אדמה פתרונות לחקלאות בע"מ
ADAMA Agricultural Solutions Ltd.

Quarterly Report for September 30, 2016

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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 Nine-Month Period Ended September 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 – third quarter and first nine months of 2016

Adama achieves record third quarter and year-to-date results with robust worldwide sales growth and strong increase in all profit and profitability metrics, both in the quarter and in the year-to-date, driving substantial cash flow generation

- Sales of $741 million in the third quarter and $2,402 million in the year-to-date
  - Q3 sales up by 6.5% in USD terms, with growth across all regions
  - Year-to-date sales up 4.1% in constant currencies and in line with last year in USD terms

- Significant 8.4% increase in volumes in the quarter and 5.6% in the year-to-date, with launches of new, differentiated products in many markets, outperforming the sector in spite of the ongoing subdued agricultural industry conditions

- Significant growth in all profit and profitability metrics lead to all-time Q3 record gross profit and EBITDA, and record-high EBITDA in the year-to-date:
  - **Gross Profit up 26%:** Q3 gross profit increased 26.3% to $260 million, with the gross margin up 5.5 percentage points to 35.1%. Gross profit in the year-to-date increased 6.8% to $827million, with the gross margin up 2.3 percentage points to 34.4%
  - **Operating income up 73%:** Q3 operating income increased 72.7% to $85 million, with an increase of 4.4 percentage points in operating margin to 11.5%. Operating income in the year-to-date increased 15.1% to $313 million, with an increase of 1.7 percentage points in operating margin to 13.0%
  - **EBITDA up 44%:** Q3 EBITDA increased 43.5% to $132 million, with an increase of 4.6 percentage points in EBITDA margin to 17.8%. EBITDA in the year-to-date increased 12.2% to $446 million, with an increase of 2.1 percentage points in EBITDA margin to 18.6%
  - **Net Income up 32% YTD:** Q3 net income of $33 million, with a net income margin of 4.5%, compared to a loss of $5 million in the third quarter last year. Net income in the year-to-date increased 32.1% to $191 million, with an increase of 1.9 percentage points in net income margin to 7.9%

- Significant cash flow generation in the year-to-date, with free cash flow of $234 million, an increase of $182 million over the same period last year
- Q3 free cash flow of $120 million, doubling its level of Q3 last year

- Reduction of $116 million in inventory levels from those at the end of September last year

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

- **The Company's record results markedly outperformed the sector in the quarter and in the nine-month period** – 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, saw the Company continue to deliver a leading performance. The Company outperformed the sector over the quarter and the entire nine-month period against the backdrop of continued challenging market conditions.

- **The average exchange rate of the US dollar against most currencies in the third quarter of 2016 was similar to that of the corresponding period in 2015, yet it was nevertheless stronger in the first nine-month of 2016, when compared to the corresponding period last year** – resulting in a lower US dollar value of the Company's sales, as well as those of the entire sector, during the nine-month period.

  Furthermore, the Company benefited less from the impact of currency hedging during the quarter and the nine-month period 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 first half of in 2015, the Company delivered improved business and operating performance throughout the nine-month period.

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

- **Reduction of manufacturing, procurement and input costs in the quarter and the nine-month period as a result of efficiencies and the global economic slowdown** – mainly due to the reduction of costs of operations, costs of raw materials and intermediates, as well as transportation and energy costs.

- **Corporate activity of companies in the sector –** in the last twelve months the agrochemical industry has seen a number of significant announced transactions which are subject to rigorous antitrust review in many jurisdictions. In connection with the proposed acquisition of Syngenta AG by the ChemChina group, the Company reviews ways through which it can assist in obtaining the respective regulatory approvals in the context of developing its business.

As the Company previously reported, on September 13, 2016, the Board of Directors of Hubei Sanonda Co. Ltd. ("**Sanonda**") approved the acquisition of the entire share capital of the Company (either directly or via a subsidiary) in exchange for the issuance of shares in Sanonda to CNAC (the "**Sanonda Transaction**"), thereby CNAC remaining the controlling shareholder.

As part of the approval process relating to the Sanonda Transaction, the Board of Directors of Sanonda approved its reacquisition of the Class B shares of Sanonda held by the Company (the "**B Shares**"), subject to completion of the Sanonda Transaction. Following the decision of Sanonda’s Board of Directors and the publication of the Transaction Report, and upon receiving the requisite approval of the Shenzhen Stock Exchange, Sanonda’s shares, which had been suspended from trading since August 2015, resumed trading on October 17, 2016.

On November 15, 2016, Discount Investment Corporation Ltd. announced that it is preparing for the closing of the transaction according to which CNAC shall acquire all of Koor shares in the Company. There is no certainty that the transaction will be completed or of the timing of its closing. CNAC's existing and newly shares to be acquired in the Company are to be exchanged in the Sanonda Transaction for new shares of Sanonda.

The Sanonda Transaction is expected to be completed in the first half of 2017, and is subject to the approval of Sanonda’s shareholders, various regulatory approvals, and several other conditions precedent, among them the approval of the bank to which the Company’s shares are pledged. For more information about the acquisition of the Koor shares, the Sanonda Transaction, and the B Shares, see the immediate reports of the Company dated November 8, 2016, September 14, 2016, August 7, 2016, July 24, 2016, July 17, 2016 and February 7, 2016 (Reference Nos. 2016-01-074040, 2016-01-122758, 2016-01-098284, 2016-01-088471, 2016-01-083212 and 2016-01-023893, respectively).

Results of Operations – Adjusted Income Statement

Income Statement for the Quarter

	Q3 2016 $m	Q3 2015 $m	Change $m	% Change CER	% Change USD
Revenues	**741**	**696**	**45**	**+5.6%**	**+6.5%**
Gross profit	260	206	54		+26.3%
% of revenue	*35.1%*	*29.6%*			
Operating expenses	175	157	18		+11.6%
Operating income (EBIT)	**85**	**49**	**36**		**+72.7%**
% of revenue	*11.5%*	*7.1%*			
Finance expenses, net	39	43	-4		-10.9%
Net income before taxes	46	5	41		___
Net income	**33**	**-5**	**38**		___
% of revenue	*4.5%*	*-0.7%*			
EBITDA	**132**	**92**	**40**		**+43.5%**
% of revenue	*17.8%*	*13.2%*			

Income Statement for the Nine-Month Period

	9M 2016 $m	9M 2015 $m	Change $m	% Change CER	% Change USD
Revenues	**2,402**	**2,414**	**-12**	**+4.1%**	**-0.5%**
Gross profit	827	774	53		+6.8%
% of revenue	*34.4%*	*32.1%*			
Operating expenses	514	502	12		+2.3%
Operating income (EBIT)	**313**	**272**	**41**		**+15.1%**
% of revenue	*13.0%*	*11.3%*			
Finance expenses, net	106	93	13		+13.8%
Net income before taxes	207	180	27		+14.5%
Net income	**191**	**145**	**46**		**+32.1%**
% of revenue	*7.9%*	*6.0%*			
EBITDA	**446**	**398**	**48**		**12.2%**
% of revenue	*18.6%*	*16.5%*			

Income statement items shown as adjusted in the above table referring to the nine-month period, as presented in the financial statements (in USD millions)[1]:
For the first nine months of 2016: operating expenses – 511 (21.3%), operating income (EBIT) – 316 (13.2%), income before taxes – 210 (8.7%), net income – 194 (8.1%) and EBITDA – 450 (18.7%). For the first nine months of 2015: Net financing expenses – 99 (4.1%), income before taxes – 174 (7.2%) and net income – 133 (5.5%).

