UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-36187

EVOGENE LTD.
(Exact name of Registrant as specified in its charter)

Israel
(Jurisdiction of incorporation or organization)

13 Gad Feinstein Street
Park Rehovot P.O.B 2100
Rehovot 7612002, Israel
(Address of principal executive offices)

Ofer Haviv
President and Chief Executive Officer
Telephone: +972-8-931-1900
Facsimile: +972-8-946-6724
13 Gad Feinstein Street, Park Rehovot P.O.B 2100
Rehovot 7612002, Israel
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary shares, par value NIS 0.02 per share	**Nasdaq Stock Market LLC**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None.**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None.**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **As of December 31, 2017, the registrant had outstanding 25,750,547 ordinary shares, par value NIS 0.02 per share.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒
Non-accelerated filer ☐ Emerging Growth Company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis for accounting the registrant has used to prepare the financing statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

FORM 20-F
ANNUAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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CERTAIN TERMS AND CONVENTIONS

In this annual report, unless the context otherwise requires:

- references to "Evogene," "we," "us," "our," "our company" and "the company" refer to Evogene Ltd. and its subsidiaries, Evofuel Ltd., Evogene Inc., and Biomica Ltd.;
- references to "U.S. Dollars," "$" or "dollars" are to U.S. dollars;
- references to "NIS" or "shekels" are to New Israeli Shekels;
- references to the "U.S. initial public offering" refer to the initial public offering of our ordinary shares in the United States and the listing thereof on the New York Stock Exchange, which offering was consummated on November 26, 2013;
- references to "ordinary shares", "our shares" and similar expressions refer to our Ordinary Shares, par value NIS 0.02 per share;
- references to the "articles of association" or "amended articles" are to our Amended and Restated Articles of Association, which became effective upon the closing of the U.S. initial public offering, as subsequently amended;
- references to the "Companies Law" are to the Israeli Companies Law, 5759-1999, as amended;
- references to the "Securities Act" are to the Securities Act of 1933, as amended;
- references to the "Exchange Act" are to the Securities Exchange Act of 1934, as amended;
- references to the "NYSE" are to the New York Stock Exchange;
- references to the "Nasdaq" are to the Nasdaq Stock Market LLC;
- references to the "TASE" are to the Tel Aviv Stock Exchange;
- references to the "SEC" are to the United States Securities and Exchange Commission.

Unless derived from our financial statements or otherwise noted, amounts presented in this annual report are translated at the rate of $1.00 = NIS 3.467, the exchange rate between the NIS and the U.S. dollar reported by the Bank of Israel as of December 31, 2017.

This annual report includes other statistical, market and industry data and forecasts which we obtained from publicly available information and independent industry publications and reports that we believe to be reliable sources. Some data is also based on our good faith estimates, which are derived from management's knowledge of the industry and independent sources. These publicly available industry publications and reports generally state that they obtain their information from sources that they believe to be reliable, but they do not guarantee the accuracy or completeness of the information. Although we believe that these sources are reliable and are not aware of any misstatements regarding the industry data presented in this annual report, we have not independently verified the information contained in such publications. Certain estimates and forecasts involve uncertainties and risks and are subject to change based on various factors, including those discussed under the headings "—Special Note Regarding Forward-Looking Statements" and "Item 3.D—Risk Factors" in this annual report.

Throughout this annual report, we refer to various trademarks, service marks and trade names that we use in our business. The "Evogene" design logo, "Evogene" and other trademarks or service marks of Evogene Ltd. appearing in this annual report are the property of Evogene Ltd. We have several other registered trademarks, service marks and pending applications relating to our computational technologies. Other trademarks and service marks appearing in this annual report are the property of their respective holders.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical facts, this annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the "Securities Act", Section 21E of the Securities Exchange Act of 1934, as amended, or the "Exchange Act," and the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations and projections about future events. Forward-looking statements include information concerning our possible or assumed future results of our business, financial condition, results of operations, liquidity, anticipated growth strategies, anticipated trends in our industry, our potential growth opportunities, plans and objectives. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "seeks," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would" or similar expressions that convey uncertainty of future events or outcomes and the negatives of those terms.

These statements include but are not limited to:

- our expectation that our discoveries will have the desired effect required in order to reach a commercial product;
- our ability, and the ability of our collaborators, to allocate the resources needed to develop commercial products based on our discoveries;
- our expectation regarding the length and complexity of the process of developing commercial products based on our discoveries and the probability of success of us and our collaborators in developing such products;
- our expectation regarding the future growth of the seeds, ag-chemicals, ag-biologicals, larger agriculture, castor seeds and human-based therapeutics markets;
- our ability to maintain our business models, such as the business model in which our partners pay for our research and development costs or the business model in which we pay for our own research and development costs and enter into collaboration agreements only in the later stages of product development;
- our expectation regarding the commercial value of our key product candidates, such as the trait value of our key seed traits product candidates in yield and abiotic stress and biotic stress;
- our expectation regarding regulatory approval of product candidates developed by us or our collaborators;
- our expectation that products containing or based on our discoveries will be commercialized and we will earn royalties from the sales of such products;
- our ability to continue to successfully develop our newer operations, such as ag-chemicals operations, insect control operations, and ag-biologicals operations, enter into collaboration agreements to develop product candidates in these fields and eventually commercialize products in the relevant markets;
- our ability to maintain and recruit knowledgeable or specialized personnel to perform our research and development work;
- our ability to successfully develop improved castor bean seed varieties that serve the current industrial markets;
- our ability to adapt to continuous technological change in our industry;
- our ability to maintain our collaboration agreements with our current collaborators;
- our ability to enter into new collaboration agreements and expand our research and development to new fields, traits and crops;
- our ability to improve our existing computational technologies and our screening and validation systems and to develop and launch new computational technologies and screening and validation systems; and
- our ability to patent our discoveries and to protect our trade secrets and proprietary know-how.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. These statements are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, levels of activity, performance or achievements to differ materially from the results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, those factors described in "Item 3.D—Risk Factors," "Item 4—Information on the Company" and "Item 5—Operating and Financial Review and Prospects."

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. All of the forward-looking statements we have included in this annual report are based on information available to us on the date of this annual report. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changes in our expectations or otherwise.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following tables set forth our selected consolidated financial data. You should read the following selected consolidated financial data in conjunction with "Item 5. Operating and Financial Review and Prospects" and our consolidated financial statements and related notes included in this annual report. Historical results are not necessarily indicative of the results that may be expected in the future. Our financial statements have been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB.

The selected consolidated statements of profit or loss and other comprehensive income (loss) data for each of the years in the three-year period ended December 31, 2017 and the consolidated statements of financial position data as of December 31, 2016 and December 31, 2017 are derived from our audited consolidated financial statements appearing in this annual report. The consolidated statements of profit or loss and other comprehensive income (loss) data for each of the years ended December 31, 2013 and December 31, 2014 and the consolidated statements of financial position data as of December 31, 2013, 2014 and 2015 are derived from our audited consolidated financial statements that are not included in this annual report.

	Year ended December 31, (in thousands, except share and per share data)				
	2013	**2014**	**2015**	**2016**	**2017**
Consolidated Statements of Profit or Loss and Other Comprehensive Income (Loss):					
Revenues:					
Research and development payments, including up-front payments	$ 15,028	$ 14,198	$ 10,956	$ 6,500	$ 3,369
Share purchase related revenues	2,553	313	173	40	12
Total Revenues	17,581	14,511	11,129	6,540	3,381
Cost of revenues	10,114	9,709	8,255	5,639	2,845
Gross profit	7,467	4,802	2,874	901	536
Operating expenses:					
Research and development, net	11,107	14,022	14,449	16,405	16,987
Business development	1,517	1,851	1,964	1,696	1,686
General and administrative	3,564	4,185	4,382	3,889	3,810
Total operating expenses	16,188	20,058	20,795	21,990	22,483
Operating loss	(8,721)	(15,256)	(17,921)	(21,089)	(21,947)
Financing income	1,179	2,242	2,571	2,424	2,125
Financing expenses	(1,336)	(1,516)	(1,863)	(891)	(1,005)
Loss before taxes on income	(8,878)	(14,530)	(17,213)	(19,556)	(20,827)
Taxes on income	-	-	-	36	11
Net loss	(8,878)	(14,530)	(17,213)	(19,592)	(20,838)
Other comprehensive income (loss):					
Loss from cash flow hedges	-	(222)	(45)	-	-
Amounts transferred to the statement of profit or loss for cash flow hedges	-	-	267	-	-
Total comprehensive loss	$ (8,878)	$ (14,752)	$ (16,991)	$ (19,592)	$ (20,838)
Basic and diluted net loss per share	$ (0.45)	$ (0.58)	$ (0.68)	$ (0.77)	$ (0.81)
Weighted average number of ordinary shares used in computing basic and diluted net loss per share (1)	19,532,010	25,100,556	25,378,325	25,444,733	25,673,276

	As of December 31,				
	2013	2014	2015	2016	2017
Selected Consolidated Statements of Financial Position Data:					
Cash and cash equivalents	$ 95,454	$ 5,213	$ 10,221	$ 3,236	$ 3,435
Marketable securities	31,452	80,040	71,807	71,738	59,940
Short-term bank deposits	-	30,046	18,603	13,137	8,380
Trade receivables	1,913	1,183	2,675	169	132
Total current assets	129,552	118,371	104,376	89,490	72,791
Deferred revenues and other advances	2,535	1,964	858	1,105	605
Total liabilities	12,564	11,504	8,843	8,697	8,224
Working capital (2)	120,978	110,452	98,737	84,265	68,127
Shareholders' equity	124,747	116,082	103,752	87,289	69,378

The issued and outstanding share capital of the company is composed of 25,750,547 ordinary shares as of December 31, 2017.

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(1) Basic and diluted net loss per share is computed based on the weighted average number of ordinary shares outstanding during each period, in accordance with IAS 33, "Earnings per Share."

