periods last year.

Operating income

Continued expense control and the positive effect of the depreciation of the currencies led to a reduction in operating expenses in both the quarter and the half-year.

Total operating expenses in the quarter and in the half-year amounted to $172 million (21.3% of sales) and $339 million (20.4% of sales) respectively, compared to $176 million (20.7% of sales) and $345 million (20.1% of sales) in the corresponding periods last year.

Despite the significant increase in sales volumes, the Company managed to reduce its Sales and Marketing expenses in the quarter and in the half-year, compared to the corresponding periods last year. These expenses amounted to $135 million (16.7% of sales) and $271 million (16.3% of sales), in the quarter and in the half-year, respectively, compared to $144 million (16.9% of sales) and $281 million (16.4% of sales) in the corresponding periods last year.

Within the total operating expenses, General and Administrative expenses amounted to $30 million (3.7% of sales) and $58 million (3.5% of sales) in the quarter and half-year, respectively, compared to $26 million (3.0% of sales) and $49 million (2.9% of sales) in the corresponding periods last year. The increases in this sub-category in the quarter and in the half-year compared with the corresponding periods last year, stemmed primarily from provisions for doubtful debts and salaries.

Research and Development expenses amounted to $8 million (1.0% of sales) and $16 million (1.0% of sales) in the quarter and in the half-year, respectively, compared to $8 million (0.9% of sales) and $15 million (0.9% of sales) in the corresponding periods last year. The operating expenses were offset in the half-year by income of $6 million related to the non-material granting of an intellectual property license recorded in the first quarter of 2016.

Financing expenses

Financing expenses remained stable in the quarter, both in absolute terms as well as a percentage of sales, compared to the corresponding quarter last year. This was a result of the higher cost of currency hedging on receivables, largely due to the increased volatility in the Brazilian currency and the fact that the majority of the receivables there is denominated in local currency, which was offset by a decrease in financing expenses related to the Company's CPI-linked debentures, resulting from a more moderate increase in the Israeli Consumer Price Index compared to the corresponding quarter last year.

Financing expenses increased in the half-year, both in absolute terms as well as a percentage of sales, compared to the corresponding period last year, as a result of the abovementioned increased cost of currency hedging on receivables, mostly in Brazil.

Tax

Tax expenses in the quarter amounted to $5 million, compared to $7 million in the corresponding quarter last year. The low effective tax rate stems mainly from the strengthening of the Brazilian Real against the US dollar during the quarter and the corresponding quarter last year, which created tax income due to non-cash revaluation of tax assets.

Due to this, the Company recorded low tax expenses in the half-year of $1 million. The strengthening of the Brazilian Real against the US dollar during the first half of 2016 created tax income due to non-cash revaluation of tax assets, compared to tax expenses of $27 million in the corresponding period last year, which stemmed mainly from the weakening of the Brazilian Real against the US dollar during the first quarter of 2015.

Revenues by operating segment

Sales split by operating segment in the Second quarter

	Q2 2016 $m	%	Q2 2015 $m	%	Change $m	Change %
Crop protection (Agro)	759	93.9	806	94.6	-47	-5.9
Other (Non-Agro)	49	6.1	45	5.4	+4	+7.9

Sales split by operating segment in the Half-year

	H1 2016 $m	%	H1 2015 $m	%	Change $m	Change %
Crop protection (Agro)	1,563	94.1	1,626	94.7	-63	-3.9
Other (Non-Agro)	98	5.9	92	5.3	+6	+6.4

Financial Condition and Liquidity[2]

Cash flow and investment in fixed assets

In the second quarter, the operating cash flow amounted to $184 million, compared with an operating cash flow of $93 million in the corresponding quarter last year.

In the half-year, the operating cash flow amounted to $192 million, compared to a negative operating cash flow in the amount of $10 million in the corresponding period last year. Given the effect of the change in receivables resulting from the Receivables Financing Facility Program, had the receivables been written off from the Company's balance sheet on January 1, 2015, the operating cash flow in the corresponding period last year would have amounted to $88 million.

The improvement in operating cash flow in both the quarter and in the half-year compared to the corresponding periods last year, stem from improved collections and a reduction in inventories of $46 million in the quarter and of $85 million in the half-year on the one hand, and from a decrease in payables on the other hand.

The Company's investments in the quarter and in the half-year amounted to $46 million and $79 million, respectively, compared with $37 million and $98 million in the corresponding periods last year. Investments included primarily investments in product registrations, intangible and fixed assets. Investments in fixed assets included investments in plant and equipment, and amounted, net of investment grants, to $21 million and $38 million, in the quarter and in the half-year, respectively, compared to $31 million and $70 million in the corresponding periods last year.

In the second quarter, the Company generated free cash flow of $138 million compared to $56 million in the corresponding quarter last year.

Free cash flow in the half-year amounted to $114 million compared to negative free cash flow of $108 million in the corresponding period last year. Given the effect of the change in the balance of receivables in the framework of the Receivables Financing Facility Program, had the receivables been written off from the Company's balance sheet on January 1, 2015, the free cash flow in the corresponding period last year would have amounted to a negative free cash flow in the amount of $10 million.

Current assets

Total current assets at June 30, 2016 amounted to $2,785 million compared to $3,118 million as at June 30, 2015, and $2,627 million as at December 31, 2015.

[2] Due to the changes made to the Company's Receivables Financing Facility Program in the first quarter of 2015, as specified in Note 4 to the Company's consolidated financial statements as at December 31, 2015, the receivables and short term credit related to the Receivables Financing Facility Program were removed from the Company's balance sheet at the end of the first quarter of 2015, without affecting the cash flow for that period. The cash balance received within the framework of the Receivables Financing Facility Program amounted to $275 million as at June 30, 2016 and $293 million as at June 30, 2015.

Cash, current liabilities and long-term loans

The Company's total financial liabilities, including bank credit and debentures, amounted to $1,594 million as at June 30, 2016 (of which 24.0% was short term), compared to $1,741 million as at June 30, 2015 (of which 17.7% was short term), and $1,554 million (of which 20.8% was short term) as at December 31, 2015.

The Company's balances of cash and short-term investments as at June 30, 2016 amounted to $530 million, compared to $615 million as at June 30, 2015, and $400 million as at December 31, 2015.