[1] The Income Statement items for the nine-month period that appear in the above table include an adjustment for the redeployment in the first quarter of 2016 of options granted in 2014, in the amount of $3 million. The Income Statement items for the corresponding period 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 $6 million provision in the first nine months of 2015 due to a tax-related event from 1985 and expenses of $10 million in the first nine months 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 5.6% in the quarter and by 4.1% in the nine-month period, at constant exchange rates, compared with the corresponding periods last year. This was driven by significant volume growth of improved portfolio mix in most regions, with overall volume growth of 8.4% in the quarter and 5.6% in the nine-month period, despite the continuing challenging market conditions. This volume growth 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.

A first-time quarterly increase in the last two years of the value of local currencies against the US dollar in several main regions, in particular Brazil, on the one hand, and a lower contribution in the quarter of currency hedging compared to the same quarter last year, on the other, contributed to a 6.5% increase in the Company's quarterly sales in US dollar terms, versus the 5.6% constant exchange rates increase.

In the nine-month period, the net depreciation of local currencies against the US dollar in the main regions in which the Company operates, together with the lower contribution of currency hedging as compared with the corresponding period last year, resulted in sales recorded in US dollar terms being lower by 0.5% when compared with the corresponding period last year.

Revenue split by region

Third quarter sales:

	Q3 2016 $m	Q3 2015 $m	Estimated % change in CER	% change in $
Europe	209	205	*+4.8%*	*+1.7%*
North America	116	109	*+5.8%*	*+5.9%*
Latin America	217	209	*-3.1%*	*+4.0%*
Asia-Pacific	62	59	*+4.5%*	*+6.1%*
India, Middle East and Africa	137	114	*+23.2%*	*+20.5%*
Of which, Israel	*24*	*23*	*+4.3%*	*+6.1%*
Total	**741**	**696**	***+5.6%***	***+6.5%***

Nine-month period sales:

	9M 2016 $m	9M 2015 $m	Estimated % change in CER	% change in $
Europe	913	984	*-0.8%*	*-7.2%*
North America	456	426	*+7.5%*	*+6.8%*
Latin America	489	498	*+2.9%*	*-1.6%*
Asia-Pacific	231	217	*+10.5%*	*+6.5%*
India, Middle East and Africa	313	289	*+13.1%*	*+8.4%*
Of which, Israel	*75*	*71*	*+3.6%*	*+5.1%*
Total	**2,402**	**2,414**	***+4.1%***	***-0.5%***

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

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

Europe

Sales in Europe increased by 4.8% in the quarter, at constant exchange rates, compared with the corresponding period last year, driven by a significant increase in higher-margin volumes, which was partially offset by a certain decrease in selling prices in several countries, passing on to customers some of the benefit of the products' significantly reduced cost. The significant volume growth in the region was driven by expectation of good harvest in eastern Europe as well as increased demand for fungicides early in the quarter in southern Europe, offsetting the impact of the late season drought and generally poor harvest in southern Europe.

In the nine-month period sales were lower by 0.8%, at constant exchange rates, compared with the corresponding period last year, reflecting the extended cold and rainy weather in the first half of the year, as well as the abovementioned passing on to customers of some of the benefit of products' significantly reduced cost.

In US dollar terms, reflecting the lower contribution of currency hedging primarily in the first half of the year, and the weaker exchange rates prevailing in both the quarter and the nine-month period compared with the corresponding periods last year, sales in Europe increased by 1.7% in the quarter, and decreased by 7.2% in the nine-month period.

- *TRINITY®, a unique mixture of three active ingredients for weed control in cereals, performed well in Eastern European markets. TRINITY® provides reduced AI content, whilst addressing resistance issues.*
- *The Company obtained registrations for several unique products, among which are TOUAREG®, a herbicide for early post-emergence weed control in cereals in Spain, AFAENA®, a herbicide for oil-seed rape and potatoes in France, and Quantum® R-OK, a fungicide for grapes and other crops in Italy.*

North America

Sales in North America increased by 5.8% in the quarter and by 7.5% in the nine-month period, at constant exchange rates, compared with the corresponding periods last year. This increase in sales stemmed from significant higher margin volume growth, which was partially offset by a certain decrease in selling prices, passing on to customers some of the benefit of the products' significantly reduced cost.

In US dollar terms, sales in North America increased by 5.9% in the quarter and by 6.8% in the nine-month period, compared with the corresponding periods last year.

- *Adama's strong performance in the region continued into the third quarter, with the business continuing to realize the benefits of its focus on higher value-added products and increased engagement with farmers, together with ongoing robust growth in consumer and professional solutions.*
- *In particular, the Company saw strong demand from cotton growers, for whom the Company has developed a comprehensive offering, which includes DIAMOND®, an insect growth regulator for broad-spectrum insect control, REDI-PIK®, a defoliant and regrowth inhibitor that provides consistent foliage drop for higher quality harvest, and SETUP®, a growth regulator used to boost overall recoverable yield.*
- *The Company continues to bring to market key effective products of Sanonda.*

Latin America

Sales in Latin America decreased by 3.1% in the quarter yet increased by 2.9% in the nine-month period, at constant exchange rates, compared with the corresponding periods last year. The growth in the nine-month period stemmed from the Company increasing selling prices in local currencies, offset by actions taken by the Company which resulted in limiting the sales of lower-margin products, in spite of the high inventory levels in the distribution channels remaining from 2015, and the continuing challenging economic conditions in main countries, including a shortage of credit available to farmers and customers. The decline in sales in the quarter stemmed from a certain decrease in both volumes and prices, with the Company containing sales due to credit considerations and partly passing on to customers some of the benefit of the products' significantly reduced cost.

In US dollar terms, sales in Latin America increased by 4.0% in the quarter compared with the corresponding quarter last year, reflecting the impact of the strengthening of local currencies, primarily the Brazilian Real, against the US dollar. Sales in the nine-month period decreased by 1.6%, compared to the corresponding period last year, reflecting the impact of the significant net depreciation of local currencies over the period, which was partially compensated by price increases in local currencies.

The Company's results in Brazil in the quarter were notably strong, especially against the weak backdrop of the Brazilian market. Tight 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 continues to deliver strong performance in Brazil due to disciplined focus on key customers and high value-added products, an early start to the rainy season and high demand in sugar cane.*
- *The Company obtained new registrations for a number of differentiated products, among them: BANJO®, a differentiated fungicide for use in potatoes, and FUNGINIL®, a differentiated fungicide for potatoes, tomatoes and dry beans, both in Brazil, and BREVIS®, our innovative, proprietary product that promotes growth of bigger and more uniform fruit, in Chile. In Mexico, our proprietary nematicide NIMITZ® performed well following its launch last year.*

Asia Pacific

Sales in Asia-Pacific increased by 4.5% in the quarter and by 10.5% in the nine-month period, at constant exchange rates, compared to the corresponding periods last year, driven by significant volume growth, especially in Australia and New Zealand, which was partly offset by a certain decrease in selling prices, with the Company partly passing on to customers some of the benefit of the products' significantly reduced cost. This growth was achieved despite adverse weather conditions in several countries in the region, including floods in Australia and Vietnam and severe drought in the Philippines, as well as high inventories in the distribution channel due to the slow recovery from the severe drought in markets such as Thailand's.