(2) Working capital is defined as total current assets less total current liabilities.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Our business faces significant risks. You should carefully consider all of the information set forth in this annual report and in our other filings with the SEC, including the following risk factors which we face and which are faced by our industry. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. This report also contains forward-looking statements that involve risks and uncertainties. Our results could materially differ from those anticipated in these forward-looking statements, as a result of certain factors including the risks described below and elsewhere in this report and our other SEC filings. See "Special Note Regarding Forward-Looking Statements and Industry Data" on page 4.

Risks Related to Our Business and Industry

Our discoveries may not achieve the desired effect required in order to create commercially-viable products.

Our success depends on our ability to develop products that have the desired effect on plants and, in our human microbiome activities, on humans. Research and development in the seed, ag-chemicals, ag-biologicals and human microbiome entails considerable uncertainty. We may spend many years developing product candidates that will never be commercialized. The science underlying the development of our seed traits, ag-chemical, ag-biological and human microbiome-based therapeutics product candidates is highly complex and, although we use innovative approaches, there is no certainty that our discoveries will result in product candidates that satisfy market requirements. None of our discoveries has completed the development process and became commercially available so far. If our discoveries will not have the desired effect, our collaborators may not develop commercial products that are based on them, which could materially and adversely affect our results of operations and our long-term growth strategy.

In some areas of our ag-biological activities, we expect to advance our efforts to the final product development stages (including regulation and commercialization). The goal of commercializing products in agriculture industry entails considerable uncertainty. We may spend significant efforts seeking regulatory approvals and distribution of our product candidates without reaching successful commercialization.

Various factors may delay or prevent commercialization of our product candidates.

Our success depends in part on our ability to identify genes, genetic markers, ag-chemical compounds, and microbial, or collectively discoveries, that will improve crop performance and, in our human microbiome-based therapeutics activities, to obtain clinical benefits in various indications. These discoveries are, or will be, licensed to collaborators to develop and commercialize seed traits, ag-chemical products and ag-biological products, for improving crop performance and to develop and commercialize human therapeutic products for human-related activities based on our discoveries. Pursuant to our collaboration agreements, we are usually entitled, subject to certain conditions, to receive royalties on products that integrate our discoveries. In addition, certain of our agreements entitle us to upfront fees, research and development payments and milestone payments in the event that specified milestones are met. While none of our discoveries has completed the development process and become commercially available so far and thus we currently do not earn royalties from the sale of products based on our discoveries, our long-term growth strategy is based in large part on the expectation that such royalties will comprise a significant portion of our revenues in the future. If we or our collaborators never commercialize products based on our discoveries, we will not receive revenues from royalties and may not earn a profit on our discoveries, which could materially and adversely affect our results of operations and our long-term growth strategy.

The manner in which our collaborators develop their product candidates, whether seeds, ag-chemicals, ag-biologicals or human microbiome-related products, including the development of the discoveries that are licensed by us, affects the period that will pass until such products are commercialized, if ever. Product candidates based on our discoveries may never become commercialized for any of the following reasons:

- our discoveries may not be successfully validated or may not have the desired effect required in order to reach a commercial product;
- the process of developing product candidates based on our discoveries is lengthy and expensive. We and our partners may not be able to allocate the resources needed to complete it within the desired timelines;
- our collaborators may decide to discontinue, pause, reduce, or alter the scope of the development efforts for the product candidates on which we collaborate;
- we may fail to satisfy, in a timely manner or at all, relevant milestones under our agreements with our collaborators;
- regulatory conditions related to the product candidates we develop may change in different territories, thus negatively affecting the relevant development processes and extending their length or limiting the commercialization of such product candidates;
- our collaborators may be unable to obtain the requisite regulatory approvals for product candidates based on our discoveries;
- our competitors may launch competing or more effective products;
- our collaborators may be unable to fully develop and commercialize product candidates containing our discoveries or may decide, for whatever reason, not to commercialize, or to delay the commercialization of such product candidates;
- a market may not exist for products containing our discoveries or such products may not be commercially successful or relevant; and
- we may be unable to patent our discoveries in the necessary jurisdictions.

Our product development cycle is lengthy and uncertain, and we may never earn royalties on the sale of commercial products containing our discoveries.

Research and development in the seed, ag-chemicals, ag-biologicals and larger agriculture industries is expensive and prolonged and entails considerable uncertainty. We may spend many years and dedicate significant financial and other resources developing product candidates that will never be commercialized. The process of discovering, developing and commercializing a seed trait, an ag-chemical product, or an ag-biological product involves several phases, and we estimate that it will take eight to sixteen years from discovery to commercialization of a product containing seed traits, ten to twelve years in the case of an ag-chemical product, and six to eight years in the case of an ag-biological product. The timelines for development of product candidatefs by our collaborators may extend beyond our expectations for many reasons, such as:

- § we and our partners may not be able to allocate the resources needed to develop product candidates based on our discoveries;
- § our partners may revise the process of product development or make other decisions regarding their product development pipelines that may extend the development period;
- § our partners may prioritize other development activities ahead of development activities with respect to the product candidates on which we collaborate;
- § our discoveries (seed traits, ag-chemical compounds, microbial or human microbiome-based therapeutics) may not be successfully validated or may not have the desired effect sought by our collaborators; and
- § our collaborators may be unable to obtain the requisite regulatory approvals for the product candidates based on our discoveries within expected timelines or at all.

We currently have 23 main product candidates under development, of which 8 are being developed with our collaborators, most of which are in Discovery and Phase I. We have little to no certainty as to which and when, if any, of these product candidates will eventually reach commercialization. Because of the long product development cycle and the complexities and uncertainties associated with genomic, chemical and biotechnological research, there is significant uncertainty as to whether we will ever generate significant royalties, if any, from the product candidates that we are developing. For more information on the product development cycle of the product candidates we develop and a description of the phases of development, see “Item 4.B—Business Overview—Product Development Cycle”.

There are only a few companies in our seeds, ag-chemicals and ag-biologicals markets with which we can establish strategic partnerships, and we rely on a limited number of collaborators to develop and commercialize product candidates containing our seed traits, ag-chemicals and ag-biologicals.

The seeds, ag-chemicals and ag-biologicals market is highly consolidated and dominated by a relatively small number of large companies. Until recently, a handful of global firms (known as the “Big Six”) had dominated private-sector research on both seeds and crop-protection chemicals: BASF and Bayer, from Germany; the U.S. firms Dow Chemical, DuPont, and Monsanto; and the Swiss firm Syngenta.[1] We are currently undertaking collaborations with several of these companies to develop improved seeds and ag-chemical and ag-biological product candidates. Due to the small number of companies in our market, there are limited opportunities for us to grow our business with new collaborators. In addition, if we fail to develop or maintain our relationships with any of our current collaborators, we could not only lose our opportunity to work with that collaborator, but we could also suffer a reputational risk that could impact our relationships with other collaborators in what is a relatively small industry community. In 2015 and 2016, the seeds, ag-chemicals and ag-biologicals markets have undergone further consolidation. In December 2015, Dow Chemical and DuPont proposed to merge with the intention of later separating their combined agriculture, materials science, and specialty products businesses into three independent and specialized corporations. In February 2016, the State-owned Chinese company ChemChina offered $43 billion to acquire Syngenta. Several months later, in September 2016, Bayer proposed to purchase Monsanto for $66 billion. These mergers would transform the “Big Six” into the “Big Four.” In September 2017, the Dow-DuPont merger was successfully completed. In October 2017, the acquisition of Syngenta by ChemChina was completed. [2] These mergers may further limit the number of potential collaborators available for us to partner with.

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[1] Source, USDA https://www.ers.usda.gov/amber-waves/2017/april/mergers-and-competition-in-seed-and-agricultural-chemical-markets/

We are currently working either with collaborators or on independent projects to research and develop 23 different seed traits, ag-chemical and ag-biological product candidates. While we seek to expand our portfolio of product candidates in the future, the research and development required to discover and develop new product candidates is costly, time-intensive and requires significant infrastructure resources. Therefore, in order to discover and develop new seed traits, ag-chemical and ag-biological product candidates, we must either enter into new collaborations with seed, ag-chemicals and ag-biologicals companies or develop such product candidates ourselves, independent of any collaborators. If we are unable to enter into new collaborations, or if we do not have the resources to develop the capabilities necessary to discover and develop such product candidates independently, we may not be able to expand our portfolio of these product candidates, which could have a material adverse effect on our business prospects.

A decrease in research expenditures in the seed, ag-chemicals, ag-biologicals and human microbiome markets may jeopardize the continuation, or scope, of our collaborations with seed, ag-chemicals and ag-biologicals companies and adversely impact our ability to continue or extend existing collaborations or enter into new collaborations on favorable financial terms.

The research and development expenditures of our existing and potential collaborators may be reduced for reasons beyond our control. For example, a decrease in the prices of agricultural commodities, such as the decrease in corn price from approximately US$7 per bushel in mid-2013 to less than US$4 per bushel in late 2014 (maintaining such lower levels throughout 2015, 2016 and 2017) or the consolidation trend in the seeds and ag-chemicals industries may result in decreased research and development expenditures in our relevant markets. This development may, in turn, adversely impact our ability to maintain or extend our existing collaborations or enter into new collaborations on favorable financial terms. For example, we may not be able to enter into new collaborations under which our collaborators cover our expenses through research and development payments.

We or our collaborators may fail to perform obligations under the collaboration agreements.

We are obligated under our collaboration agreements to perform research activities over a particular period of time. If we fail to perform our obligations under these agreements, in some cases our collaborators may terminate our agreements with them and in other cases our collaborators' obligations may be reduced and, as a result, our anticipated revenues may decrease. In addition, any of our collaborators may fail to perform their obligations, which may hinder development and commercialization of products containing the product candidates we develop and materially and adversely affect our future results of operations. Furthermore, the various payments we receive from our collaborators are our primary source of revenues. If our collaborators do not make these payments, either due to financial hardship, disagreement under the relevant collaboration agreement or for any other reason, our results of operations and business could be materially and adversely affected. If disagreements with a collaborator arise, any dispute with such collaborator may negatively affect our relationship with one or more of our other collaborators and may hinder our ability to enter into future collaboration agreements, each of which could negatively impact our business and results of operations.