The Company's net debt, including bank credit and the impact of hedging transactions attributed to debt, net of cash and short-term investments, amounted to $1,078 million as at June 30, 2016, compared to $1,100 million as at June 30, 2015, and to $1,184 million at the end of December 2015. The Company distributed a dividend during the fourth quarter of 2015 in the amount of $100 million.

Financial covenants

The financial covenants the Company complies with in the context of its 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 June 30, 2016	**0.6x**	**2.2x**	**1,693**	**1,279**

As at June 30, 2016, during the second quarter of 2016 and on the date of publication of this report, the Company complied with the financial covenants included in its financing documents and the Receivables Financing Facility Program.[3]

Shareholders' equity

The Company's shareholders' equity as of June 30, 2016 amounted to $1,693 million, compared to $1,701 million as of June 30, 2015 and $1,567 million as of December 31, 2015, following distribution of a dividend in the amount of $100 million in the fourth quarter of 2015. Equity as a proportion of total assets was 37.3% as of June 30, 2016, 35.4% as of June 30, 2015, and 36.2% as of December 31, 2015.

The Company's issued and paid-up share capital as of June 30, 2016 is 137,990,881 ordinary shares of NIS 3.12 par value each.

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

Financial ratios

As at June 30:	2016	2015
Ratio of current assets to current liabilities (current ratio)	1.85	2.02
Ratio of current assets, excluding inventory, to current liabilities (quick ratio)	1.16	1.26
Ratio of financial liabilities to total assets	35.1%	36.2%
Ratio of financial liabilities to total equity, gross	94.1%	102.3%

Financing sources

The Company finances its business operations from its equity and from external funding sources.[4]

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 does not point to a liquidity issue, and accordingly, as at the date of the report, there are no Warning Signs in the Company. The main considerations behind the resolution of the Board of Directors include, inter alia, the Company's consolidated financial statements reflect a positive level of working capital and cash flow from operating activities. This positive working capital, which includes, at the reporting date, a cash balance and short-term investments of $530 million, is the principal source for the repayment of the Company's liabilities. Based on the structure of the operations of the Group, the Group's companies in Israel, Adama Makhteshim and Adama Agan, are the principal manufacturers of the Group's products that are sold by the Group's marketing companies all over the world, so that there is a continuous liability of the marketing companies towards the manufacturing companies and in return for the debentures issued by the Company, allocated to the manufacturing companies as loans at identical terms to those of the debentures, including the repayment date.

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

Market risks – exposure and risk management

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

The exchange rate fluctuations of the currencies during the half-year impact a number of sections of the Company's financial statements.[5] The net impact of the changes in currency exchange rates in the period following the date of the financial statements on the balance sheet exposure is not material, due to the high rate of balance sheet hedging carried out by the Company.

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

Corporate governance

Financial statements' approval process

The members of the Financial Statements Review Committee in the Company are members of the Audit Committee Mr. Gustavo Traiber, who acts as Chairman of the Committee, Ms. Dalit Braun, and Mr. Jiashu Cheng. All the Committee Members gave a declaration prior to their appointment, concerning their education and experience, based on which the Company regards them as having accounting and financial expertise or as having the ability to read and understand financial statements.[6] As part of the process for approval of the financial statements, the CFO presented to the Committee a detailed document with the financial results, and the Committee discussed them as reflected in the financial statements, as well as the assessments and estimates made in connection with them, the internal controls relating to the financial statements, the integrity and appropriateness of their disclosure, and the accounting policy adopted and the accounting treatment applied regarding matters that are material to the Company. The Committee also discussed other material issues. The Committee met on August 11, 2016 to review the financial statements for the period ended June 30, 2016.[7]

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

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

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

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

When presenting the financial statements to the Board of Directors, the Company's Presidant and CEO 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 presented a detailed document with 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 at June 30, 2016 and resolved to approve them.

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 and chapter "Material changes and new information in the Company's business". For information about debentures held by the public on the date of the report, see the table in Appendix B.

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

August 15, 2016

Appendices

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

$m	Adjusted		Adjustments		Reported	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Revenues	808	851	-	-	808	851
Gross profit	271	273	-	-	271	273
Operating expenses	172	176	-	-	172	176
Operating income (EBIT)	99	97	-	-	99	97
Finance expenses, net	38	38	-	(2.5)	38	40
Net income before taxes	62	60	-	2.5	62	58
Net income	57	54	-	2.5	57	51
EBITDA	143	139	-	-	143	139

$m	Adjusted		Adjustments		Reported	
	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015
Revenues	1,661	1,718	-	-	1,661	1,718
Gross profit	567	568	(0.2)	-	567	568
Operating expenses	339	345	3.2	-	336	345
Operating income (EBIT)	228	223	(3.3)	-	231	223
Finance expenses, net	67	49	-	(6.5)	67	56
Net income before taxes	161	176	(3.3)	6.5	164	169
Net income	158	149	(3.3)	11.3	161	137
EBITDA	315	306	(3.3)	-	318	306

The Income Statement items for the half-year that appear in the above tables include adjustments for redeployment in the first quarter of 2016 of employees options granted in 2014, in the amount of $3 million.

The Income Statement items for the corresponding periods last year that appear in the above tables include adjustments for: revaluation in the first and second quarters of 2015 of options on debentures issued by the Company in the first quarter of 2015 in the amount of $7 million; a capital gain of $10 million in the first quarter of 2015 from the sale of intellectual property; a $5 million provision in the first quarter of 2015 due to a tax-related event from 1985 and expenses of $10 million in the first quarter of 2015 due to the early retirement of employees under an agreement from 2010.

Appendix B - Details of the Company's debentures as at the end of the second quarter of 2016

Series	Date of Issue	Rating	Total par Value on Date of Issue (in NIS million)	Type of Interest	Nominal Interest Rate	Effective Interest Rate at Reporting Date	Market Value on June 30, 2016 (in NIS millions)	Dates of interest payments	Dates of principal payments	Linkage basis	Nominal par value at June 30, 2016 (in NIS millions)	CPI-linked nominal par value at June 30, 2016 (in NIS millions)	Carrying value of debenture balances at June 30, 2016 (in USD millions)	Carrying value of interest payable on June 30, 2016 (in USD millions)	Fair value at June 30, 2016 (in USD millions)
Series B [1]	Dec. 06	ilAA-[3]	1,650	CPI-linked annual interest	5.15%	4.5%	4,416.2[2]	Twice a year on May 31 and on Nov. 30 in each of the years 2006-2036	Nov. 30 of each of the years 2020-2036	CPI for October 2006	3,483.1[2]	4,145.7[2]	1,067.7[2]	4.6[2]	1,148.3[2]
	Jan. 12		514												
	Jan. 13		600												
	Feb. 15		533												
	Feb-May 15		267												
Series D [1]	Dec. 06	IlAA-[3]	235	Annual interest	6.50%	0.7%	400.0	Twice a year on May 31 and Nov. 30 of each of the years 2006-2016	Nov. 30 of each of the years 2011-2016	Unlinked	388.5	388.5	101.6	0.5	104.0
	Mar. 09		472												
	Jan. 12		541												
	Feb. 14		488												

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

(2) Net of debentures purchased by a wholly-owned subsidiary, which, as of June 30, 2016, holds 67,909,858 debentures (Series B), which accounts for 1.91% of total issued debentures (Series B).