In US dollar terms, sales in the region increased by 6.1% in the quarter and by 6.5% in the nine-month period, compared to the corresponding periods last year. This is especially notable in light of the lower contribution of currency hedging in both the quarter and the nine-month period compared to the corresponding periods last year, and reflecting the net depreciation of local currencies in the nine-month period, most notably the Australian dollar,

- *Consistent focus on strengthening the quality of our business and driving demand for an increasingly differentiated portfolio yielded good results in the Pacific and North East Asia, which outweighed the impact of adverse weather conditions in other markets in the region.*
- *We obtained registrations for a number of key products, among them: Venom®, a differentiated high-load formulation for insect and mite control in fruits and vegetables and broad acre crops in Australia; Folpan®, a fungicide in fruits and ornamentals in New Zealand; X-Grow - a differentiated biostimulant and Custodia®, a differentiated fungicide for rice, fruits and vegetables, both in Thailand.*
- *Continued build-up of our commercial presence in China, where we recruit and train a highly skilled sales team to commercialize our differentiated branded portfolio. In addition, ongoing integration of the CNAC commercial teams on track to create a single commercial platform for the Chinese market in the coming year.*

India, Middle East and Africa

The Company's sales in the region increased by a significant 23.2% in the quarter and by 13.1% in the nine-month period, at constant exchange rates, compared to the corresponding periods last year, with particularly strong results in India. The increase stemmed from significant volume growth due, among other factors, to the launch of new, differentiated products.

In US dollar terms, in spite of the impact of the depreciation of certain currencies such as the Indian Rupee and the South African Rand, sales in the region increased significantly by 20.5% in the quarter and by 8.4% in the nine-month period, compared with the corresponding periods last year.

- *Our India business performs notably well, with strong volume growth driven by an enhanced portfolio of differentiated products, among them the unique herbicides SHAKED®, DEKEL™ and TAMAR™, and capitalizing on the ongoing strong demand for CUSTODIA™, our broad-spectrum fungicide, and AGIL™, a herbicide for post emergence control of a wide range of annual and perennial grasses.*
- *We continue to further bolster our portfolio in India, with the launch of APROPO™, a rice fungicide. Obtained registrations to bring to market two Sanonda products,* ACEMAIN® *and* COHIGAN®*.*
- *Our business in Turkey continues to develop nicely, with increasing customer engagement and with expanding product portfolio now entering the sugar beet segment.*
- *Ongoing drought in South Africa continues to pose challenges to farmers and caused a delay in the season.*

Gross profit

The Company significantly increased its quarterly gross profit by 26.3% to USD 260.4 million, and its gross margin in both the quarter and the nine-month period, with gross margin up by 5.5 percentage points to 35.1% in the quarter and by 2.3 percentage points to 34.4% in the nine-month period, as compared to the corresponding periods last year. This increase stemmed from a combination of the strong volume growth, an improvement in the Company's product mix towards a more differentiated offering, and the significant reduction of production and procurement costs. These factors were partially offset by the passing on of part of the reduced costs into lower selling prices in some markets as well as the lower contribution of currency hedging compared to the corresponding periods last year, together with the negative impact of the erosion of local currencies in the nine-month period.

Operating income

Total operating expenses in the quarter and in the nine-month period amounted to $175 million (23.6% of sales) and $514 million (21.4% of sales) respectively, compared to $157 million (22.5% of sales) and $502 million (20.8% of sales) in the corresponding periods last year.

Within the total operating expenses, Sales and Marketing expenses amounted to $137 million (18.5% of sales) and $408 million (17.0% of sales), in the quarter and in the nine-month period, respectively, compared to $123 million (17.7% of sales) and $405 million (16.8% of sales) in the corresponding periods last year. The increase in Sales and Marketing expenses in the quarter compared to the corresponding quarter last year stemmed primarily from variable expenses related to the increased sales, higher compensation accruals and the commercial build-up in China.

Within the total operating expenses, General and Administrative expenses amounted to $30 million (4.0% of sales) and $88 million (3.7% of sales) in the quarter and in the nine-month period, respectively, compared to $27 million (3.8% of sales) and $76 million (3.1% of sales) in the corresponding periods last year. The increases compared to the corresponding periods last year stemmed primarily from increased provisions for doubtful debts in the nine-month period and compensation accruals in both the quarter and the nine-month period.

Research and Development expenses amounted to $8 million (1.0% of sales) and $24 million (1.0% of sales) in the quarter and in the nine-month period, respectively, compared to $7 million (1.1% of sales) and $23 million (0.9% of sales) in the corresponding periods last year. The operating expenses in the nine-month period were offset by income of $6 million related to the granting of an intellectual property license recorded in the first quarter of 2016.

Financing expenses

Financing expenses decreased in the quarter, both in absolute terms as well as a percentage of sales, compared to the corresponding quarter last year, as a result among other things, of lower receivable currency hedging costs, as the volatility of currencies, especially the Brazilian Real, subsided.

Financing expenses in the nine-month period increased, both in absolute terms as well as a percentage of sales, compared to the corresponding period last year, as a result of higher cost of currency hedging on receivables, largely due to the increased volatility in the Brazilian currency earlier in the year.

Tax

Tax expenses in the quarter amounted to $12 million compared to $9 million in the corresponding quarter last year. The effective tax rate in the quarter was significantly lower than the effective tax rate in the corresponding quarter last year, due to significant tax expenses recorded last year, which stemmed mainly from the sharp weakening of the Brazilian Real against the US dollar.

Tax expenses in the nine-month period amounted to $13 million, compared to $36 million in the corresponding period last year. This was due primarily to the effect of movements in the exchange rate of the Brazilian Real against the US dollar in the nine-month period, as well as in the corresponding period last year. The strengthening of the Brazilian Real against the US dollar during the nine-month period created tax income due to non-cash revaluation of tax assets, compared to tax expenses in the corresponding period last year, which stemmed mainly from the weakening of the Brazilian Real against the US dollar due to non-cash devaluation of tax assets.

Revenues by operating segment

Sales split by operating segment in the third quarter

	Q3 2016 $m	%	Q3 2015 $m	%	Change $m	Change %
Crop protection (Agro)	692	93.4	653	93.8	+39	+6.1
Other (Non-Agro)	49	6.6	43	6.2	+6	+12.4

Sales split by operating segment in the nine-month period

	9M 2016 $m	%	9M 2015 $m	%	Change $m	Change %
Crop protection (Agro)	2,256	93.9	2,279	94.4	-23	-1.0
Other (Non-Agro)	146	6.1	135	5.6	+11	+8.4

Financial Condition and Liquidity[2]

Cash flow and investment in fixed assets

In the third quarter, operating cash flow amounted to $169 million, compared with $103 million in the corresponding quarter last year.

In the nine-month period, operating cash flow amounted to $361 million, compared with $93 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 derecognized from the Company's balance sheet on January 1, 2015, the operating cash flow in the corresponding period last year would have amounted to $191 million.

The improvement in operating cash flow in both the quarter and the nine-month period compared to the corresponding periods last year stems from the markedly higher operating profit and improved working capital levels, which in the nine-month period was primarily driven by reduced inventories.

The Company's investments in the quarter and in the nine-month period amounted to $49 million and $127 million, respectively, compared to $42 million and $139 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 $23 million and $61 million in the quarter and nine-month period, respectively, compared to $22 million and $93 million in the corresponding periods last year.

In the third quarter, the Company generated free cash flow of $120 million compared to $61 million in the corresponding quarter last year.

Free cash flow in the nine-month period amounted to $234 million compared to negative free cash flow of $47 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 derecognized from the Company's balance sheet on January 1, 2015, the free cash flow in the corresponding period last year would have amounted to $52 million.

Current assets

Total current assets at September 30, 2016 amounted to $2,823 million compared to $3,073 million as at September 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 $295 million as at September 30, 2016 and $274 million as at September 30, 2015.

Cash, current liabilities and long-term loans

The Company's total financial liabilities, including bank credit and debentures, amounted to $1,521 million as at September 30, 2016 (of which 18.7% was short term), compared to $1,708 million as at September 30, 2015 (of which 20.0% 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 September 30, 2016 amounted to $528 million, compared to $692 million as at September 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 $973 million as at September 30, 2016, compared to $1,059 million as at September 30, 2015, and to $1,184 million at the end of December 2015. The Company distributed dividends of $16.1 million[3] during the third quarter of 2016 and of $100 million during the fourth quarter of 2015.