Competition in the fields of our operations is intense and requires continuous technological development. If we are unable to compete effectively, our financial results will suffer.

We currently face significant competition in the markets in which we operate. The markets for seeds, seed traits, ag-chemicals, ag-biologicals and human microbiome are intensely competitive and rapidly changing. Many companies engage in research and development of such products, and speed in getting a new product candidate to market can be a significant competitive advantage. As an example, over the past decade some of our competitors have enhanced research and development budgets allocated for seeds that are more significant than our budget. In most segments of the seed, ag-chemicals and ag-biologicals market, the number of products available to the consumer is steadily increasing as new products are introduced. At the same time, an increasing number of products are coming off patent and are thus available to generic manufacturers for production. We may be unable to compete successfully against our current and future competitors, which may result in lower prices and margins and the inability to achieve market acceptance for products containing our discoveries. In addition, many of our competitors have substantially greater financial, marketing, sales, distribution and technical resources than us and some of our collaborators have more experience in research and development, regulatory matters, manufacturing and marketing. We anticipate increased competition in the future as new companies enter the market and new technologies become available. Our technologies may be rendered obsolete or uneconomical by technological advances or entirely different approaches developed by one or more of our competitors, which will prevent or limit our ability to generate revenues from the commercialization of our technologies.

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[2] (source, USDA https://www.ers.usda.gov/amber-waves/2017/april/mergers-and-competition-in-seed-and-agricultural-chemical-markets/)

Our collaborators have significant resources and development capabilities and may develop their own products that compete with or negatively impact the advancement or sale of products based on discoveries we develop and license to them.

While we protect the discoveries we develop and license to our collaborators through both legal and contractual provisions, any of our collaborators could develop or pursue competing products that may ultimately prove more commercially viable those that we develop. Our collaborators are significantly larger than us and may have substantially greater resources and development capabilities. The development or launch of a competing product by a collaborator may adversely affect the advancement and commercialization of any competing product candidates that we develop and any associated research and development payments, milestone and royalty payments.

We are working to develop novel insect control products, and our efforts to enter this market may be unsuccessful.

We are developing insect control product candidates, where we fund early stages of research and development efforts ourselves in order to potentially capture more value. Our efforts to develop novel insect control product candidates may fail for a variety of reasons, including:

§ Our failure to identify and develop toxin candidates having the desired effect on the target insects when inserted into the plants of interest;

§ Our failure to successfully complete development of insect control product candidates; and

§ Our failure to meet regulation requirements for insect control product candidates.

Furthermore, even if we are able to discover and develop an effective product candidate, it may not be successful if we are unable to find collaborators for industrialization and commercialization the product candidate. If our efforts to develop insect control product candidates are unsuccessful, our results of operations could be negatively impacted.

We are working to develop novel ag-chemical products, and our efforts may be unsuccessful.

We are currently developing solutions for crop protection through chemistry, or ag-chemistry. We are developing these product candidates through a novel approach, focused on biologically significant proteins called “targets,” which is similar to certain approaches pharmaceutical companies undertake to develop new drugs. Our efforts to develop novel ag-chemical product candidates may fail for a variety of reasons, including:

§ The failure of our relatively novel target-based approach to lead to an effective product candidate or failure to identify chemical compounds that will display required level of performance; and

§ Our failure to obtain sufficient funding to fully execute our ag-chemical business plan.

If our efforts to develop ag-chemical product candidates are unsuccessful, our results of operations could be negatively impacted.

We are working to develop novel ag-biologicals products, and our efforts to enter this market may be unsuccessful.

We are developing ag-biologicals product candidates, currently focused on microbial-based bio-stimulants through a novel approach, focused on plant-microbiome relationship which is similar to the growing interest in human microbiome as an effective tool to impact health. We fund our data-collection and early stages of research and development efforts relating to our ag-biological product candidates ourselves in order to potentially capture more value. Our efforts to develop novel ag-biological product candidates may fail for a variety of reasons, including:

§ Our failure to establish the needed infrastructure to enable the discovery and development of microbial bio-stimulants;

- Our failure to identify and develop microbial candidates that enhance plant performance at the desired efficacy and stability;

- Our failure to successfully complete development of microorganisms to achieve cost-effective products; and

- Our failure to meet regulation requirements in case significant changes occur in the future.

Furthermore, even if we are able to discover and develop an effective product candidate, it may not be successful if we are unable to find collaborators for industrialization and commercialization the product candidate. If our efforts to develop ag-biological product candidates are unsuccessful, our results of operations could be negatively impacted.

Evofuel, our wholly owned subsidiary that develops seeds for biodiesel and other uses, may not be successful for a number of reasons.

Our wholly owned subsidiary, Evofuel, is currently developing improved, high-yield castor bean seeds to be used as a source of non-edible feedstock for the existing industrial uses of castor oil and the biodiesel market. The renewable energy market in general and the biodiesel market more specifically are not well established and are evolving. Furthermore, the biodiesel market faces continuing competition from traditional petroleum-based fuels, and demand for biodiesel fluctuates with changing oil and gas prices. Specifically, crude oil prices have decreased substantially. In order for our castor bean seeds to be an attractive feedstock for biodiesel, we will need to demonstrate on a commercial scale that castor beans can reliably be used as a cost-efficient feedstock for biodiesel production. We will also need to show that the production cost and sales price of castor bean-based biodiesel are competitive with those of traditional oil and gas. The success of these operations will largely depend on our ability to address several unique challenges, including:

- the yields of our castor seed varieties on commercial scale under rain-fed conditions, securing economic viability as biodiesel feedstock;

- the ability to harvest castor beans in an efficient mechanized manner;

- the cost of producing castor bean grains, allowing grower profitability;

- adoption on large scale by growers of castor, including the successful management of diseases, pets and castor volunteers;

- the risk that farmers may decide not to grow “second season” replacement crops such as the castor bean;

- the health and environmental risks posed by the castor bean seed, which contains a naturally occurring poison called ricin;

- any regulatory concerns related to sales of castor beans, particularly related to the import of such beans and the potential effects of ricin; and

- the sustainability of our production and the biodiesel end-product.

In addition, we have little prior experience operating as a seed company. We are therefore operating in a new industry, with little knowledge of the dynamics involved in producing and selling seeds. In addition, we may be subject to claims of our partners concerning the quality or performance of the seeds we develop or from third parties concerning damages caused by our seeds.

Prior to addressing the biodiesel market, Evofuel expects to address other oil industries and take advantage of the premium oil prices paid by the existing industrial markets. Furthermore, we are working to design improved castor bean seeds and address each of these issues so that we are able to grow a sufficient and sustainable amount of castor bean plants at a low cost. We have entered into strategic collaborations with several agri-businesses such as Insolo Agroindustrial. In 2016, we entered into our first commercial sale of castor seeds, however, we are unable to foresee when significant sales will commence. Furthermore, there can be no assurance that our collaborations will ultimately result in a commercialized castor bean seed. If we are unable to adequately address any of these issues, we may not find a market for our castor bean seeds and our results of operations could be materially and adversely affected.

Even if we are entitled to royalties from our collaborators, we may not actually receive these royalties, or we may experience difficulties in collecting the royalties that we believe we are entitled to.

After our collaborators launch commercial products containing our licensed discoveries, we will rely on our collaborators to report to us the sales they earn from these products and to accurately calculate the royalties we are entitled to, a process that will involve complicated and difficult calculations. Although we seek to address these concerns in our collaboration agreements, such provisions may not be effective. Additionally, we may not be able to achieve our long-term goal of generating revenues from royalties, and in the coming years our revenues will be entirely dependent on fees we earn for our research and development services and milestone payments from our collaborators.

We depend on our key personnel and, if we are not able to attract and retain qualified scientific and business personnel, we may not be able to grow our business or develop and commercialize our product candidates.

The vast majority of our workforce is involved in research and development. Our business is therefore dependent on our ability to recruit and maintain a highly skilled and educated workforce with expertise in a range of disciplines, including biology, chemistry, plant genetics, agronomics, entomology, mathematics, computer science and other subjects relevant to our operations. For example, approximately 27% of our staff holds a Ph.D. The number of qualified and highly educated personnel in Israel, where most of our operations are located, is limited and competition for the services of such persons is intense. Although we have employment agreements with all of our employees, most of these agreements may be terminated upon short notice. The failure to hire and retain skilled and highly educated personnel could limit our growth and hinder our research and development efforts.

In recent years we have begun to develop certain discoveries (seed traits, ag-chemicals, ag-biologicals and human microbiome) independent of our collaborators, and we may need to finance the cost of the development of such technologies ourselves.

In the past, our business plan for our seed traits activity was based primarily on the development of seed traits in collaboration with our collaborators throughout the discovery-development-commercialization process. However, in recent years we have begun to develop certain seed traits, ag-chemicals, ag-biologicals and human microbiome-based therapeutics independent of our collaborators and are developing such discoveries on our own during the discovery phase, and may also undertake such independent discovery efforts towards the next development phases, with a goal of making such discoveries available to collaborators in later phases, including the final product development stage in some cases, once we have identified what we believe to be promising discoveries. While we believe that this will allow us to negotiate more favorable license terms with respect to such discoveries, the up-front cost to us of developing programs without a collaborator (and therefore without external funding for the research and development expenditures we incur) in these early phases involves higher risks, since we need to fund the research and development of such programs ourselves. If we are unsuccessful in discovering promising results after having invested significant funds, or if we are unable to find collaborators who are interested in such results and willing to fund subsequent phases of development and commercialization, such failures could have a material and adverse effect on our business, financial condition and results of operations.

Our business is subject to various government regulations and, if we or our collaborators are unable to obtain the necessary regulatory approvals, we may not be able to continue our operations.