(3) On July 7, 2016, Maalot ratified the rating (ilAA-/Stable). For more details, see the Company's Immediate Report dated July 7, 2016 (reference 2016-01-077503).

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

	June 30			Q2 Average			H1 Average		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
EUR/USD	1.114	1.120	(0.5%)	1.13	1.11	2.2%	1.116	1.116	(0.0%)
USD/BRL	3.210	3.103	(3.5%)	3.51	3.07	(14.2%)	3.710	2.968	(25.0%)
USD/PLN	3.980	3.765	(5.7%)	3.87	3.70	(4.7%)	3.913	3.710	(5.5%)
USD/ZAR	14.792	12.233	(20.9%)	14.99	12.08	(24.1%)	15.402	11.903	(29.4%)
AUD/USD	0.745	0.768	(3.0%)	0.75	0.78	(4.1%)	0.733	0.782	(6.3%)
GBP/USD	1.345	1.572	(14.5%)	1.44	1.53	(6.2%)	1.434	1.523	(5.9%)
USD/ILS	3.846	3.769	(2.0%)	3.81	3.87	1.6%	3.857	3.906	1.2%
USD L 3M	0.62%	0.28%	121.6%	0.64%	0.25%	128.1%	0.63%	0.27%	136.8%

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

a. For details regarding the agreement between the Company's shareholders, according to which CNAC will acquire all of Koor's minority holdings in the Company, see the first section of this report.

b. **Section 1.4.2.2 – Sanonda Transaction** - see the first section of this report.

c. **Section 30** – **Request to Approve a Derivative Claim by a Shareholder of Discount Investment Corporation Ltd ("DIC**")

   At the end of May 2016, a request to approve a derivative claim, a derivative claim and a request for interim relief were submitted to the Regional Court of Tel Aviv-Yafo against DIC, Koor, CNAC, directors in the Company appointed by CNAC and the Company. The claim is related to the full tender offer to purchase the shares of Syngenta AG published by CNAC, the non-compete clause included in the shareholders agreement and to the tenure of the abovementioned Directors.

   On June 5th, 2016, the Company filed a request to summarily cancel the claim and also announced that it does not intend to take a stand on the merits of the arguments in the request for interim relief. For more details, see the Company's Immediate Reports dated May 23 2016 and June 10 2016 (references: 2016-01-031221 and 2016-01-048636, respectively).

אדמה פתרונות לחקלאות בע"מ

ADAMA Agricultural Solutions Ltd.

Chapter B

Financial statements (unaudited)

for June 30, 2016

Adama Agricultural Solutions Ltd.

Condensed Consolidated Interim Financial Statements

(Unaudited)

As at June 30, 2016

In U.S. Dollars

Condensed Consolidated Interim Financial Statements as at June 30, 2016 (Unaudited)

Contents

Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006, Israel
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Review Report to the Shareholders of Adama Agricultural Solutions Ltd.

Introduction

We have reviewed the accompanying financial information of Adama Agricultural Solutions Ltd. and its subsidiaries (hereinafter – "the Group") comprising of the condensed consolidated interim statement of financial position as of June 30, 2016 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six and the 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 5.2% of the total consolidated assets as of June 30, 2016, and whose revenues constitute 8.5% and 10.4% of the total consolidated revenues for the six and the 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 $69,478 thousand as at June 30, 2016, and the Group's share in their profits amounted to $1,688 thousand and $1,097 thousand for the six and the 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.

Sincerely,

Somekh Chaikin
Certified Public Accountants (Isr.)

August 15, 2016

Condensed Consolidated Interim Statement of Financial Position as at

	June 30 2016 (Unaudited) $ thousands	June 30 2015 (Unaudited) $ thousands	December 31 2015 (Audited) $ thousands
Current assets			
Cash and cash equivalents	**524,957**	609,888	395,352
Short-term investments	**4,717**	4,941	4,730
Trade receivables	**990,475**	1,020,508	771,818
Trade receivables as part of securitization transaction not yet eliminated	**29,218**	28,748	26,367
Subordinated note in respect of sale of trade receivables	**30,811**	31,476	71,293
Prepaid expenses	**15,157**	16,253	15,811
Financial and other assets, including derivatives	**132,800**	221,158	180,528
Tax deposits less provision for taxes	**14,211**	14,679	12,361
Inventories	**1,042,471**	1,170,199	1,149,058
Total current assets	**2,784,817**	3,117,850	2,627,318
Long-term investments, loans and receivables			
Investments in equity-accounted investee companies	**69,427**	79,341	70,397
Other financial investments and receivables	**61,692**	32,662	48,035
Other non-financial investments and receivables, including non-current inventory	**21,349**	19,960	35,941
	152,468	131,963	154,373
Fixed assets			
Cost	**1,689,061**	1,620,044	1,651,652
Less – accumulated depreciation	**896,559**	835,910	864,345
	792,502	784,134	787,307
Deferred tax assets	**105,377**	82,200	75,196
Intangible assets			
Cost	**1,720,583**	1,644,728	1,651,529
Less – accumulated amortization	**1,013,543**	954,529	964,080
	707,040	690,199	687,449
Total non-current assets	**1,757,387**	1,688,496	1,704,325
Total assets	**4,542,204**	4,806,346	4,331,643