Financial covenants

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

($m)	Net Debt/Equity	Net Debt/EBITDA	Minimum Equity	Retained Earnings
Financial Covenants – Bank Credit	1.25x	4.0x	1,220	700
Financial Covenants – Receivables Facility	1.25x	4.0x	-	-
Compliance of the Company with Financial Covenants as at September 30, 2016	**0.6x**	**1.9x**	**1,690**	**1,275**

As at September 30, 2016, during the third 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.[4]

[3] On September 15, 2016, the Company declared a dividend of approximately $40.3 million. Of this amount, a total of $18.5 million has been paid as of the date of this report ($16.1 million of which in the third quarter). For further details regarding the dividend, including the deferred dividend, see chapter "Material changes and new information in the Company's business"

[4] 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.

Shareholders' equity

The Company declared a dividend of approximately $40.3 million in the third quarter of 2016 and distributed a dividend in the amount of $100 million in the fourth quarter of 2015. The Company's shareholders' equity as at September 30, 2016 amounted to $1,690 million compared to $1,672 million as of September 30, 2015 and $1,567 million as of December 31, 2015. Equity as a proportion of total assets was 37.1% as at September 30, 2016, 35.1% as of September 30, 2015, and 36.2% as of December 31, 2015.

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

Financial ratios

As at September 30:	2016	2015
Ratio of current assets to current liabilities (current ratio)	1.88	1.93
Ratio of current assets, excluding inventory, to current liabilities (quick ratio)	1.17	1.19
Ratio of financial liabilities to total assets	33.3%	35.9%
Ratio of financial liabilities to total equity, gross	90.0%	102.1%

Financing sources

The Company finances its business operations from its equity and from external funding sources.[5]

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 approximately $528 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, such 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.

5 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 Israeli CPI. The Company effects these transactions only through banks and exchanges which are required to comply with capital adequacy requirements or maintain a level of collateral based on various scenarios.

The exchange rate fluctuations of the currencies during the periods under review impact a number of sections of the Company's financial statements.[6] 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.[7] 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 November 14, 2016 to review the financial statements for the quarter and nine-month period ended September 30, 2016.[8]

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

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

8 Other than the Committee Members, the meeting was attended by the following senior officers: 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 President 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 September 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

November 17, 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	
	9M 2016	9M 2015	9M 2016	9M 2015	9M 2016	9M 2015
Revenues	2,402	2,414	-	-	2,402	2,414
Gross profit	827	774	(0.2)	-	827	774
Operating expenses	514	502	3.2	-	511	502
Operating income (EBIT)	313	272	(3.3)	-	316	272
Finance expenses, net	106	93	-	(6.5)	106	99
Net income before taxes	207	180	(3.3)	6.5	210	174
Net income	191	145	(3.3)	12.1	194	133
EBITDA	446	398	(3.3)	-	450	398

The Income Statement items for the nine-month period that appear in the above table 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 period last year that appear in the above table 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 $6 million provision in the first nine months 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 third 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 Sept. 30, 2016 (in NIS millions)	Dates of interest payments	Dates of principal payments	Linkage basis	Nominal par value at Sept. 30, 2016 (in NIS millions)	CPI-linked nominal par value at Sept. 30, 2016 (in NIS millions)	Carrying value of debenture balances at Sept. 30, 2016 (in USD millions)	Carrying value of interest payable on Sept. 30, 2016 (in USD millions)	Fair value at Sept. 30, 2016 (in USD millions)
Series B (1)(4)	Dec. 06	iIAA-(3)	1,650	CPI-linked annual interest	5.15%	4.5%	4,481(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)	4,162.5(2)	1,097.3(2)	19.1(2)	1,192.4(2)
	Jan. 12		514												
	Jan. 13		600												
	Feb. 15		533												
	Feb-May 15		267												
Series D (1)	Dec. 06	IIAA-(3)	235	Annual interest	6.50%	0.7%	400.7	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	103.6	2.2	106.6
	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 at September 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 (iIAA-/Stable). For more details, see the Company's Immediate Report dated July 7, 2016 (reference 2016-01-077503).

(4) On September 29, 2016, at the meeting of holders of debentures (Series B) of the Company, it was resolved to appoint Mishmeret Trust Company Ltd., as trustee of the Company's debentures (Series B) instead of Aurora Fidelity Trust Company Ltd. ("**Aurora**"), subject to the resignation of Aurora becoming effective in accordance with the approval of the court and on the date to be determined in such approval. For additional details, see Aurora's immediate report relating to the results of the meeting of the holders of debentures (Series B) dated September 27, 2016 (Reference No. 2016-01-055329), as well as the Company's immediate report dated September 5, 2016 relating to the notification of Aurora's resignation (Reference No. 2016-01-117493).

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

	September 30			Q3 Average			9M Average		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
EUR/USD	1.118	1.123	(0.4%)	1.116	1.113	0.3%	1.116	1.115	0.1%
USD/BRL	3.246	3.973	18.3%	3.247	3.548	8.5%	3.556	3.161	(12.5%)
USD/PLN	3.856	3.775	(2.1%)	3.888	3.765	(3.2%)	3.905	3.729	(4.7%)
USD/ZAR	14.033	13.828	(1.5%)	14.081	12.966	(8.6%)	14.962	12.257	(22.1%)
AUD/USD	0.761	0.703	8.3%	0.758	0.726	4.3%	0.741	0.763	(2.8%)
GBP/USD	1.296	1.517	(14.6%)	1.314	1.550	(15.3%)	1.392	1.532	(9.2%)
USD/ILS	3.758	3.923	4.2%	3.804	3.829	0.7%	3.839	3.880	1.1%
USD L 3M	0.84%	0.32%	159.4%	0.79%	0.28%	178.6%	0.69%	0.31%	120.4%

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. Section 2 – Transactions in the Company's shares

For information regarding a transaction according to which CNAC shall acquire all of Koor shares 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 3 – Dividend Distribution

On September 15, 2016, after obtaining the approval of the general meeting of shareholders of the Company, the board of directors and the Audit Committee, the Company declared a dividend in the amount of approximately $40.3 million. The amount of the dividend that was distributed as of the date of this report is $18.5 million, and due to CNAC informing the Company that, irrespective of the cash flow of the Company, it is foregoing at this point the right to receive its share of the declared dividend ("**Deferred Dividend**"), except for the amount which will be required to cover the payment of the withholding tax arising from the declaration of such dividend to CNAC. CNAC also informed the Company that the Deferred Dividend will be paid only at a later date, upon notice from CNAC and subject to the approval of the Board of the Company that the actual payment of the Deferred Dividend meets the respective solvency test.

d. Section 30 – Request to Approve a Derivative Claim and a Class Action by a Shareholder of Discount Investment Corporation Ltd ("DIC") and a debenture holder of the Company ("the Applicant")

In May and August 2016, the following requests were submitted to the Regional Court of Tel Aviv: (i) a request to approve a derivative claim and a request for interim relief against DIC, Koor, CNAC, directors in the Company appointed by CNAC and the Company (the "**Derivative Proceeding**"); (ii) a request to approve a class action and application for interim relief against DIC, Koor, CNAC and directors of the Company appointed by them (the Company is not a party to the proceeding) (the "**Class Action Proceeding**").

On September 8, 2016, as part of a hearing held at the Court for interim relief in the Derivative Proceeding and the Class Action proceeding, the Applicant withdrew, on the recommendation of the Court, the application for interim relief in the Derivative Proceeding, and on September 10, 2016 the Court dismissed the request for interim relief in the Class Action Proceeding. For more details, see the Company's Immediate Reports dated May 23, 2016, June 10, 2016, August 18, 2016 and September 11, 2016 (references: 2016-01-031221, 2016-01-048636, 2016-01-105811 and 2016-01-120766, respectively).