Our business is generally subject to two types of regulations: regulations that apply to how we operate and regulations that apply to products containing our discoveries. We apply for and maintain the regulatory approvals necessary for our operations, particularly those covering our field trials, while our collaborators apply for and maintain regulatory approvals necessary for the commercialization of products containing our discoveries. More recently, regulators have implemented delays in approving genetically engineered crops due to environmental concerns and negative publicity. Field trials for our discoveries that are performed in Israel are subject to Israeli regulations, and field trials that are being executed outside Israel, such as in the U.S., by local subcontractors are regulated by local regulation. We believe that our current activities are compliant with all currently applicable Israeli regulations, however we may become subject to new or revised regulations or approvals in the future. Furthermore, any violation of these regulations could expose us to civil and criminal penalties.

The large-scale field trials that our collaborators conduct during advanced stages of product development are subject to regulations similar to those we are subject to. Pursuant to our collaboration agreements, our collaborators also apply for the requisite regulatory approvals prior to commercialization of products containing our discoveries. In most of our key target markets, including the United States and the European Union, regulatory approvals must be received prior to the importation of transgenic products. These regulatory regimes may be particularly onerous; for example, the U.S. federal government's regulation of biotechnology is divided among the United States Environmental Protection Agency, which regulates activity related to the invention of plant pesticides and herbicides, the United States Department of Agriculture, which regulates the import, field testing and interstate movement of specific technologies that may be used in the creation of transgenic plants, and the United States Food and Drug Administration, which regulates foods derived from new plant varieties. None of our discoveries is currently being tested in a large-scale field trial or is in the regulatory approval development stage. Once product candidates containing our discoveries reach these stages, however, if our collaborators are unable to obtain the requisite regulatory approvals or there is a delay in obtaining such approvals as a result of negative market perception or heightened regulatory standards, such product candidates will not be commercialized, which would negatively impact our business and results of operations.

In some of our activities related to ag-biological markets, we plan to apply for regulatory approvals prior to commercialization of product candidates containing our discoveries. If we are unable to obtain the requisite regulatory approvals or if there is a delay in obtaining such approvals as a result of negative market perception or heightened regulatory standards, such product candidates may not be commercialized, which would negatively impact our business and results of operations.

Disruption to our IT system could adversely affect our reputation and have a material adverse effect on our business and results of operations.

Our computational technologies rely on our IT system to collect and analyze the genomic and chemical data we collect and discover. We store significant amounts of data, and, as of December 31, 2017, have compiled several petabytes of data. Although we are developing back-up storage for our stored data, there can be no assurance that our back-up storage arrangements will be effective if it becomes necessary to rely on them. Furthermore, we can provide no assurance that our current IT system is fully protected against third-party intrusions, viruses, hacker attacks, information or data theft or other similar threats. Disruption or failure of our IT system due to technical reasons, cyberattacks, natural disasters or other unanticipated catastrophic events, including power interruptions, storms, fires, floods, earthquakes, terrorist attacks and wars could significantly impair our internal development efforts and materially and adversely affect our collaborations, our business and our results of operations.

As we continue to develop our computational technologies and expand our genomic and other datasets, we may need to update our IT system and storage capabilities. However, if our existing or future IT system does not function properly, or if the IT system proves incompatible with our new technologies, we could experience interruptions in data transmissions and slow response times, preventing us from completing routine research and business activities, which could adversely affect our business and results of operations.

Development of our product candidates, particularly during our validation and testing activities, may be adversely affected by circumstances caused by us and those beyond our control.

The seed, ag-chemicals, ag-biologicals and human microbiome industries are subject to various factors that make our operations relatively unpredictable from period to period. Our tests may be adversely affected by circumstances both caused by us and those beyond our control. Factors caused by us include any failure by us or our collaborators to follow proper agronomic practice or suggested protocols for growing the model validation plants and crops for our trials, and failure to identify and address diseases, insects and pests, such as birds that may eat the seeds we are evaluating. Factors beyond our control include weather and climatic variations, such as droughts or heat stress, or other factors we are unable to identify. For example, if there was prolonged or permanent disruption to the electricity, climate control or water supply operating systems in our greenhouses or laboratories, the plants and pests on which we are testing our discoveries and the samples we store in freezers, both of which are essential to our research and development activities, would be severely damaged or destroyed, adversely affecting our research and development activities and thereby our business and results of operations. We have also experienced crop failures in the past for then-unknown reasons, causing delays in our achievement of milestones and delivery of results, and necessitating that we re-start the trials. Any test failure we may experience is not covered by our insurance policy, and therefore could result in increased cost of the trials and development of our product candidates, which may negatively impact our business and results of operations.

Consumer and government resistance to genetically modified organisms may negatively affect our public image and reduce sales of plants containing our traits.

We are active in the field of biotechnology research and development in seeds, including genetically modified, or “GM” seeds. Foods made from such seeds are not accepted by many consumers and in certain countries production of certain GM crops is effectively prohibited, including throughout the European Union, due to concerns over such products’ effects on food safety and the environment. The high public profile of biotechnology in food production and lack of consumer acceptance of products to which we have devoted substantial resources could negatively affect our public image and results of operations. The prohibition on the production of certain GM crops in select countries and the current resistance from consumer groups, particularly in Europe, to GM crops not only limits our access to such markets but also has the potential to spread to and influence the acceptance of products developed through biotechnology in other regions of the world and may also influence regulators in other countries to limit or ban production of GM crops, which could limit the commercial opportunities to exploit biotechnology.

GM crops are grown principally in the United States, Brazil and Argentina where there are fewer restrictions on the production of GM crops. If these or other countries where GM crops are grown enact laws or regulations that ban the production of such crops or make regulations more stringent, we could experience a longer product development cycle for our product candidates and may even have to abandon projects related to certain crops or geographies, both of which would negatively affect our business and results of operations. Furthermore, any changes in such laws and regulations or consumer acceptance of GM crops could negatively impact our collaborators, who in turn might terminate or reduce the scope of their collaborations with us or seek to alter the financial terms of our agreements with them.

We have a history of operating losses and negative cash flow, and we may never achieve or maintain profitability.

We have a history of losses, and incurred operating losses of $ 21.9 million, $21.1 million and $17.9 for the years ended December 31, 2017, 2016 and 2015, respectively. Although we are currently developing at least 23 distinct product candidates, there can be no assurance that these efforts will result in commercially successful products. We expect to continue to incur losses in future periods, until we begin earning royalties on the product candidates we are currently developing and any new product candidates we develop in the future, if at all. Because we will incur significant costs and expenses for these efforts before we obtain any incremental revenues from them, our losses in future periods could be significant. In addition, we may find that these efforts are more expensive than we anticipate or that they do not result in profitability in the time period we anticipate, which would further increase our losses. If we are unable to adequately control the costs associated with operating our business, including our costs of development and sales, our business, financial condition, operating results and prospects will suffer.

The licenses we grant to our collaborators to use our discoveries are exclusive. This limits our opportunities to license our discoveries to more than one collaborator.

Most of the licenses we grant our collaborators to use our discoveries are exclusive. That means that once these discoveries are licensed to a collaborator, we are generally prohibited from licensing those discoveries to any third party. In addition, under the Monsanto Collaboration Agreement, as defined herein, we are broadly prohibited from collaborating on certain GM traits discovery for corn, soybean, cotton and canola with any party other than Monsanto. The limitations imposed by these exclusive licenses could prevent us from expanding our business and increasing our exposure to new licensees, both of which could adversely affect our business and results of operations.

We may be required to pay royalties to employees who develop inventions that have been or will be commercialized by us, even if the rights to such inventions have been assigned to us and the employees have waived their rights to royalties or other additional compensation.

A significant portion of our intellectual property has been developed by our employees in the course of their employment for us. Under the Israeli Patent Law, 5727-1967, or the Patent Law, inventions conceived by an employee in the course and as a result of or arising from his or her employment with a company are regarded as "service inventions," which belong to the employer, absent a specific agreement between the employee and employer giving the employee proprietary rights. The Patent Law also provides under Section 134 that if there is no agreement between an employer and an employee as to whether the employee is entitled to consideration for service inventions, and to what extent and under which conditions, the Israeli Compensation and Royalties Committee, or the Committee, a body constituted under the Patent Law, shall determine these issues. Section 135 of the Patent law provides criteria for assisting the Committee in making its decisions. According to decisions of the Committee, an employee's right to receive consideration for service inventions is a personal right and is entirely separate from the proprietary rights in such invention. Therefore, this right must be explicitly waived by the employee. A decision handed down in May 2014 by the Committee clarifies that the right to receive consideration under Section 134 can be waived and that such waiver can be made orally, in writing or by behavior like any other contract. The Committee will examine, on a case by case basis, the general contractual framework between the parties, using interpretation rules of the general Israeli contract laws. Further, the Committee has not yet determined one specific formula for calculating this remuneration, nor the criteria or circumstances under which an employee's waiver of his right to remuneration will be disregarded. Similarly, it remains unclear whether waivers by employees in their employment agreements of the alleged right to receive consideration for service inventions should be declared as void being a depriving provision in a standard contract. All of our employees execute invention assignment agreements upon commencement of employment, in which they assign their rights to potential inventions and acknowledge that they will not be entitled to additional compensation or royalties from commercialization of inventions. Although our employees have agreed to assign to us service invention rights and have specifically waived their right to receive any special remuneration for such service inventions beyond their regular salary and benefits, we may face claims demanding remuneration in consideration for assigned inventions.

If we are unable to protect the confidentiality of our trade secrets, the value of our technology could be materially adversely affected and our business would be harmed.

We treat our proprietary computational technologies, including unpatented know-how and other proprietary information, as trade secrets. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with any third parties who have access to them, such as our consultants, independent contractors, advisors, corporate collaborators and outside scientific collaborators. We also enter into confidentiality and invention or patent assignment agreements with employees and certain consultants. Any party with whom we have executed such an agreement may breach that agreement and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, if any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent such third party, or those to whom they communicate such technology or information, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor, or if we otherwise lose protection for our trade secrets or proprietary know-how, the value of this information may be greatly reduced and our business and competitive position could be harmed.

Changes in laws and regulations to which we are subject, or to which we may become subject in the future, may materially increase our costs of operation, decrease our operating revenues and disrupt our business.