Condensed Consolidated Interim Statement of Financial Position as at

	June 30 2016	June 30 2015	December 31 2015
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Current liabilities			
Loans and credit from banks and other lenders	**280,571**	203,217	222,800
Current maturities of debentures	**101,593**	104,473	100,789
Trade payables	**483,383**	589,539	554,357
Other payables	**578,916**	575,896	469,292
Current tax liabilities	**30,910**	35,066	25,627
Put options to holders of non-controlling interests	**29,417**	32,420	32,430
Total current liabilities	**1,504,790**	1,540,611	1,405,295
Long-term liabilities			
Long-term loans from banks	**143,964**	230,762	173,708
Debentures	**1,067,676**	1,202,479	1,056,380
Other long-term liabilities	**29,707**	32,012	29,233
Deferred tax liabilities	**16,999**	17,272	22,595
Employee benefits	**78,486**	73,590	70,552
Put options to holders of non-controlling interests	**7,480**	8,471	7,040
Total long-term liabilities	**1,344,312**	1,564,586	1,359,508
Total liabilities	**2,849,102**	3,105,197	2,764,803
Equity			
Share capital	**125,595**	125,595	125,595
Share premium	**623,829**	623,829	623,829
Capital reserves	**(335,478)**	(297,739)	(309,030)
Retained earnings	**1,279,156**	1,249,167	1,126,239
Total equity attributable to the owners of the Company	**1,693,102**	1,700,852	1,566,633
Non-controlling interests	**-**	297	207
Total equity	**1,693,102**	1,701,149	1,566,840
Total liabilities and equity	**4,542,204**	4,806,346	4,331,643

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: August 15, 2016

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

Condensed Consolidated Interim Statement of Income for the

	Six-month period ended June 30		Three-month period ended June 30		Year ended December 31
	2016	2015	2016	2015	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
Revenues	**1,660,922**	1,717,955	**807,766**	851,295	3,063,870
Cost of sales	**1,094,059**	1,149,861	**537,041**	578,032	2,094,281
Gross profit	**566,863**	568,094	**270,725**	273,263	969,589
Other income	**(7,714)**	(11,272)	**(1,441)**	(801)	(14,385)
Selling and marketing expenses	**270,058**	281,420	**135,038**	143,681	534,454
General and administrative expenses	**56,698**	49,282	**29,811**	25,613	102,535
Research and development expenses	**16,043**	15,362	**8,300**	7,505	30,197
Other expenses	**700**	10,663	**82**	185	16,681
	335,785	345,455	**171,790**	176,183	669,482
Operating income	**231,078**	222,639	**98,935**	97,080	300,107
Financing expenses	**137,795**	175,361	**87,127**	115,896	286,498
Financing income	**(70,727)**	(119,361)	**(49,287)**	(75,548)	(146,926)
Financing expenses, net	**67,068**	56,000	**37,840**	40,348	139,572
Share of income (loss) of equity-accounted investee companies, net	**338**	2,445	**771**	1,213	(1,498)
Profit before taxes on income	**164,348**	169,084	**61,866**	57,945	159,037
Taxes on income	**855**	32,003	**4,905**	6,595	49,262
Profit for the period	**163,493**	137,081	**56,961**	51,350	109,775
Attributable to:					
The owners of the Company	**161,151**	137,250	**56,961**	51,434	110,108
Non-controlling interests	**2,342**	(169)	**-**	(84)	(333)
Profit for the period	**163,493**	137,081	**56,961**	51,350	109,775

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

Condensed Consolidated Interim Statement of Comprehensive Income for the

	Six-month period ended June 30		Three-month period ended June 30		Year ended December 31
	2016	2015	2016	2015	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
Profit for the period	**163,493**	137,081	**56,961**	51,350	109,775
Other comprehensive income items that initial recognition in comprehensive after income were or will be transferred to the statement of income					
Foreign currency translation differences in respect of foreign operations	**(509)**	(10,681)	**(7,461)**	2,103	(32,159)
Foreign currency translation differences in respect of foreign operations transferred to the statement of income	**(82)**	-	**(82)**	-	-
Effective portion of change in fair value of cash flow hedges	**(14,142)**	42,608	**8,684**	(28,694)	58,521
Net change in fair value of cash flow hedges transferred to the statement of income	**(14,654)**	(65,624)	**1,120**	(20,415)	(70,060)
Taxes in respect of other comprehensive income items that were or will be transferred to the statement of income in succeeding periods	**3,028**	1,391	**(28)**	5,508	106
Total other comprehensive income (loss) that after initial recognition in comprehensive income were or will be transferred to the statement of income, net of tax	**(26,359)**	(32,306)	**2,233**	(41,498)	(43,592)
Components of other comprehensive income that will not be transferred to the statement of income					
Re-measurement of defined benefit plan	**(4,307)**	2,818	**(1,579)**	5,379	3,404
Taxes in respect of items of comprehensive income that will not be transferred to the statement of income	**540**	(35)	**223**	(311)	(436)
Total components of other comprehensive income (loss) for the period that will not be transferred to the statement of income, net of tax	**(3,767)**	2,783	**(1,356)**	5,068	2,968
Total comprehensive income for the period	**133,367**	107,558	**57,838**	14,920	69,151
Total comprehensive income attributable to:					
The owners of the Company	**130,936**	107,723	**57,838**	14,994	69,483
Non-controlling interests	**2,431**	(165)	**-**	(74)	(332)
Total comprehensive income for the period	**133,367**	107,558	**57,838**	14,920	69,151

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 six-month period ended June 30, 2016 (unaudited)							
Balance as at January 1, 2016	125,595	623,829	(309,030)	1,126,239	1,566,633	207	1,566,840
Comprehensive income for the period							
Profit for the period	-	-	-	161,151	161,151	2,342	163,493
Components of other comprehensive income							
Foreign currency translation differences in respect of foreign operations	-	-	(598)	-	(598)	89	(509)
Foreign currency translation differences in respect of foreign operations transferred to the statement of income	-	-	(82)	-	(82)	-	(82)
Effective portion of change in fair value of cash flow hedges	-	-	(14,142)	-	(14,142)	-	(14,142)
Net change in fair value of hedged cash flows transferred to the statement of income	-	-	(14,654)	-	(14,654)	-	(14,654)
Re-measurement of defined benefit plan	-	-	-	(4,307)	(4,307)	-	(4,307)
Taxes on components of other comprehensive income	-	-	3,028	540	3,568	-	3,568
Other comprehensive loss for the period, net of tax	-	-	(26,448)	(3,767)	(30,215)	89	(30,126)
Total comprehensive income (loss) for the period	-	-	(26,448)	157,384	130,936	2,431	133,367
Dividends to holders of non-controlling interests holding a put option	-	-	-	(4,149)	(4,149)	-	(4,149)
Derecognition of non-controlling interest due to loss of control in subsidiaries	-	-	-	-	-	(2,638)	(2,638)
Share-based payments	-	-	-	(318)	(318)	-	(318)
Balance as at June 30, 2016	125,595	623,829	(335,478)	1,279,156	1,693,102	-	1,693,102