אדמה פתרונות לחקלאות בע"מ
ADAMA Agricultural Solutions Ltd.

Chapter B

Financial statements (unaudited)

for September 30, 2016

Adama Agricultural Solutions Ltd.

Condensed Consolidated Interim Financial Statements

(Unaudited)

As at September 30, 2016

In U.S. Dollars

Condensed Consolidated Interim Financial Statements as at September 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 September 30, 2016 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine 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 5.5% of the total consolidated assets as of September 30, 2016, and whose revenues constitute 9% and 10% of the total consolidated revenues for the nine 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 $69,196 thousand as at September 30, 2016, and the Group's share in their profit amounted to $1,378 thousand and loss amounted to $310 thousand for the nine 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.)

November 17, 2016

Condensed Consolidated Interim Statement of Financial Position as at

	September 30 2016	September 30 2015	December 31 2015
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Current assets			
Cash and cash equivalents	**523,578**	687,675	395,352
Short-term investments	**4,748**	4,761	4,730
Trade receivables	**932,652**	915,050	771,818
Trade receivables as part of securitization transaction not yet eliminated	**34,937**	31,099	26,367
Subordinated note in respect of sale of trade receivables	**94,352**	65,404	71,293
Prepaid expenses	**15,100**	15,122	15,811
Financial and other assets, including derivatives	**135,062**	175,303	180,528
Tax deposits less provision for taxes	**12,906**	12,362	12,361
Inventories	**1,069,224**	1,166,614	1,149,058
Total current assets	**2,822,559**	3,073,390	2,627,318
Long-term investments, loans and receivables			
Investments in equity-accounted investee companies	**76,536**	74,168	70,397
Other financial investments and receivables	**55,587**	33,707	48,035
Other non-financial investments and receivables, including non-current inventory	**14,939**	33,097	35,941
	147,062	140,972	154,373
Fixed assets			
Cost	**1,686,925**	1,630,541	1,651,652
Less – accumulated depreciation	**893,233**	848,834	864,345
	793,692	781,707	787,307
Deferred tax assets	**97,856**	84,327	75,196
Intangible assets			
Cost	**1,739,468**	1,653,116	1,651,529
Less – accumulated amortization	**1,040,227**	973,194	964,080
	699,241	679,922	687,449
Total non-current assets	**1,737,851**	1,686,928	1,704,325
Total assets	**4,560,410**	4,760,318	4,331,643

Condensed Consolidated Interim Statement of Financial Position as at

	September 30 2016	September 30 2015	December 31 2015
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Current liabilities			
Loans and credit from banks and other lenders	**180,894**	242,177	222,800
Current maturities of debentures	**103,625**	99,962	100,789
Trade payables	**511,605**	572,629	554,357
Other payables	**646,063**	614,137	469,292
Current tax liabilities	**26,186**	34,553	25,627
Put options to holders of non-controlling interests	**31,385**	32,823	32,430
Total current liabilities	**1,499,758**	1,596,281	1,405,295
Long-term liabilities			
Long-term loans from banks	**138,831**	207,454	173,708
Debentures	**1,097,304**	1,158,011	1,056,380
Other long-term liabilities	**36,665**	28,626	29,233
Deferred tax liabilities	**13,917**	19,748	22,595
Employee benefits	**79,219**	69,905	70,552
Put options to holders of non-controlling interests	**4,882**	8,076	7,040
Total long-term liabilities	**1,370,818**	1,491,820	1,359,508
Total liabilities	**2,870,576**	3,088,101	2,764,803
Equity			
Share capital	**125,595**	125,595	125,595
Share premium	**623,829**	623,829	623,829
Capital reserves	**(334,666)**	(323,718)	(309,030)
Retained earnings	**1,275,076**	1,246,228	1,126,239
Total equity attributable to the owners of the Company	**1,689,834**	1,671,934	1,566,633
Non-controlling interests	**-**	283	207
Total equity	**1,689,834**	1,672,217	1,566,840
Total liabilities and equity	**4,560,410**	4,760,318	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: November 17, 2016

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

Condensed Consolidated Interim Statement of Income for the

	Nine-month period ended September 30		Three-month period ended September 30		Year ended December 31
	2016	2015	2016	2015	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
Revenues	**2,402,223**	2,414,015	**741,301**	696,060	3,063,870
Cost of sales	**1,575,001**	1,639,691	**480,942**	489,830	2,094,281
Gross profit	**827,222**	774,324	**260,359**	206,230	969,589
Other income	**(8,979)**	(12,052)	**(1,265)**	(780)	(14,385)
Selling and marketing expenses	**406,952**	404,913	**136,894**	123,493	534,454
General and administrative expenses	**86,507**	75,806	**29,809**	26,524	102,535
Research and development expenses	**23,579**	22,709	**7,536**	7,347	30,197
Other expenses	**2,843**	10,953	**2,143**	290	16,681
	510,902	502,329	**175,117**	156,874	669,482
Operating income	**316,320**	271,995	**85,242**	49,356	300,107
Financing expenses	**204,638**	225,563	**66,843**	50,202	286,498
Financing income	**(99,011)**	(126,219)	**(28,284)**	(6,858)	(146,926)
Financing expenses, net	**105,627**	99,344	**38,559**	43,344	139,572
Share of income (loss) of equity-accounted investee companies	**(832)**	1,272	**(1,170)**	(1,173)	(1,498)
Profit before taxes on income	**209,861**	173,923	**45,513**	4,839	159,037
Taxes on income	**13,205**	41,433	**12,350**	9,430	49,262
Profit (loss) for the period	**196,656**	132,490	**33,163**	(4,591)	109,775
Attributable to:					
The owners of the Company	**194,314**	132,745	**33,163**	(4,505)	110,108
Non-controlling interests	**2,342**	(255)	**-**	(86)	(333)
Profit (loss) for the period	**196,656**	132,490	**33,163**	(4,591)	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

	Nine-month period ended September 30		Three-month period ended September 30		Year ended December 31
	2016	2015	2016	2015	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
Profit (loss) for the period	**196,656**	132,490	**33,163**	(4,591)	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	**1,333**	(30,290)	**1,842**	(19,609)	(32,159)
Foreign currency translation differences in respect of foreign operations transferred to the statement of income	**(82)**	-	**-**	-	-
Effective portion of change in fair value of cash flow hedges	**(15,718)**	37,872	**(1,576)**	(4,736)	58,521
Net change in fair value of cash flow hedges transferred to the statement of income	**(14,343)**	(68,062)	**311**	(2,438)	(70,060)
Taxes in respect of other comprehensive income items that were or will be transferred to the statement of income in succeeding periods	**3,263**	2,267	**235**	876	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	**(25,547)**	(58,213)	**812**	(25,907)	(43,592)
Components of other comprehensive income that will not be transferred to the statement of income					
Re-measurement of defined benefit plan	**(2,682)**	2,878	**1,625**	60	3,404
Taxes in respect of items of comprehensive income that will not be transferred to the statement of income	**254**	(318)	**(286)**	(283)	(436)
Total components of other comprehensive income (loss) for the period that will not be transferred to the statement of income, net of tax	**(2,428)**	2,560	**1,339**	(223)	2,968
Total comprehensive income (loss) for the period	**168,681**	76,837	**35,314**	(30,721)	69,151
Total comprehensive income (loss) attributable to:					
The owners of the Company	**166,250**	77,093	**35,314**	(30,630)	69,483
Non-controlling interests	**2,431**	(256)	**-**	(91)	(332)
Total comprehensive income (loss) for the period	**168,681**	76,837	**35,314**	(30,721)	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 nine-month period ended September 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	-	-	-	194,314	194,314	2,342	196,656
Components of other comprehensive income							
Foreign currency translation differences in respect of foreign operations	-	-	1,244	-	1,244	89	1,333
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	-	-	(15,718)	-	(15,718)	-	(15,718)
Net change in fair value of hedged cash flows transferred to the statement of income	-	-	(14,343)	-	(14,343)	-	(14,343)
Re-measurement of defined benefit plan	-	-	-	(2,682)	(2,682)	-	(2,682)
Taxes on components of other comprehensive income	-	-	3,263	254	3,517	-	3,517
Other comprehensive loss for the period, net of tax	-	-	(25,636)	(2,428)	(28,064)	89	(27,975)
Total comprehensive income (loss) for the period	-	-	(25,636)	191,886	166,250	2,431	168,681
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	-	-	-	1,363	1,363	-	1,363
Dividends to owners of the Company	-	-	-	(40,263)	(40,263)	-	(40,263)
Balance as at September 30, 2016	125,595	623,829	(334,666)	1,275,076	1,689,834	-	1,689,834