Laws and regulatory standards and procedures that impact our business are continuously changing. Responding to these changes and meeting existing and new requirements may be costly and burdensome. Changes in laws and regulations may occur that could:

- § impair or eliminate our ability to research and develop our product candidates, including validating our product candidates through field trials;
- § increase our compliance and other costs of doing business through increases in the cost to patent or otherwise protect our intellectual property or increases in the cost to our collaborators to obtain the necessary regulatory approvals to commercialize and market the product candidates we develop with them;
- § require significant product redesign or systems redevelopment;
- § render our product candidates less profitable, obsolete or less attractive compared to competing products;
- § affect our collaborators' willingness to do business with us;
- § reduce the amount of revenues we receive from our collaborators through milestone payments or royalties; and
- § discourage our collaborators from offering, and consumers from purchasing, products that incorporate our discoveries.

Any of these events could have a material adverse effect on our business, results of operations and financial condition. Legislators and regulators have increased their focus on plant biotechnology in recent years, with particular attention paid to GM crops as well as on ag-chemicals. Because our current product candidates are primarily in the initial discovery and proof of concept development phase, the only GM-related regulations that currently affect our business are related to our validation trials in Israel. We believe that we are currently in compliance with Israeli regulations related to growing GM crops in Israel; however, if these regulations change, our validation trials may become costly and burdensome and could require us to relocate our trials outside of Israel or even change our business model to have our collaborators perform validation trials.

While none of our product candidates are currently available for sale, our future growth relies on the ability of our collaborators to commercialize and market our product candidates, and any restrictions on such activities could materially and adversely impact our business and results of operations. Any changes in regulations in countries where our product candidates are used could result in our collaborators being unable or unwilling to develop, commercialize or sell products that incorporate our discoveries. In addition, we rely on patents and other forms of intellectual property protection. Legislation and jurisprudence on patent protection in the key target markets where we seek patent protection, such as the United States and the European Union, is evolving and changes in laws could affect our ability to obtain or maintain patent protection for our product candidates. Any changes to these existing laws and regulations may materially increase our costs of operation, decrease our operating revenues and disrupt our business. See "Item 4.B. Information on the Company—Business Overview—Government Regulation" and "Item 4.B. Business Overview— Regulation of Products Containing Our Traits."

Our success depends on our ability to protect our intellectual property and our proprietary technologies.

Our commercial success depends in part on our ability to obtain and maintain patent protection and trade secret protection for our proprietary computational technologies, our discoveries and their uses, as well as our ability to operate without infringing upon the proprietary rights of others. If we do not adequately protect our intellectual property, competitors may be able to use our technologies and erode or negate any competitive advantage we may have, which could harm our business and ability to achieve profitability.

While we expect our patent applications to receive approval, and our trademark applications to mature into registrations, we cannot be certain that we will obtain such results. Despite our efforts to protect our proprietary rights, unauthorized third parties may attempt to use, copy or otherwise obtain and market or distribute our intellectual property rights or technology or otherwise develop products or solutions with the same functionality as our solutions. In addition, the laws of some foreign countries provide less protection for proprietary rights than U.S. law. We face the occasional risk, moreover, that third parties may assert copyright, trademark and other intellectual property rights against us. Such claims may result in direct or indirect liability as we have contractually agreed to indemnify certain parties for any damages suffered as a result of infringement by us of any third-party intellectual property rights.

Changes in U.S. patent law could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.

As is the case with other biotechnology companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing biotechnology patents involves technological and legal complexity, and is costly, time consuming, and inherently uncertain. In addition, the U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the federal courts, and the U.S. Patent and Trademark Office, the laws and regulations governing patents could change in unpredictable ways that may weaken or undermine our ability to obtain new patents or to enforce our existing patents and patents we might obtain in the future.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting, maintaining and defending patents on product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States are less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Consequently, we are unable to prevent third parties from using our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the jurisdictions in which we do not have patent protection. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products, and we may be unable to prevent such competitors from importing those infringing products into territories where we have patent protection but enforcement is not as strong as in the United States. These products may compete with our product candidates and our patents and other intellectual property rights may not be effective or sufficient to prevent them from competing in those jurisdictions. Moreover, farmers or others in the chain of commerce may raise legal challenges against our intellectual property rights or may infringe upon our intellectual property rights, including through means that may be difficult to prevent or detect. For example, the practice by some farmers of saving seeds from non-hybrid crops (such as soybeans, canola and cotton) containing biotechnological traits has prevented and may continue to prevent us from realizing the full value of our intellectual property in countries outside of the United States.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions, including China, where we have filed patent applications. The legal systems of certain countries, including China, have not historically favored the enforcement of patents or other intellectual property rights, which could hinder us from preventing the infringement of our patents or other intellectual property rights and result in substantial risks to us. Proceedings to enforce our patent rights in the United States or foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert patent infringement or other claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license from third parties.

If we or one of our collaborators are sued for infringing the intellectual property rights of a third party, such litigation could be costly and time consuming and could prevent us or our collaborators from developing or commercializing our product candidates.

Our ability to generate significant revenues from our product candidates depends on our and our collaborators' ability to develop, market and sell our product candidates and utilize our proprietary technology without infringing the intellectual property and other rights of any third parties. In the United States and abroad there are numerous third party patents and patent applications that may be applied toward our proprietary technology, business processes or product candidates, some of which may be construed as containing claims that cover the subject matter of our product candidates or intellectual property. Because of the rapid pace of technological change, the confidentiality of patent applications in some jurisdictions, and the fact that patent applications can take many years to issue, there may be currently pending applications that are unknown to us that may later result in issued patents upon which our product candidates or proprietary technologies infringe. Similarly, there may be issued patents relevant to our product candidates of which we are not aware. These patents could reduce the value of the product candidates we develop or, to the extent they cover key technologies on which we have unknowingly relied, require that we seek to obtain licenses or cease using the technology, no matter how valuable to our business. We may not be able to obtain such a license on commercially reasonable terms. There is a substantial amount of litigation involving patent and other intellectual property rights in the biotechnology industry generally. If any third party patent or patent application covers our intellectual property or proprietary rights and we are not able to obtain a license to it, we and our collaborators may be prevented from commercializing products containing our discoveries.

As the agricultural biotechnology industry continues to develop, we may become party to, or threatened with, litigation or other adverse proceedings regarding intellectual property or proprietary rights in our technology, processes or product candidates. Third parties may assert claims based on existing or future intellectual property rights and the outcome of any proceedings is subject to uncertainties that cannot be adequately quantified in advance. Any litigation proceedings could be costly and time consuming and negative outcomes could result in liability for monetary damages, including treble damages and attorneys' fees if we are found to have willfully infringed a patent. There is also no guarantee that we would be able to obtain a license under such infringed intellectual property on commercially reasonable terms or at all. A finding of infringement could prevent us or our collaborators from developing, marketing or selling a product candidate or force us to cease some or all of our business operations. Even if we are successful in these proceedings, we may incur substantial costs and the time and attention of our management and scientific personnel may be diverted as a result of these proceedings, which could have a material adverse effect on us. Claims that we have misappropriated the confidential information or trade secrets of third parties could similarly have a negative impact on our business.

We and our collaborators may disagree over our right to receive payments under our collaboration agreements, potentially resulting in costly litigation and loss of reputation.

Our ability to generate royalty payments from our collaboration agreements depends on our ability to clearly delineate our intellectual property rights under those agreements. We often license patented genes or other intellectual property to our collaborators, who use or will use such intellectual property to develop and commercialize products with our discoveries. However, a collaborator may use our intellectual property without our permission, dispute our ownership of certain intellectual property rights or argue that our intellectual property does not cover their marketed product. If a dispute arises, it may result in costly litigation, and our collaborator may refuse to pay us royalty payments while the dispute is ongoing. Furthermore, regardless of any resort to legal action, a dispute with a collaborator over intellectual property rights may damage our relationship with that collaborator, and may also harm our reputation in the industry.

We may be required to pay substantial damages as a result of product liability claims for which insurance coverage is not available.

Once products integrating our product candidates reach commercialization, product liability claims will be a commercial risk for our business, particularly as we are involved in the supply of biotechnological, ag-chemical and ag-biological products, some of which can be harmful to humans and the environment. Courts have levied substantial damages in the United States and elsewhere against a number of companies in the agriculture industry in past years based upon claims for injuries allegedly caused by the use of their products. Product liability claims against us or our collaborators selling products that contain our product candidates or allegations of product liability relating to products containing our discoveries could damage our reputation, harm our relationships with our collaborators and materially and adversely affect our business, results of operations, financial condition and prospects. We do not have product liability insurance coverage. Furthermore, while our collaboration agreements typically require that our collaborators indemnify us for the cost of product liability claims brought against us, such indemnification provisions may not always be enforced, and we may receive no indemnification if our own misconduct led to the claims.

Our employment agreements with our employees and other agreements with our collaborators and third parties may not adequately prevent disclosure of trade secrets, know-how and other proprietary information.

A substantial portion of our technologies and intellectual property is protected by trade secret laws. We rely on a combination of patent and other intellectual property laws as well as our employment agreements with our employees and other agreements with our collaborators and third parties to protect and otherwise seek to control access to, and distribution of, our proprietary information. These measures may not prevent disclosure, infringement or misappropriation of our confidential information. Our confidentiality, nondisclosure and assignment agreements or covenants may be breached, and we may not have adequate remedies for such a breach that would effectively prevent the further dissemination of our confidential information. We have limited control over the protection of trade secrets used by our collaborators and could lose future trade secret protection if any unauthorized disclosure of such information occurs. In addition, others may independently discover our trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Laws regarding trade secret rights in certain markets where we operate may afford little or no protection of our trade secrets. Failure to obtain or maintain trade secret protection could adversely affect our business, sales and competitive position.

We may not be able to fully enforce covenants not to compete with our key employees, and therefore we may be unable to prevent our competitors from benefiting from the expertise of such employees.