(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 six-month period ended June 30, 2015 (unaudited)							
Balance as at January 1, 2015	125,595	623,829	(265,354)	1,106,592	1,590,662	387	1,591,049
Comprehensive income for the period							
Profit for the period	-	-	-	137,250	137,250	(169)	137,081
Components of other comprehensive income							
Foreign currency translation differences in respect of foreign operations	-	-	(10,685)	-	(10,685)	4	(10,681)
Effective portion of change in fair value of cash flow hedges	-	-	42,608	-	42,608	-	42,608
Net change in fair value of hedged cash flows transferred to the statement of income	-	-	(65,624)	-	(65,624)	-	(65,624)
Re-measurement of defined benefit plan	-	-	-	2,818	2,818	-	2,818
Taxes on components of other comprehensive income	-	-	1,391	(35)	1,356	-	1,356
Other comprehensive income (loss) for the period, net of tax	-	-	(32,310)	2,783	(29,527)	4	(29,523)
Total comprehensive income (loss) for the period	-	-	(32,310)	140,033	107,723	(165)	107,558
Dividends to holders of non-controlling interests holding a put option	-	-	-	(1,958)	(1,958)	-	(1,958)
Transactions with holders of non-controlling interests	-	-	(75)	-	(75)	75	-
Share-based payments	-	-	-	4,500	4,500	-	4,500
Balance as at June 30, 2015	125,595	623,829	(297,739)	1,249,167	1,700,852	297	1,701,149

(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 June 30, 2016 (unaudited)							
Balance as at April 1, 2016	125,595	623,829	(337,711)	1,222,687	1,634,400	2,638	1,637,038
Comprehensive income for the period							
Profit for the period	-	-	-	56,961	56,961	-	56,961
Components of other comprehensive income							
Foreign currency translation differences in respect of foreign operations	-	-	(7,461)	-	(7,461)	-	(7,461)
Foreign currency translation differences in respect of foreign operations transferred to the statement of income	-	-	(82)	-	(82)	-	(82)
Effective portion of change in fair value of cash flow hedges	-	-	8,684	-	8,684	-	8,684
Net change in fair value of hedged cash flows transferred to the statement of income	-	-	1,120	-	1,120	-	1,120
Re-measurement of defined benefit plan	-	-	-	(1,579)	(1,579)	-	(1,579)
Taxes on components of other comprehensive income	-	-	(28)	223	195	-	195
Other comprehensive income (loss) for the period, net of tax	-	-	2,233	(1,356)	877	-	877
Total comprehensive income for the period	-	-	2,233	55,605	57,838	-	57,838
Dividends to holders of non-controlling interests holding a put option	-	-	-	(441)	(441)	-	(441)
Derecognition of non-controlling interests due to loss of control in subsidiaries	-	-	-	-	-	(2,638)	(2,638)
Share-based payments	-	-	-	1,305	1,305	-	1,305
Balance as at June 30, 2016	125,595	623,829	(335,478)	1,279,156	1,693,102	-	1,693,102

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

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

Condensed Consolidated Interim Statement of Changes in Equity

	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 June 30, 2015 (unaudited)							
Balance as at April 1, 2015	125,595	623,829	(256,231)	1,190,414	1,683,607	371	1,683,978
Comprehensive income for the period							
Profit for the period	-	-	-	51,434	51,434	(84)	51,350
Components of other comprehensive income							
Foreign currency translation differences in respect of foreign operations	-	-	2,093	-	2,093	10	2,103
Effective portion of change in fair value of cash flow hedges	-	-	(28,694)	-	(28,694)	-	(28,694)
Net change in fair value of hedged cash flows transferred to the statement of income	-	-	(20,415)	-	(20,415)	-	(20,415)
Re-measurement of defined benefit plan	-	-	-	5,379	5,379	-	5,379
Taxes on components of other comprehensive income	-	-	5,508	(311)	5,197	-	5,197
Other comprehensive income (loss) for the period, net of tax	-	-	(41,508)	5,068	(36,440)	10	(36,430)
Total comprehensive income (loss) for the period	-	-	(41,508)	56,502	14,994	(74)	14,920
Share-based payments	-	-	-	2,251	2,251	-	2,251
Balance as at June 30, 2015	125,595	623,829	(297,739)	1,249,167	1,700,852	297	1,701,149

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

(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

	Six-month period ended June 30		Three-month period ended June 30		Year ended December 31
	2016	**2015**	**2016**	**2015**	**2015**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	$ thousands	**$ thousands**	**$ thousands**	**$ thousands**	**$ thousands**
Cash flows from operating activities					
Profit for the period	**163,493**	137,081	**56,961**	51,350	109,775
Adjustments					
Depreciation and amortization	**86,775**	83,456	**43,540**	42,171	168,457
Capital loss (gain) on realization of fixed and other assets, net	**(6,745)**	(9,921)	**(1,599)**	89	(10,659)
Amortization of discount/premium and issuance expenses	**(469)**	(1,141)	**(226)**	(697)	(2,334)
Impairment of assets	**-**	-	**-**	-	3,084
Share of loss (income) of equity-accounted investee companies, net	**(338)**	(2,445)	**(771)**	(1,213)	1,498
Expenses (income) in respect of share-based payments	**(318)**	4,500	**1,305**	2,251	8,998
Revaluation of put options held by holders of non-controlling interests	**(1,969)**	(927)	**(767)**	(330)	433
Adjustment of long-term liabilities	**16,794**	39,380	**(17,083)**	79,907	(12,221)
SWAP transactions	**(240)**	(240)	**(120)**	(120)	(481)
Change in provision for taxes and advance tax deposits, net	**3,043**	10,812	**(4,082)**	8,519	851
Increase in deferred taxes, net	**(32,161)**	(682)	**(7,688)**	(9,314)	9,602
Changes in assets and liabilities					
Decrease (increase) in trade and other receivables	**(176,634)**	(194,935)	**86,401**	22,523	26,708
Decrease in inventories	**124,159**	39,244	**82,339**	36,167	26,426
Increase (decrease) in trade and other payables	**10,843**	(122,175)	**(56,847)**	(141,212)	(225,346)
Change in employee benefits	**6,053**	7,634	**2,894**	2,840	2,219
Net cash provided by (used in) operating activities	**192,286**	(10,359)	**184,257**	92,931	107,010
Cash flows for investing activities					
Acquisition of fixed assets	**(39,087)**	(70,100)	**(21,516)**	(31,354)	(117,859)
Increase in intangible assets	**(45,407)**	(47,159)	**(23,110)**	(20,658)	(97,669)
Proceeds from realization of fixed and intangible assets	**6,963**	11,849	**837**	10,227	13,323
Dividend from equity-accounted investee	**301**	1,509	**-**	1,049	1,509
Investment grant received	**1,350**	-	**622**	-	1,340
Long-term investment	**(636)**	-	**(636)**	-	7
Disposal of subsidiaries	**(1,430)**	-	**(1,430)**	-	(101)
Deferred payment for business combination	**(600)**	-	**(600)**	-	-
Short-term investments, net	**-**	6,037	**-**	4,017	6,108
Net cash used in investing activities	**(78,546)**	(97,864)	**(45,833)**	(36,719)	(193,342)