(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 nine-month period ended September 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	-	-	-	132,745	132,745	(255)	132,490
Components of other comprehensive income							
Foreign currency translation differences in respect of foreign operations	-	-	(30,289)	-	(30,289)	(1)	(30,290)
Effective portion of change in fair value of cash flow hedges	-	-	37,872	-	37,872	-	37,872
Net change in fair value of hedged cash flows transferred to the statement of income	-	-	(68,062)	-	(68,062)	-	(68,062)
Re-measurement of defined benefit plan	-	-	-	2,878	2,878	-	2,878
Taxes on components of other comprehensive income	-	-	2,267	(318)	1,949	-	1,949
Other comprehensive income (loss) for the period, net of tax	-	-	(58,212)	2,560	(55,652)	(1)	(55,653)
Total comprehensive income (loss) for the period	-	-	(58,212)	135,305	77,093	(256)	76,837
Dividends to holders of non-controlling interests holding a put option	-	-	-	(2,415)	(2,415)	-	(2,415)
Transactions with holders of non-controlling interests	-	-	(152)	-	(152)	152	-
Share-based payments	-	-	-	6,746	6,746	-	6,746
Balance as at September 30, 2015	125,595	623,829	(323,718)	1,246,228	1,671,934	283	1,672,217

(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
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
For the three-month period ended September 30, 2016 (unaudited)					
Balance as at July 1, 2016	**125,595**	**623,829**	**(335,478)**	**1,279,156**	**1,693,102**
Comprehensive income for the period					
Profit for the period	**-**	**-**	**-**	**33,163**	**33,163**
Components of other comprehensive income					
Foreign currency translation differences in respect of foreign operations	**-**	**-**	**1,842**	**-**	**1,842**
Effective portion of change in fair value of cash flow hedges	**-**	**-**	**(1,576)**	**-**	**(1,576)**
Net change in fair value of hedged cash flows transferred to the statement of income	**-**	**-**	**311**	**-**	**311**
Re-measurement of defined benefit plan	**-**	**-**	**-**	**1,625**	**1,625**
Taxes on components of other comprehensive income	**-**	**-**	**235**	**(286)**	**(51)**
Other comprehensive income for the period, net of tax	**-**	**-**	**812**	**1,339**	**2,151**
Total comprehensive income for the period	**-**	**-**	**812**	**34,502**	**35,314**
Share-based payments	**-**	**-**	**-**	**1,681**	**1,681**
Dividends to owner of the company	**-**	**-**	**-**	**(40,263)**	**(40,263)**
Balance as at September 30, 2016	**125,595**	**623,829**	**(334,666)**	**1,275,076**	**1,689,834**

(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 September 30, 2015 (unaudited)							
Balance as at July 1, 2015	125,595	623,829	(297,739)	1,249,167	1,700,852	297	1,701,149
Comprehensive income for the period							
Loss for the period	-	-	-	(4,505)	(4,505)	(86)	(4,591)
Components of other comprehensive income							
Foreign currency translation differences in respect of foreign operations	-	-	(19,604)	-	(19,604)	(5)	(19,609)
Effective portion of change in fair value of cash flow hedges	-	-	(4,736)	-	(4,736)	-	(4,736)
Net change in fair value of hedged cash flows transferred to the statement of income	-	-	(2,438)	-	(2,438)	-	(2,438)
Re-measurement of defined benefit plan	-	-	-	60	60	-	60
Taxes on components of other comprehensive income	-	-	876	(283)	593	-	593
Other comprehensive loss for the period, net of tax	-	-	(25,902)	(223)	(26,125)	(5)	(26,130)
Total comprehensive loss for the period	-	-	(25,902)	(4,728)	(30,630)	(91)	(30,721)
Dividend to holders of non-controlling interests holding a put option	-	-	-	(458)	(458)	-	(458)
Transactions with holders of non-controlling interests	-	-	(77)	-	(77)	77	-
Share-based payments	-	-	-	2,247	2,247	-	2,247
Balance as at September 30, 2015	125,595	623,829	(323,718)	1,246,228	1,671,934	283	1,672,217

(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

	Nine-month period ended September 30		Three-month period ended September 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 (loss) for the period	**196,656**	132,490	**33,163**	(4,591)	109,775
Adjustments					
Depreciation and amortization	**131,158**	125,914	**44,383**	42,458	168,457
Capital loss (gain) on realization of fixed and other assets, net	**(6,883)**	(9,879)	**(138)**	42	(10,659)
Amortization of discount/premium and issuance expenses	**(734)**	(1,775)	**(265)**	(634)	(2,334)
Impairment of assets	**2,031**	-	**2,031**	-	3,084
Share of loss (income) of equity-accounted investee companies	**832**	(1,272)	**1,170**	1,173	1,498
Expenses in respect of share-based payments	**1,363**	6,746	**1,681**	2,247	8,998
Revaluation of put/call options held by holders of non-controlling interests	**(1,461)**	(919)	**508**	8	433
Adjustment of long-term liabilities	**46,338**	(9,665)	**29,544**	(49,045)	(12,221)
SWAP transactions	**(360)**	(360)	**(120)**	(120)	(481)
Change in provision for taxes and advance tax deposits, net	**5,862**	4,214	**2,819**	(6,598)	851
Decrease (increase) in deferred taxes, net	**(27,173)**	297	**4,988**	979	9,602
Changes in assets and liabilities					
Decrease (increase) in trade and other receivables	**(197,517)**	(111,985)	**(20,883)**	82,950	26,708
Decrease (increase) in inventories	**114,497**	13,415	**(9,662)**	(25,829)	26,426
Increase (decrease) in trade and other payables	**89,080**	(54,997)	**78,237**	67,178	(225,346)
Change in employee benefits	**7,487**	435	**1,434**	(7,199)	2,219
Net cash provided by operating activities	**361,176**	92,659	**168,890**	103,019	107,010
Cash flows for investing activities					
Acquisition of fixed assets	**(62,386)**	(92,571)	**(23,299)**	(22,471)	(117,859)
Increase in intangible assets	**(71,150)**	(66,632)	**(25,743)**	(19,473)	(97,669)
Proceeds from realization of fixed and intangible assets	**7,231**	12,068	**268**	219	13,323
Dividend from equity-accounted investee	**301**	1,509	**-**	-	1,509
Investment grant received	**1,350**		**-**	-	1,340
Short-term investments, net	**(12)**	6,157	**(12)**	119	6,108
Long-term investment, net	**(636)**	-	**-**	-	7
Disposal of subsidiaries	**(1,430)**	-	**-**	-	(101)
Deferred payment for business combination	**(600)**	-	**-**	-	-
Net cash used in investing activities	**(127,332)**	(139,469)	**(48,786)**	(41,606)	(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)