Our employment agreements with key employees, which include executive officers, contain non-compete provisions. These provisions prohibit our key employees, if they cease working for us, from competing directly with us or working for our competitors for one year. Under applicable U.S. and Israeli laws, we may be unable to enforce these provisions. If we cannot enforce the non-compete provisions with our key employees, we may be unable to prevent our competitors from benefiting from the expertise of such employees. Even if these provisions are enforceable, they may not adequately protect our interests. The defection of one or more of our employees to a competitor could materially adversely affect our business, results of operations and ability to capitalize on our proprietary information.

The establishment of our new R&D facility in the U.S. signifies our entry into international operations, which will expose us to additional market and operational risks, and failure to manage these risks may adversely affect our business and operating results.

In 2015, we established a research and development facility in the Bio-Research and Development Growth (BRDG) Park on the campus of the Donald Danforth Plant Science Center in St. Louis, Missouri, as part of our entry into the field of advanced solutions for insect control under our CP seed traits operations. Our physical presence in, and the accompanying expansion of our operations into, the United States have exposed us and will expose us more significantly to some of the operational risks that accompany doing business internationally, including:

- § fluctuations in foreign currency exchange rates;
- § potentially adverse tax consequences;
- § difficulties in staffing and managing foreign operations;
- § hiring and retention of employees and/or consultants under foreign employment laws with which we are not familiar;
- § laws and business practices that sometimes favor local competition;
- § compliance with complex foreign laws, treaties and regulations;
- § tariffs, trade barriers and other regulatory or contractual limitations on our ability to develop (and, when applicable in the future, sell) our solutions in certain foreign markets; and
- § being subject to the laws, regulations and the court systems of multiple jurisdictions.

Our failure to manage the market and operational risks associated with international operations effectively could limit the future growth of our business and adversely affect our operating results.

Our operations are subject to various health and environmental risks associated with our use, handling and disposal of potentially toxic materials.

As part of our seed trait operations, we assist in the development of GM crops by inserting new genes into the genomes of certain plants. Though we introduce these genes in order to improve plant traits, we cannot always predict the effect that these genes may have on the plant. In some cases, the genes may render the plant poisonous or toxic, or they may cause the plant to develop other dangerous characteristics that could harm the plant's surrounding environment. Furthermore, while we comply with relevant environmental laws and regulations, there is a risk that, when testing genetically modified plants, the seeds of these plants may escape the greenhouse or field in which they are being tested and contaminate nearby fields. Poisonous or toxic plants may therefore be inadvertently introduced into the wild, or possibly enter the food production system, harming the people and animals who come in contact with them.

As part of our ag–biologicals operations, we develop novel product candidate based on microbial in order to improve plants traits. Although microbial exist naturally in the environment, we cannot always predict the effect that microbial have on the plant and its environment. There may be cases where the microbial render the plant poisonous or toxic, or they may cause the plant to develop other dangerous characteristics that could harm the plant's surrounding environment.

If a United States person is treated as owning at least 10% of our ordinary shares, such holder may be subject to adverse U.S. federal income tax consequences.

If a United States person is treated as owning (directly, indirectly or constructively) at least 10% of the value or voting power of our ordinary shares, such person may be treated as a "United States shareholder" with respect to each "controlled foreign corporation" in our group (if any). If our group includes one or more U.S. subsidiaries, certain of our non-U.S. subsidiaries could be treated as controlled foreign corporations (regardless of whether we are or are not treated as a controlled foreign corporation). A United States shareholder of a controlled foreign corporation may be required to annually report and include in its U.S. taxable income its pro rata share of "Subpart F income", "global intangible low-taxed income" and investments in U.S. property by controlled foreign corporations, whether or not we make any distributions. An individual that is a United States shareholder with respect to a controlled foreign corporation generally would not be allowed certain tax deductions or foreign tax credits that would be allowed to a United States shareholder that is a U.S. corporation. A failure to comply with these reporting obligations may subject you to significant monetary penalties and may prevent the statute of limitations with respect to your U.S. federal income tax return for the year for which reporting was due from starting. We cannot provide any assurances that we will assist investors in determining whether any of our non-U.S. subsidiaries are treated as a controlled foreign corporation or whether such investor is treated as a United States shareholder with respect to any of such controlled foreign corporations or furnish to any United States shareholders information that may be necessary to comply with the aforementioned reporting and tax paying obligations. A United States investor should consult their own advisors regarding the potential application of these rules to its investment in the ordinary shares.

Risks Relating to Our Incorporation and Location in Israel

Conditions in Israel could adversely affect our business.

We are incorporated under Israeli law and our principal offices and research and development facilities are located in Israel. Accordingly, political, economic and military conditions in Israel directly affect our business. Since the State of Israel was established in 1948, a number of armed conflicts have occurred between Israel and its Arab neighbors. Although Israel has entered into various agreements with Egypt, Jordan and the Palestinian Authority, there has been an increase in unrest and terrorist activity, which began in September 2000 and has continued with varying levels of severity into 2013. In mid-2006, Israel was engaged in an armed conflict with Hezbollah in Lebanon, resulting in thousands of rockets being fired from Lebanon and disrupting most day-to-day civilian activity in northern Israel. Starting in December 2008, for approximately three weeks, Israel engaged in an armed conflict with Hamas in the Gaza Strip, which involved rocket attacks against civilian targets in various parts of Israel and negatively affected business conditions in Israel. A similar conflict arose due to Hamas rocket attacks against Israeli civilian targets in November 2012, and during July-August 2014, during which Israel responded to rocket attacks by engaging in an armed conflict with Hamas in the Gaza Strip. Our principal place of business is located in Rehovot, Israel, which is approximately 30 miles from the nearest point of the border with the Gaza Strip. There can be no assurance that attacks launched from the Gaza Strip will not reach our facilities, or that hostilities will not otherwise cause a significant disruption to our operations, such as preventing our employees from reaching our facilities and limiting our ability to monitor and otherwise conduct the crop and other experiments we conduct at the facilities.

Several countries, principally in the Middle East, still restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities in Israel or political instability in the region continues or increases. These restrictions may limit materially our ability to sell our product candidates to companies in these countries. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners, or significant downturn in the economic or financial condition of Israel, could adversely affect our operations and research and development, cause our revenues to decrease and adversely affect the share price of publicly traded companies having operations in Israel, such as ours. Further, the political and security situation in Israel may result in parties with whom we have agreements involving performance in Israel claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions in such agreements. In addition, there have been increased efforts by activists to cause companies and consumers to boycott Israeli goods for political reasons. Such actions, particularly if they become more widespread, may adversely impact our ability to conduct business.

Furthermore, our business insurance does not cover losses that may occur as a result of events associated with the security situation in the Middle East. Although the Israeli government currently covers the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure that this government coverage will be maintained. Any losses or damages incurred by us could have a material adverse effect on our business and financial condition.

Our operations may be disrupted by the obligations of personnel to perform military service.

Many Israeli citizens are obligated to perform several days, and in some cases more, of annual military reserve duty each year until they reach the age of 40 (or older, for reservists who are military officers or who hold certain military positions) and, in the event of a military conflict, may be called to active duty. In response to increases in terrorist activity, there have been periods of significant call-ups of military reservists. It is possible that there will be military reserve duty call-ups in the future. Our operations could be disrupted by such call-ups, which may include the call-up of our key employees and members of our management. Such disruption could materially adversely affect our business, financial condition and results of operations.

Exchange rate fluctuations between the U.S. dollar and the NIS may negatively affect our earnings.

Most of our revenues are denominated in U.S. dollars. As a result, any appreciation of the NIS relative to the U.S. dollar would adversely impact our profitability due to the significant portion of our expenses that are incurred in NIS. Future currency exchange rate fluctuations could adversely affect our profitability. If we enter into hedging contracts in the future, we may be unsuccessful in protecting against currency exchange rate fluctuations. See “Item 11. Quantitative and Qualitative Disclosure About Market Risk—Foreign Currency Risk.”

Interest rate fluctuations may devalue our investments and could have a material adverse impact on our financial condition.

We have a considerable investment in marketable securities that consist of corporate bonds and government treasury notes denominated in U.S. dollars having an aggregate value of approximately $59.9 million as of December 31, 2017. These investments expose us to the risk of interest rate fluctuations. An increase in U.S. interest rates could cause the fair value of these investments to decrease. As of December 31, 2017, we did not have any hedge arrangements in place to protect our exposure to interest rate fluctuations. See “Item 11. Quantitative and Qualitative Disclosure About Market Risk—Foreign Currency Risk.”

We have received Israeli government grants for certain of our research and development activities. The terms of these grants may require us to satisfy specified conditions in order to manufacture products and transfer technologies supported by such grants outside of Israel. In addition, in some circumstances, we may be required to pay penalties in addition to repaying the grants.

Our research and development operations have been partly financed through certain governmental grants, which impose certain restrictions on the transfer outside of Israel of the underlying know-how and the manufacturing or manufacturing rights of the underlying products and technologies. As of December 31, 2017, we had received approximately $6.5 million of such grants (including accrued interest). We may not receive the required approvals should we wish to transfer the know-how, technology or manufacturing rights related to such government grants outside of Israel in the future or, if we receive such required approvals, they may be subject to certain conditions and payment obligations. See "Item 5.B Liquidity and Capital Resources—Government Grants."

It may be difficult to enforce a U.S. judgment against us, our officers and directors and the Israeli experts named in this annual report in Israel or the United States, or to assert U.S. securities laws claims in Israel or serve process on our officers and directors and these experts.

We are incorporated in Israel. None of our directors and executive officers is a resident of the United States, and the Israeli experts named in this annual report are located in Israel. The majority of our assets are located outside the United States. Therefore, it may be difficult for an investor, or any other person or entity, to enforce a U.S. court judgment based upon the civil liability provisions of the U.S. federal securities laws against us or any of these persons in a U.S. or Israeli court, or to effect service of process upon these persons in the United States. Additionally, it may be difficult for an investor, or any other person or entity, to assert U.S. securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws on the grounds that Israel is not the most appropriate forum in which to bring such a claim. Even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing the matters described above.