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

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

	Six-month period ended June 30		Three-month period ended June 30		Year ended December 31
	2016	2015	2016	2015	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
Cash flows from financing activities					
Receipt of long-term loans from banks	**10,000**	20,477	**-**	2,857	15,650
Repayment of long-term loans and liabilities from banks and others, net	**(46,715)**	(48,728)	**(33,928)**	(32,548)	(74,320)
Increase in short-term liabilities to banks and others, net	**64,249**	82,426	**14,778**	967	76,796
Dividend to holders of non-controlling interests	**(4,149)**	(1,958)	**(2,167)**	-	(2,427)
Payment of contingent consideration for business combination	**(7,520)**	-	**(2,520)**	-	-
Issuance of debentures less issuance expenses	**-**	256,859	**-**	64,951	256,859
Issuance of options for debentures	**-**	4,505	**-**	-	4,505
Repayment of debentures	**-**	-	**-**	-	(99,909)
Dividend paid to owners of the company	**-**	-	**-**	-	(100,000)
Expenses in respect of raising of capital	**-**	(746)	**-**	-	(746)
Net cash provided by (used in) financing activities	**15,865**	312,835	**(23,837)**	36,227	76,408
Increase (decrease) in cash and cash equivalents	**129,605**	204,612	**114,587**	92,439	(9,924)
Cash and cash equivalents at the beginning of the period	**395,352**	405,276	**410,370**	517,449	405,276
Cash and cash equivalents at the end of the period	**524,957**	609,888	**524,957**	609,888	395,352
Additional information:					
Interest paid in cash	**(47,437)**	(50,473)	**(39,207)**	(41,868)	(107,478)
Interest received in cash	**16,448**	19,236	**12,263**	14,952	41,276
Taxes paid in cash, net	**(23,148)**	(21,135)	**(13,408)**	(7,430)	(34,108)

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 June 30, 2016 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.

60% of the Company's shares were held by China National Agrochemical Corporation (hereinafter - "CNAC') and 40% of the Company's shares were held by Koor Industries Ltd. ("Koor"). The Company is a reporting entity.

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

Note 2 - Basis for Financial Statement Preparation

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

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting* and do not include all the information required for full annual financial statements. They should be read in conjunction with the financial statements as at and for the year ended December 31, 2015 (hereinafter – “the Annual Financial Statements”). Furthermore, these financial statements have been prepared in accordance with the Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.
The condensed consolidated interim financial statements were authorized for issue by the Group's Board of Directors on August 15, 2016.

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.

- 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 six-month period ended June 30, 2016 (Unaudited)			
	Crop protection	**Other**	**Reconciliation**	**Consolidated**
	$ thousands	**$ thousands**	**$ thousands**	**$ thousands**
Statement of income information:				
Revenues				
Sales outside the Group	**1,563,257**	**97,665**	**-**	**1,660,922**
Inter-segment sales	**-**	**614**	**(614)**	**-**
Total revenues	**1,563,257**	**98,279**	**(614)**	**1,660,922**
Results				
Segment's results	**227,400**	**3,678**	**-**	**231,078**
Financing expenses, net				**(67,068)**
Share of income of equity accounted in investees, net				**338**
Income taxes				**(855)**
Non-controlling interests				**(2,342)**
Net income for the period attributable to the owners of the Company				**161,151**

	For the six-month period ended June 30, 2015 (Unaudited)			
	Crop protection	**Other**	**Reconciliation**	**Consolidated**
	$ thousands	**$ thousands**	**$ thousands**	**$ thousands**
Statement of income information:				
Revenues				
Sales outside the Group	1,626,126	91,829	-	1,717,955
Inter-segment sales	-	892	(892)	-
Total revenues	1,626,126	92,721	(892)	1,717,955
Results				
Segment's results	221,957	711	(29)	222,639
Financing expenses, net				(56,000)
Share of income of equity accounted in investees, net				2,445
Income taxes				(32,003)
Non-controlling interests				169
Net income for the period attributable to the owners of the Company				137,250

	For the three-month period ended June 30, 2016 (Unaudited)			
	Crop protection	**Other**	**Reconciliation**	**Consolidated**
	$ thousands	**$ thousands**	**$ thousands**	**$ thousands**
Statement of income information:				
Revenues				
Sales outside the Group	**758,572**	**49,194**	**-**	**807,766**
Inter-segment sales	**-**	**307**	**(307)**	**-**
Total revenues	**758,572**	**49,501**	**(307)**	**807,766**
Results				
Segment's results	**96,600**	**2,335**	**-**	**98,935**
Financing expenses, net				**(37,840)**
Share of income of equity accounted in investees, net				**771**
Income taxes				**(4,905)**
Non-controlling interests				**-**
Net income for the period attributable to the owners of the Company				**55,961**

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

A. Products and services: (cont'd)

	For the three-month period ended June 30, 2015 (Unaudited)			
	Crop protection	Other	Reconciliation	Consolidated
	$ thousands	$ thousands	$ thousands	$ thousands
Statement of income information:				
Revenues				
Sales outside the Group	805,657	45,638	-	851,295
Inter-segment sales	-	416	(416)	-
Total revenues	805,657	46,054	(416)	851,295
Results				
Segment's results	96,761	350	(31)	97,080
Financing expenses, net				(40,348)
Share of income of equity accounted in investees, net				1,213
Income taxes				(6,595)
Non-controlling interests				84
Net income for the period attributable to the owners of the Company				51,434