	Nine-month period ended September 30		Three-month period ended September 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	**12,700**	21,665	**2,700**	1,189	15,650
Repayment of long-term loans and liabilities from banks and others	**(70,467)**	(64,002)	**(23,752)**	(15,274)	(74,320)
Increase (decrease) in short-term liabilities to banks and others, net	**(20,077)**	113,343	**(84,326)**	30,917	76,796
Dividend paid to owners of the company	**(16,105)**	-	**(16,105)**	**-**	(100,000)
Dividend to holders of non-controlling interests	**(4,149)**	(2,415)	**-**	(458)	(2,427)
Payment of contingent consideration for business combination	**(7,520)**	-	**-**	-	-
Issuance of debentures less issuance expenses	**-**	256,859	**-**	-	256,859
Issuance of options for debentures	**-**	4,505	**-**	-	4,505
Repayment of debentures	**-**	-	**-**	-	(99,909)
Expenses in respect of raising of capital	**-**	(746)	**-**	-	(746)
Net cash provided by (used in) financing activities	**(105,618)**	329,209	**(121,483)**	16,374	76,408
Increase (decrease) in cash and cash equivalents	**128,226**	282,399	**(1,379)**	77,787	(9,924)
Cash and cash equivalents at the beginning of the period	**395,352**	405,276	**524,957**	609,888	405,276
Cash and cash equivalents at the end of the period	**523,578**	687,675	**523,578**	687,675	395,352
Additional information:					
Interest paid in cash	**(56,254)**	(60,939)	**(10,137)**	(10,466)	(107,478)
Interest received in cash	**27,308**	30,134	**11,596**	10,898	41,276
Taxes paid in cash, net	**(34,220)**	(27,163)	**(11,072)**	(6,028)	(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 September 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 November 17, 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 nine-month period ended September 30, 2016 (Unaudited)			
	Crop protection	Other	Reconciliation	Consolidated
	$ thousands	$ thousands	$ thousands	$ thousands
Statement of income information:				
Revenues				
Sales outside the Group	**2,255,649**	**146,574**	**-**	**2,402,223**
Inter-segment sales	**-**	**959**	**(959)**	**-**
Total revenues	**2,255,649**	**147,533**	**(959)**	**2,402,223**
Results				
Segment's results	**311,178**	**5,142**	**-**	**316,320**
Financing expenses, net				**(105,627)**
Share of loss of equity accounted in investees, net				**(832)**
Income taxes				**(13,205)**
Non-controlling interests				**(2,342)**
Net income for the period attributable to the owners of the Company				**194,314**

	For the nine-month period ended September 30, 2015 (Unaudited)			
	Crop protection	Other	Reconciliation	Consolidated
	$ thousands	$ thousands	$ thousands	$ thousands
Statement of income information:				
Revenues				
Sales outside the Group	2,278,762	135,253	-	2,414,015
Inter-segment sales	-	758	(758)	-
Total revenues	2,278,762	136,011	(758)	2,414,015
Results				
Segment's results	270,467	1,528	-	271,995
Financing expenses, net				(99,344)
Share of income of equity accounted in investees, net				1,272
Income taxes				(41,433)
Non-controlling interests				255
Net income for the period attributable to the owners of the Company				132,745

	For the three-month period ended September 30, 2016 (Unaudited)			
	Crop protection	Other	Reconciliation	Consolidated
	$ thousands	$ thousands	$ thousands	$ thousands
Statement of income information:				
Revenues				
Sales outside the Group	**692,392**	**48,909**	**-**	**741,301**
Inter-segment sales	**-**	**344**	**(344)**	**-**
Total revenues	**692,392**	**49,253**	**(344)**	**741,301**
Results				
Segment's results	**83,777**	**1,465**	**-**	**85,242**
Financing expenses, net				**(38,559)**
Share of loss of equity accounted in investees, net				**(1,170)**
Income taxes				**(12,350)**
Non-controlling interests				**-**
Net income for the period attributable to the owners of the Company				**33,163**

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

A. Products and services: (cont'd)

	For the three-month period ended September 30, 2015 (Unaudited)			
	Crop protection	Other	Reconciliation	Consolidated
	$ thousands	$ thousands	$ thousands	$ thousands
Statement of income information:				
Revenues				
Sales outside the Group	652,636	43,424	-	696,060
Inter-segment sales	-	(134)	134	-
Total revenues	652,636	43,290	134	696,060
Results				
Segment's results	48,510	817	29	49,356
Financing expenses, net				(43,344)
Share of loss of equity accounted in investees, net				(1,173)
Income taxes				(9,430)
Non-controlling interests				86
Net income for the period attributable to the owners of the Company				(4,505)

	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).

	Nine-month period ended September 30		Three-month period ended September 30		Year ended December 31
	2016	2015	2016	2015	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
Europe	**912,690**	983,919	**208,743**	205,332	1,115,965
North America	**455,613**	426,439	**115,866**	109,388	573,046
Latin America	**489,537**	497,502	**217,021**	208,666	735,923
Asia Pacific	**230,753**	216,697	**62,204**	58,632	273,229
India, the Middle East and Africa	**238,681**	218,201	**113,532**	91,485	271,370
Israel	**74,949**	71,257	**23,935**	22,557	94,337
	2,402,223	2,414,015	**741,301**	696,060	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 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)

	September 30, 2016		September 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)	**17,586**	**12,924**	14,550	10,844	14,611	10,810
Financial liabilities						
Long-term loans including current maturities (b)	**224,385**	**223,710**	298,480	295,636	281,482	274,598
Debentures including current maturities (c)	**1,200,929**	**1,299,024**	1,257,970	1,320,053	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.

	September 30, 2016	September 30, 2015	December 31, 2015
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Derivatives used for hedging:			
Forward contracts and options	**(47,511)**	4,866	23,286
Derivatives not used for hedging:			
Forward contracts and options	**(5,898)**	(59,542)	(67,383)
	(53,409)	(54,676)	(44,097)

Note 6 - Additional information

1. According to the notice received from Discount Investments Corporation Ltd., an indirect shareholder in the Company (hereinafter – "DIC"), on August 15, 2016, DIC and China National Agrochemical Corporation, the controlling shareholder in the Company (hereinafter - "CNAC"), signed an agreement according to which, CNAC will acquire the minority shares held by Koor Industries Ltd. (hereinafter - the “Sale Transaction”). On November 15, 2016, DIC reported that it is preparing for the completion of the Sale Transaction in the upcoming days, however there is no certainty whether the Sale Transaction will be completed nor regarding the timing of the completion.

2. As the Company previously reported, on September 13, 2016, the Board of Directors of Hubei Sanonda Co. Ltd. (hereinafter - "Sanonda") approved the acquisition of the entire share capital of the Company (either directly or via a subsidiary) in exchange for the issuance of shares in Sanonda to the Company’s shareholder (the "Transaction"). Accordingly, and subject to completion of the Transaction, the Company will become wholly-owned by Sanonda, with CNAC remaining the controlling shareholder.

   As part of the approval process relating to the Transaction, the Board of Directors of Sanonda approved its reacquisition of the Class B shares of Sanonda held by the Company (hereinafter - the "B Shares"), subject to completion of the Transaction. 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 B shares for HKD 7.70 per share and in total HKD 485 million (approx. US $ 63 million) for all B shares, subject to the approval of Sanonda's Board of Directors and general meeting and subject to consummation the transaction.

   The Transaction is expected to be completed in the first half of 2017, and is subject to the approval of the General Assembly of Sanonda’s shareholders, various regulatory approvals in China, and several other conditions precedent, among them the approval of the bank to which the Company’s shares are pledged.