Your rights and responsibilities as our shareholder will be governed by Israeli law, which may differ in some respects from the rights and responsibilities of shareholders of U.S. corporations.

Since we are incorporated under Israeli law, the rights and responsibilities of our shareholders are governed by Israeli law and by our amended and restated articles of association, or our "articles of association," approved by our shareholders in May 2014 at our general shareholders meeting. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders of U.S.-based corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders and to refrain from abusing its power in the company, including, among other things, in voting at the general meeting of shareholders on certain matters, such as an amendment to the company's articles of association, an increase of the company's authorized share capital, a merger of the company and approval of related party transactions that require shareholder approval. A shareholder also has a general duty to refrain from discriminating against other shareholders. In addition, a controlling shareholder or a shareholder who knows that it possesses the power to determine the outcome of a shareholders' vote or to appoint or prevent the appointment of an office holder in the company has a duty to act in fairness towards the company. However, Israeli law does not define the substance of this duty of fairness. See "Item 6.C Board Practices—Approval of Related Party Transactions Under Israeli Law—Shareholder Duties." Since Israeli corporate law underwent extensive revisions approximately 17 years ago, the parameters and implications of the provisions that govern shareholder behavior have not been clearly determined. These provisions may be interpreted to impose additional obligations and liabilities on our shareholders that are not typically imposed on shareholders of U.S. corporations.

Provisions of Israeli law may delay, prevent or make undesirable an acquisition of all or a significant portion of our shares or assets.

Certain provisions of Israeli law and our articles of association could have the effect of delaying or preventing a change in control and may make it more difficult for a third party to acquire us or for our shareholders to elect different individuals to our board of directors, even if doing so would be beneficial to our shareholders, and may limit the price that investors may be willing to pay in the future for our ordinary shares. For example, Israeli corporate law regulates mergers and requires that a tender offer be effected when certain thresholds of percentage ownership of voting power in a company are exceeded (subject to certain conditions). Further, Israeli tax considerations may make potential transactions undesirable to us or to some of our shareholders whose country of residence does not have a tax treaty with Israel granting tax relief to such shareholders from Israeli tax. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of numerous conditions, including a holding period of two years from the date of the transaction during which certain sales and dispositions of shares of the participating companies are restricted. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no actual disposition of the shares has occurred. See "Item 10.B. Memorandum and Articles of Association—Acquisitions Under Israeli Law."

Furthermore, under the Encouragement of Research, Development and Technological Innovation in the Industry Law, 5744-1984 (formerly known as the Law for the Encouragement of Research and Development in Industry 5744-1984), and the regulations, guidelines, rules, procedures and benefit tracks thereunder, collectively, the Innovation Law, to which we are subject due to our receipt of grants from the Israeli National Authority for Technological Innovation, or the IIA (formerly known as the Israeli Office of the Chief Scientist of the Ministry of Economy and Industry, or the OCS), a recipient of IIA grants such as our company must report to the IIA regarding any change in the holding of any means of control of our company which transforms any non-Israeli citizen or resident into an "interested party", as defined in the Israeli Securities Law 5728-1968, and that such non-Israeli citizen or resident shall execute an undertaking in favor of IIA, in a form prescribed by IIA.

Risks Related to Our Ordinary Shares and the Trading of Our Ordinary Shares

The price of our ordinary shares may fluctuate significantly.

Our ordinary shares were first offered publicly in the United States after our public offering in the United States in November 2013, at a price of $14.75 per share, and our ordinary shares have subsequently traded on the NYSE (until December 2016) and on the Nasdaq (since December 2016) as high as $19.99 per share and as low as $3.07 and as of March 28, 2018 were trading at $3.15 per share.

The market price of our ordinary shares could be highly volatile and may fluctuate substantially as a result of many factors, including:

- actual or anticipated fluctuations in our results of operations;
- variance in our financial performance from the expectations of market analysts;
- announcements by us or our competitors of significant business developments, changes in relationships with our collaborators, acquisitions or expansion plans;
- our involvement in litigation;
- our sale, or the sale by our significant shareholders, of ordinary shares or other securities in the future;
- failure to publish research or the publishing of inaccurate or unfavorable research;
- market conditions in our industry and changes in estimates of the future size and growth rate of our markets;
- changes in key personnel;
- the trading volume of our ordinary shares; and
- general economic and market conditions.

Although our ordinary shares are listed on the Nasdaq, an active trading market on the Nasdaq for our ordinary shares may not be sustained. If an active market for our ordinary shares is not sustained, it may be difficult to sell ordinary shares in the U.S.

In addition, the stock markets have recently experienced extreme price and volume fluctuations. Broad market and industry factors may materially harm the market price of our ordinary shares, regardless of our operating performance. In the past, following periods of volatility in the market price of a company’s securities, securities class action litigation has often been instituted against that company. If we were involved in any similar litigation, we could incur substantial costs and our management’s attention and resources could be diverted.

Our ordinary shares are traded on more than one market and this may result in price variations.

Our ordinary shares have been traded on the TASE since 2007, and are currently listed on Nasdaq. Trading in our ordinary shares on these markets will take place in different currencies (U.S. dollars on Nasdaq and NIS on the TASE), and at different times (resulting from different time zones, trading days and public holidays in the United States and Israel). The trading prices of our ordinary shares on these two markets may differ due to these and other factors. Any decrease in the price of our ordinary shares on the TASE could cause a decrease in the trading price of our ordinary shares on Nasdaq.

We could become subject to parallel reporting obligations in Israel and the United States, which could increase compliance costs and divert management attention.

On July 28, 2013, our shareholders approved our plan to transition solely to U.S. reporting standards under the rules and regulations of the SEC. However, should this change, in the future, we may become subject to parallel reporting obligations in Israel and the United States. While similar in many respects, certain differences between Israeli and U.S. reporting schemes may impose on us disclosure obligations that are more stringent than those generally applied to foreign private issuers whose securities are listed only in the United States. In addition, a requirement to comply with the separate reporting obligations under U.S. and Israeli securities laws would require additional management attention and could burden us with additional costs.

The requirements of being a public company in the United States and Israel may strain our resources and distract our management, which could make it difficult to manage our business, particularly after we are no longer an "emerging growth company."

Changing laws, regulations and standards, in the United States or Israel, relating to corporate governance and public disclosure and other matters, may be implemented in the future, which may increase our legal and financial compliance costs, make some activities more time consuming and divert management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. Being a publicly traded company in the United States and Israel and being subject to U.S. and Israeli rules and regulations make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee, and qualified executive officers.

As a public company whose ordinary shares are listed in the United States, we will continue to incur significant accounting, legal and other expenses, including costs associated with our reporting requirements under the Exchange Act. We also incur additional costs associated with corporate governance requirements, including requirements under Section 404 and other provisions of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, rules implemented by the SEC and the Nasdaq, and provisions of Israeli corporate and securities laws applicable to public companies. The Exchange Act requires that we file annual and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting. These rules and regulations could continue to increase our legal and financial compliance costs, such as the cost of hiring consultants or testing compliance processes, and make some activities more time-consuming and costly. These activities may divert management's attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Under Section 404 of the Sarbanes-Oxley Act and as an emerging growth company, we are currently not required to obtain an auditor attestation regarding our internal control over financial reporting.

Under Section 404 of the Sarbanes-Oxley Act and as an emerging growth company, we are currently not required to obtain an auditor attestation regarding our internal control over financial reporting.

We are required to comply with the evaluation and certification requirements of Section 404 of the Sarbanes-Oxley Act with respect to internal control over financial reporting as of this annual report. Once we no longer qualify as an "emerging growth company" under the JOBS Act and lose the ability to rely on the exemptions related thereto discussed above, our independent registered public accounting firm will need to attest to the effectiveness of our internal control over financial reporting under Section 404. To maintain the effectiveness of our disclosure controls and procedures and our internal control over financial reporting, we may need to continue enhancing existing, and implement new, financial reporting and management systems, procedures and controls to manage our business effectively and support our growth in the future. Irrespective of compliance with Section 404, any failure of our internal controls could have a material adverse effect on our stated results of operations and harm our reputation. If any such failure were to occur, we may be required to take remedial actions and make required changes to our internal control over financial reporting and we may experience higher than anticipated operating expenses, as well as higher independent auditor fees during and after the implementation of these changes. If we are unable to implement any of the required changes to our internal control over financial reporting effectively or efficiently or are required to do so earlier than anticipated, it could adversely affect our operations, financial reporting and/or results of operations and could result in an adverse opinion on internal controls from our independent auditors.

As an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, we take advantage of certain temporary exemptions from various reporting requirements, including, but not limited to, not being required to have our auditor attest as to the effectiveness of our internal control over financial reporting under Section 404(b) of the Sarbanes Oxley Act.

We will remain an emerging growth company until the earliest of: (a) the last day of our fiscal year during which we have total annual gross revenues of at least $1.07 billion; (b) December 31, 2018, the last day of our fiscal year following the fifth anniversary of the closing of our U.S. initial public offering; (c) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a "large accelerated filer" under the Exchange Act. Unless we lose our status as an "emerging growth company" under the JOBS Act, we will not be required to obtain an auditor attestation under Section 404(b) of the Sarbanes-Oxley Act until the year ended December 31, 2018. If some investors find our ordinary shares less attractive as a result of our reliance on exemptions under the JOBS Act, there may be a less active trading market for our ordinary shares and our share price may be more volatile. When these exemptions cease to apply, we expect to incur additional expenses and devote increased management effort toward ensuring compliance with them.

As a foreign private issuer we are not subject to the provisions of Regulation FD or U.S. proxy rules and are exempt from filing certain Exchange Act reports.