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

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

B. Sales distribution by geographic regions

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

	Six-month period ended June 30		Three-month period ended June 30		Year ended December 31
	2016	**2015**	**2016**	**2015**	**2015**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	$ thousands	**$ thousands**	**$ thousands**	**$ thousands**	**$ thousands**
Europe	**703,947**	778,587	**278,589**	321,837	1,115,965
North America	**339,747**	317,051	**186,326**	178,604	573,046
Latin America	**272,516**	288,836	**158,889**	164,937	735,923
Asia Pacific	**168,549**	158,065	**84,727**	80,079	273,229
India, the Middle East and Africa	**125,149**	126,716	**71,257**	79,928	271,370
Israel	**51,014**	48,700	**27,978**	25,910	94,337
	1,660,922	1,717,955	**807,766**	851,295	3,063,870

Note 5 - Financial Instruments

Fair value

The fair value of forward contracts on foreign currency is based on their listed market price, if available. In the absence of market prices, the fair value is estimated based on the discounted difference between the stated forward price in the contract and the current forward price for the residual period until redemption, using an appropriate interest rate.

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

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

The carrying value of certain financial assets and financial liabilities, including cash and cash equivalents, trade receivables, other receivables, other short-term investments, 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:

Note 5 - Financial Instruments (cont'd)

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

	June 30, 2016		June 30, 2015		December 31, 2015	
	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)	**17,657**	**13,321**	16,158	12,571	14,611	10,810
Financial liabilities						
Long-term loans (b)	**245,465**	**244,620**	314,191	315,310	281,482	274,598
Debentures (c)	**1,169,269**	**1,252,274**	1,306,952	1,421,725	1,157,169	1,188,392

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

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

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

(2) Fair value hierarchy

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

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

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

	June 30, 2016	June 30, 2015	December 31, 2015
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Derivatives used for hedging:			
Forward contracts and options	**(99,161)**	12,141	23,286
Derivatives not used for hedging:			
Forward contracts and options	**(5,492)**	5,253	(67,383)
	(104,653)	17,394	(44,097)

Note 6 - Additional information

On July 24, 2016, the Company reported that Discount Investments Corporation Ltd. the indirect shareholder in the Company (hereinafter – "DIC") accepted the proposal of China National Agrochemical Corporation, the controlling shareholder in the Company (hereinafter – "CNAC") according to which CNAC will acquire, on its own or with a third party the minority shares held by Koor Industries Ltd. Subsequently, DIC informed the Company that on August 15, 2016, the parties signed the above agreement, while the closing of the aforementioned transaction is subject to several conditions precedent. The Company reported that this transaction, together with the new regulatory outline published by the CSRC on June, 16, 2016 regarding "a material restructuring of a company's assets", are expected to promote and accelerate the process towards the completion of the transaction for the acquiring of the entire share capital of the Company by Hubei Sanonda Co. Ltd. (hereinafter -"Sanonda") in exchange for allotment of shares in Sanonda to the Company's shareholder (hereinafter – the "Transaction").

On August 7, 2016, the Company reported that the Transaction was brought for discussion in Sanonda's Board of Directors on August 4, 2016, after the main details required for its completion were agreed upon between the parties, and that soon after the entry into force of the new regulatory outline published by the Chinese securities authority, the Transaction report is expected to be brought to the board for its approval and submitted to the Shenzhen stock exchange, China. The suspension of trade of the Sanonda shares was extended until the stated entry into force.

In this regard it is further noted that on February 4, 2016, the Company's Audit committee, Board of Directors and shareholders approved the Company entering into an agreement for the sale of the Sanonda's B shares which are held by the Company for HKD 7.70 per share and in total HKD 485 million (approx. US $ 62 million) for all B shares, subject to the approval of Sanonda's Board of Directors and general meeting and subject to consummation the transaction.

Adama Agricultural Solutions Ltd.

Condensed Separate Interim
Financial Data
(Unaudited)
As of June 30, 2016
In U.S. Dollars

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To the Shareholders of Adama Agricultural Solutions Ltd.

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

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970 of Adama Agricultural Solutions Ltd. (hereinafter – "the Company") as of June 30, 2016 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 investment in which amounted to $179,486 thousand as of June 30, 2016, and the profit from these investee companies amounted to $5,938 thousand and to $4,115 thousand for the six and three-month period 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 15, 2016

Condensed Interim Information on Financial Position

	June 30 2016	June 30 2015	December 31 2015
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Current assets			
Cash and cash equivalents	**2,123**	10,513	1,475
Prepaid expenses	**640**	631	331
Other receivables	**123,288**	47,031	41,569
Receivables from investee companies	**145,229**	283,045	340,940
Derivatives	**5,882**	48,989	193
Total current assets	**277,162**	390,209	384,508
Long-term investments, loans and receivables			
Investments in investee companies	**1,685,465**	1,782,040	1,559,748
Loans to investee companies	**961,309**	906,689	845,819
	2,646,774	2,688,729	2,405,567
Fixed assets, net	**2,763**	2,879	2,811
Intangible assets, net	**5,437**	5,011	5,341
Total non-current assets	**2,654,974**	2,696,619	2,413,719
Total assets	**2,932,136**	3,086,828	2,798,227

Condensed Interim Information on Financial Position

	June 30 2016	June 30 2015	December 31 2015
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Current liabilities			
Current maturities of debentures	**101,593**	104,473	100,789
Other payables	**24,862**	30,254	19,059
Derivatives	**20,026**	23,373	30,587
Total current liabilities	**146,481**	158,100	150,435
Long-term liabilities			
Debentures	**1,088,653**	1,224,061	1,077,139
Employee benefits	**3,900**	3,815	4,020
Total non-current liabilities	**1,092,553**	1,227,876	1,081,159
Total liabilities	**1,239,034**	1,385,976	1,231,594
Equity			
Share capital	**125,595**	125,595	125,595
Share premium	**623,829**	623,829	623,829
Reserves	**(335,478)**	(297,739)	(309,030)
Retained earnings	**1,279,156**	1,249,167	1,126,239
Total equity attributable to the owners of the Company	**1,693,102**	1,700,852	1,566,633
Total liabilities and equity	**2,932,136**	3,086,828	2,798,227