3. On September 15, 2016, after obtaining the approval of the Company's shareholders meeting, the board of directors and the audit committee, a dividend of approximately $40.3 million was declared by the Company. As of the date of the approval of the financial statements, from the aforementioned dividend a total of $18.5 million has been paid.

Adama Agricultural Solutions Ltd.

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

Somekh Chaikin
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17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006, Israel
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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 September 30, 2016 and for the nine 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 $184,468 thousand as of September 30, 2016, and the profit from these investee companies amounted to $6,181 thousand and to $243 thousand for the nine 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.)

November 17, 2016

Condensed Interim Information on Financial Position

	September 30 2016	September 30 2015	December 31 2015
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Current assets			
Cash and cash equivalents	**2,209**	14,607	1,475
Prepaid expenses	**523**	459	331
Other receivables	**88,775**	75,844	41,569
Receivables from investee companies	**272,584**	305,976	340,940
Derivatives	**25,799**	7,987	193
Total current assets	**389,890**	404,873	384,508
Long-term investments, loans and receivables			
Investments in investee companies	**1,626,001**	1,753,529	1,559,748
Loans to investee companies	**961,309**	876,051	845,819
	2,587,310	2,629,580	2,405,567
Fixed assets, net	**2,663**	2,809	2,811
Intangible assets, net	**5,353**	5,050	5,341
Total non-current assets	**2,595,326**	2,637,439	2,413,719
Total assets	**2,985,216**	3,042,312	2,798,227

Condensed Interim Information on Financial Position

	September 30 2016	September 30 2015	December 31 2015
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Current liabilities			
Current maturities of debentures	**103,625**	99,962	100,789
Other payables	**62,144**	35,533	19,059
Derivatives	**6,755**	52,260	30,587
Total current liabilities	**172,524**	187,755	150,435
Long-term liabilities			
Debentures	**1,118,858**	1,178,805	1,077,139
Employee benefits	**4,000**	3,818	4,020
Total non-current liabilities	**1,122,858**	1,182,623	1,081,159
Total liabilities	**1,295,382**	1,370,378	1,231,594
Equity			
Share capital	**125,595**	125,595	125,595
Share premium	**623,829**	623,829	623,829
Reserves	**(334,666)**	(323,718)	(309,030)
Retained earnings	**1,275,076**	1,246,228	1,126,239
Total equity attributable to the owners of the Company	**1,689,834**	1,671,934	1,566,633
Total liabilities and equity	**2,985,216**	3,042,312	2,798,227

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: November 17, 2016

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

Condensed Interim Information on Income

	Nine-month period ended September 30		Three-month period ended September 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	**31,935**	35,197	**10,915**	11,013	51,364
Expenses					
General and administrative	**28,913**	38,122	**9,840**	12,137	46,460
Operating profit (loss)	**3,022**	(2,925)	**1,075**	(1,124)	4,904
Financing expenses	**152,398**	224,786	**48,589**	72,241	250,689
Financing income	**(152,398)**	(224,792)	**(48,589)**	(72,248)	(250,685)
Financing income (expenses), net	**-**	6	**-**	7	(4)
Profit (loss) after financing expenses, net	**3,022**	(2,919)	**1,075**	(1,117)	4,900
Income (loss) from investee companies	**192,704**	136,047	**32,229**	(3,338)	105,643
Profit (loss) before tax on income	**195,726**	133,128	**33,304**	(4,455)	110,543
Taxes on income	**1,412**	383	**141**	50	435
Profit (loss) for the period attributable to the owners of the Company	**194,314**	132,745	**33,163**	(4,505)	110,108

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

Condensed Interim Information on Comprehensive Income

	Nine-month period ended September 30		Three-month period ended September 30		Year ended December 31
	2016	2015	2016	2015	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
Income (loss) for the period attributable to the owners of the Company	**194,314**	132,745	**33,163**	(4,505)	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	**(360)**	(360)	**(120)**	(120)	(480)
Other comprehensive income (loss) in respect of investee companies, net of tax	**(25,309)**	(57,885)	**921**	(25,793)	(43,157)
Taxes on the components of other comprehensive income that were transferred or will be transferred to the statement of income	**33**	33	**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	**(25,636)**	(58,212)	**812**	(25,902)	(43,593)
Components of other comprehensive income that will not be transferred to the statement of income					
Re-measurement of defined benefit plan	**473**	259	**47**	9	211
Other comprehensive income (loss) in respect of investee companies, net of tax	**(2,901)**	2,301	**1,292**	(232)	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	**(2,428)**	2,560	**1,339**	(223)	2,968
Total comprehensive income (loss) for the period attributable to the owners of the Company	**166,250**	77,093	**35,314**	(30,630)	69,483

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

Condensed Interim Information on Cash Flows

	Nine-month period ended September 30		Three-month period ended September 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 (loss) for the period attributable to the owners of the Company	**194,314**	132,745	**33,163**	(4,505)	110,108
Adjustments					
Loss (income) in respect of investee companies	**(192,704)**	(136,047)	**(32,229)**	3,338	(105,643)
Depreciation and amortization	**2,018**	1,612	**683**	678	2,223
Amortization of discount/premium and issuance costs	**(734)**	(1,775)	**(265)**	(634)	(2,334)
Expenses in respect of share-based payment	**489**	2,596	**622**	865	3,462
Adjustment of long-term liabilities	**44,491**	(9,768)	**31,922**	(48,347)	(10,105)
SWAP transactions	**(360)**	(360)	**(120)**	(120)	(480)
Change in deferred taxes, net	**33**	33	**11**	11	44
Changes in assets and liabilities					
Decrease (increase) in accounts receivable and current assets	**(21,164)**	61,870	**(12,070)**	32,952	73,600
Increase (decrease) in accounts payable and other liabilities	**(4,840)**	(56,777)	**(35)**	34,413	(95,023)
Change in employee benefits	**368**	22	**31**	(263)	165
Net cash used in operating activities in respect of transactions with investee companies	**(47,346)**	(62,954)	**(43,275)**	(23,717)	(97,952)
Net cash used in operating activities	**(25,435)**	(68,803)	**(21,562)**	(5,329)	(121,935)
Cash flows from investing activities					
Acquisition of fixed assets	**(265)**	(323)	**(36)**	(65)	(465)
Additions to intangible assets	**(1,617)**	(1,829)	**(463)**	(582)	(2,591)
Dividend received	**100,000**	-	**100,000**	-	180,000
Net cash provided by (used in) operating activities in respect of transactions with investee companies	**(55,844)**	(176,377)	**(61,748)**	10,070	(115,564)
Net cash provided by (used in) investing activities	**42,274**	(178,529)	**37,753**	9,423	61,380
Cash flows from financing activities					
Dividend paid to the owners of the Company	**(16,105)**	-	**(16,105)**	**-**	(100,000)
Issuance of debentures net of issuance costs	**-**	256,859	**-**	-	256,859
Issuance of options for debentures	**-**	4,505	**-**	-	4,505
Repayment of debentures	**-**	-	**-**	-	(99,909)
Net cash provided by (used in) financing activities	**(16,105)**	261,364	**(16,105)**	-	61,455
Increase in cash and cash equivalents	**734**	14,032	**86**	4,094	900
Cash and cash equivalents at beginning of the period	**1,475**	575	**2,123**	10,513	575
Cash and cash equivalents at end of the period	**2,209**	14,607	**2,209**	14,607	1,475
Supplementary information:					
Interest paid in cash	**(31,505)**	(34,765)	**-**	-	(69,470)
Interest received in cash	**1,722**	1,153	**743**	362	1,432
Taxes paid in cash, net	**(1,086)**	(299)	**(400)**	(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 September 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 June 30, 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 third 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.

November 17, 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 third 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.

November 17, 2016

Aviram Lahav
CFO