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

Date the financial statements were approved: August 15, 2016

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
	2016	2015	2016	2015	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
Revenues					
Income from services to investee companies	**21,020**	24,184	**10,049**	11,495	51,364
Expenses					
General and administrative	**19,073**	25,985	**9,204**	11,862	46,460
Operating profit (loss)	**1,947**	(1,801)	**845**	(367)	4,904
Financing expenses	**103,809**	152,545	**45,332**	100,100	250,689
Financing income	**(103,809)**	(152,544)	**(45,332)**	(100,102)	(250,685)
Financing income (expenses), net	**-**	(1)	**-**	2	(4)
Profit (loss) after financing expenses, net	**1,947**	(1,802)	**845**	(365)	4,900
Income from investee companies	**160,475**	139,385	**56,241**	51,852	105,643
Profit before tax on income	**162,422**	137,583	**57,086**	51,487	110,543
Taxes on income	**1,271**	333	**125**	53	435
Profit for the period attributable to the owners of the Company	**161,151**	137,250	**56,961**	51,434	110,108

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
	2016	2015	2016	2015	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
Income for the period attributable to the owners of the Company	**161,151**	137,250	**56,961**	51,434	110,108
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	**(240)**	(240)	**(120)**	(120)	(480)
Other comprehensive income (loss) in respect of investee companies, net of tax	**(26,230)**	(32,092)	**2,342**	(41,399)	(43,157)
Taxes on the components of other comprehensive income that were transferred or will be transferred to the statement of income	**22**	22	**11**	11	44
Total other comprehensive income (loss) for the period where after the initial recognition as part of the comprehensive income were transferred or will be transferred to the statement of income, net of tax	**(26,448)**	(32,310)	**2,233**	(41,508)	(43,593)
Components of other comprehensive income that will not be transferred to the statement of income					
Re-measurement of defined benefit plan	**426**	250	**564**	409	211
Other comprehensive income (loss) in respect of investee companies, net of tax	**(4,193)**	2,533	**(1,920)**	4,659	2,757
Total components of other comprehensive income (loss) for the period that will not be transferred to The statement of income, net of tax	**(3,767)**	2,783	**(1,356)**	5,068	2,968
Total comprehensive income for the period attributable to the owners of the Company	**130,936**	107,723	**57,838**	14,994	69,483

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

Condensed Interim Information on Cash Flows

	Six-month period ended June 30		Three-month period ended June 30		Year ended December 31
	2016	2015	2016	2015	2015
	(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	**161,151**	137,250	**56,961**	51,434	110,108
Adjustments					
Income in respect of investee companies	**(160,475)**	(139,385)	**(56,241)**	(51,852)	(105,643)
Depreciation and amortization	**1,335**	934	**672**	480	2,223
Amortization of discount/premium and issuance costs	**(469)**	(1,141)	**(226)**	(697)	(2,334)
Expenses (income) in respect of share-based payment	**(133)**	1,731	**537**	866	3,462
Adjustment of long-term liabilities	**12,569**	38,579	**(19,398)**	79,493	(10,105)
SWAP transactions	**(240)**	(240)	**(120)**	(120)	(480)
Change in deferred taxes, net	**22**	22	**11**	11	44
Changes in assets and liabilities					
Decrease (increase) in accounts receivable and current assets	**(9,094)**	28,918	**20,055**	(20,604)	73,600
Decrease in accounts payable and other liabilities	**(4,805)**	(91,190)	**(4,811)**	(59,813)	(95,023)
Change in employee benefits	**337**	285	**(103)**	(44)	165
Net cash provided by (used in) operating activities in respect of transactions with investee companies	**(4,071)**	(39,237)	**9,666**	(25,641)	(97,952)
Net cash provided by (used in) operating activities	**(3,873)**	(63,474)	**7,003**	(26,487)	(121,935)
Cash flows from investing activities					
Acquisition of fixed assets	**(229)**	(258)	**(90)**	(104)	(465)
Additions to intangible assets	**(1,154)**	(1,247)	**(447)**	(522)	(2,591)
Dividend received	**-**	-	**-**	-	180,000
Net cash provided by (used in) operating activities in respect of transactions with investee companies	**5,904**	(186,447)	**(8,246)**	(51,097)	(115,564)
Net cash provided by (used in) investing activities	**4,521**	(187,952)	**(8,783)**	(51,723)	61,380
Cash flows from financing activities					
Dividend paid to the owners of the Company	**-**	-	**-**	**-**	(100,000)
Issuance of debentures net of issuance costs	**-**	256,859	**-**	64,951	256,859
Issuance of options for debentures	**-**	4,505	**-**	-	4,505
Repayment of debentures	**-**	-	**-**	-	(99,909)
Net cash provided by financing activities	**-**	261,364	**-**	64,951	61,455
Increase (decrease) in cash and cash equivalents	**648**	9,938	**(1,780)**	(13,259)	900
Cash and cash equivalents at beginning of the period	**1,475**	575	**3,903**	23,772	575
Cash and cash equivalents at end of the period	**2,123**	10,513	**2,123**	10,513	1,475
Supplementary information:					
Interest paid in cash	**(31,505)**	(34,765)	**(31,505)**	(34,765)	(69,470)
Interest received in cash	**979**	791	**701**	506	1,432
Taxes paid in cash, net	**(686)**	(283)	**(32)**	(16)	(314)

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 June 30, 2016 (hereinafter – "the Consolidated Financial Statements"), which are published as part of the Periodic Reports, relating to the Company itself (hereinafter – "the Condensed Interim Separate Financial Data"), presented in accordance with the provisions of Regulation 38D ("the Regulation") and Addendum 10 to the Securities Regulations (Periodic and Immediate Reports) – 1970 ("Addendum 10") regarding Condensed Interim Separate Financial Data of the Corporation.

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

In this interim financial information:

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

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

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

אדמה פתרונות לחקלאות בע"מ
ADAMA Agricultural Solutions Ltd.

Chapter C

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

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

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

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

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

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

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

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

In the 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, 2016 (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 2016 (hereinafter – "the reports").

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

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

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

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

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

15 August 2016

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 second quarter of 2016 (hereinafter – “the reports" or "the interim period reports").

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

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

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

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

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

15 August 2016

Aviram Lahav
CFO