As a foreign private issuer, we are exempt from compliance with the rules and regulations under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors, and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file annual and current reports and financial statements with the SEC as frequently or as promptly as U.S. domestic companies whose securities are registered under the Exchange Act, we are permitted to disclose limited compensation information for our executive officers on an individual basis and we are generally exempt from filing quarterly reports with the SEC under the Exchange Act. Despite this, we have undertaken to our shareholders to report our financial results on a quarterly basis. Moreover, we are not required to comply with Regulation FD, which restricts the selective disclosure of material nonpublic information to, among others, broker-dealers and holders of a company's securities under circumstances in which it is reasonably foreseeable that the holder will trade in the company's securities on the basis of the information. These exemptions and leniencies will reduce the frequency and scope of information and protections to which you may otherwise have been eligible in relation to a U.S. domestic issuer.

As a foreign private issuer, we follow home country corporate governance practices instead of certain Nasdaq corporate governance requirements, which may result in less protection than is accorded to investors under rules applicable to domestic U.S. issuers.

As a foreign private issuer whose shares are listed on the Nasdaq Global Market, we are permitted to follow certain home country corporate governance practices instead of those otherwise required under the corporate governance standards for U.S. domestic issuers listed on the Nasdaq. We currently follow Israeli home country practices, rather than the requirements under the NASDAQ corporate governance rules, with regard to the (i) quorum requirement for shareholder meetings, (ii) executive sessions for independent directors and non-management directors and (iii) the requirements to obtain shareholder approval for certain dilutive events (such as for the establishment or amendment of certain equity-based compensation plans, issuances that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company and certain acquisitions of the stock or assets of another company). See "ITEM 16G. Corporate Governance." Furthermore, we may in the future elect to follow Israeli home country practices with regard to other matters such as the requirement to have a majority independent board of directors, have a compensation committee and have a nominating committee. Accordingly, our shareholders may not be afforded the same protection as provided under Nasdaq corporate governance rules. Following our home country governance practices as opposed to the requirements that would otherwise apply to a United States company listed on Nasdaq may provide less protection than is accorded to investors of domestic issuers. For further discussion, see "Item 16G. Corporate Governance."

We may lose our status as a foreign private issuer, which would increase our compliance costs and could thereby negatively impact our results of operations.

We would lose our foreign private issuer status if (a) a majority of our outstanding voting securities were either directly or indirectly owned of record by residents of the United States and (b)(i) a majority of our executive officers or directors were United States citizens or residents, (ii) more than 50 percent of our assets were located in the United States or (iii) our business were administered principally outside the United States. Our loss of foreign private issuer status would make U.S. regulatory provisions mandatory. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly higher. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. We would also be required to follow U.S. proxy disclosure requirements, including the requirement to disclose, under U.S. law, more detailed information about the compensation of our senior executive officers on an individual basis. We may also be required to modify certain of our policies to comply with accepted governance practices associated with U.S. domestic issuers. Such conversion and modifications will involve additional costs. In addition, we would lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers, as described in the previous risk factor above.

We believe we were a passive foreign investment company for U.S. federal income tax purposes (PFIC) in 2017, and there is significant risk we will be a PFIC in 2018 as well. U.S. shareholders who held our ordinary shares at any time during a taxable year in which we are a PFIC may suffer adverse tax consequences.

Generally, if for any taxable year 75% or more of our gross income is passive income, or at least 50% of the average quarterly value of our assets (which may be determined in part by the market value of our ordinary shares, which is subject to change) are held for the production of, or produce, passive income, we would be characterized as a passive foreign investment company, or PFIC, for United States federal income tax purposes. According to these rules, a publicly traded non-U.S. corporation may treat the aggregate fair market value of its assets as being equal to the sum of the aggregate value of its outstanding shares ("Market Capitalization") and the total amount of its liabilities. We intend to take the position that the excess of our Market Capitalization plus liabilities over the book value of all of our assets may generally be treated as attributable to non-passive assets. Based on the book value of our assets and liabilities and our Market Capitalization in 2017, we believe that we met the PFIC asset test described above for 2017 and, as a result, we were classified as a PFIC in 2017. Furthermore, because we currently hold, and expect to continue to hold, a substantial amount of cash and cash equivalents and other passive assets used in our business, and because our Market Capitalization is currently below the level necessary to avoid PFIC status for 2018, there is substantial risk we will be classified as a PFIC for the 2018 taxable year as well. However, because PFIC status is determined after the close of each taxable year, we will not be able to determine whether we will be a PFIC for the 2018 taxable year or for any future taxable year until after the close of such year.

U.S. shareholders who held our ordinary shares at any time in 2017 or during any other taxable year in which we are a PFIC may suffer adverse tax consequences, including having gains realized on the sale of our ordinary shares treated as ordinary income, rather than capital gain, the loss of the preferential rate applicable to dividends received on our ordinary shares by individuals who are U.S. Holders (as defined in "Item 10.E. Taxation—United States Federal Income Taxation"), and having interest charges apply to distributions by us and the proceeds of share sales. Certain elections may be available that would alleviate some of the adverse consequences of PFIC status and result in an alternative treatment (such as mark-to-market treatment) of our ordinary shares; however, we do not intend to provide the information necessary for U.S. holders to make qualified electing fund elections. See "Item 10.E. Taxation—United States Federal Income Taxation—Passive Foreign Investment Company Considerations."

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Our History

We are a leading biotechnology company developing novel products for life science markets through the use of a unique Computational Predictive Biology (CPB) platform.

Our company was founded on October 10, 1999 as Agro Leads Ltd., a division of Compugen Ltd. In 2002, our company was spun-off as an independent corporation under the laws of the State of Israel, and changed its name to Evogene Ltd.

Our shares have been trading on the TASE since 2007, on the NYSE from November 2013 until December 2016, and on the Nasdaq since December 2016.

We are registered with the Israeli Registrar of Companies in Jerusalem. Our registration number is 51-283872-3. Our purpose as set forth in our articles of association is to engage in any lawful business. Our principal executive offices are located at 13 Gad Feinstein Street, Park Rehovot P.O.B 2100, Rehovot 7612002, Israel, and our telephone number is +972-8-931-1900.

Our authorized representative in the United States and agent for service of process in the United States, Puglisi & Associates, is located at 850 Library Avenue, Suite 204, Newark, Delaware 19711. Our website address is *www.evogene.com*. Information contained on, or that can be accessed through, our website does not constitute a part of this annual report and is not incorporated by reference herein.

Principal Capital Expenditures

Our capital expenditures for fiscal years 2017, 2016 and 2015 amounted to $0.5 million, $0.6 million and $1.8 million, respectively. Our capital expenditures during those years consisted of investments in property, plant and equipment. We anticipate our capital expenditures in fiscal year 2018 to include payments for maintenance and improvements of our facilities in order to support our activities.

B. Business Overview

Overview

We are a leading biotechnology company developing novel products for life science markets through the use of a unique Computational Predictive Biology (CPB) platform. We have developed a proprietary innovative predictive computational biology platform, leveraging scientific understanding and computational technologies to harness biological 'Big Data' in order to develop innovative products for life science markets such as: improved seed traits, ag-chemical products and ag-biological products.

We primarily engage in the development of seed traits for improved yield and abiotic stress tolerance, plant disease and insect control, novel herbicides, insecticides, bio-stimulants and bio-pesticides. The product candidates we develop focus mainly on essential crops, including corn, soybean, wheat, rice, and cotton.

Up until the end of 2017, our product development efforts had been organized under two business divisions, the Crop Enhancement (CE) division, for the development of products enhancing plant yield and tolerance to abiotic stresses (such as improved tolerance to drought, heat and salinity), and the Crop Protection (CP) division, for the development of products improving plant resistance to biotic stresses (such as resistance to plant diseases, weed control and insect control).

As of the beginning of 2018, our product development efforts are organized according to three product-oriented divisions: Ag-Biologicals, Ag-Seeds, and Ag-Chemicals. The Ag-Biologicals division focuses on the development of microbial based yield improvement and pest control products. The Ag-Seeds division focuses on development of improved seed traits, for yield increase, drought tolerance, insect control and disease resistance. The Ag-Chemicals division focuses mainly on the development of herbicides and insecticides.

In addition, we operate a seed business under our wholly-owned subsidiary, Evofuel, currently focusing on the development and commercialization of improved castor bean seeds.

Furthermore, during 2017 we announced the establishment of a new subsidiary, Biomica, which focuses on the discovery and development of human microbiome-based therapeutics.

Our business model includes research and development activities that focus on the early and advanced stages of product development that are performed either as internal product development programs or as part of strategic collaborations. We forge collaborations, at various stages of the product development life cycle, with world-leading agricultural companies, including BASF, DuPont, and Monsanto, to facilitate the further development, regulatory approval and commercialization of our discoveries and enable our go-to-market strategy. We currently research and develop 23 different seed traits, ag-chemical and ag-biological innovative product candidates either independently or as part of at least 8 strategic collaborations.

We are still in the development stages and no product has been commercialized based on our discoveries and our revenues consist primarily of research and development payments under our strategic collaborations in the field of CE seed traits. In the future, we expect to receive milestone payments and royalty revenues under collaborations in the Ag-Seeds, Ag-Biologicals, and Ag-Chemicals activities as well as revenues from the sale of castor seeds by Evofuel.

Our future growth will depend, in part, on our ability to maintain and advance upon our technological competitive advantages and adapt to continuous technological change in our industry. It will also depend, in part, on our ability to successfully develop our product candidates, both internally and with our collaborators as well as enter into new collaboration agreements and expand our research and development initiatives to new technologies and areas of activity.

In 2018, we expect to continue focusing on developing our discoveries towards commercialization, both internally and through our collaborations. In addition, we expect to maintain our focus on enhancing our competitive advantage by further investing in our technology infrastructure, in research and development capabilities as well as in our product development activities. We also intend to complement our future revenue streams by continuing to selectively self-fund a larger portion of our research and development costs, with the goal of capturing a larger share of our collaborators' future revenues.

The following are major occurrences and developments in the Company during 2017 and until the date of this report, presenting advancement in all areas of activity:

- In February 2017, we entered a collaboration agreement in the area of ag-chemicals with ICL for the development of crop enhancers for the improvement of nutrient use efficiency;
- In regards to our internal ag-chemical pipeline for the discovery of novel herbicides, in February 2017 we disclosed positive validation results for ten chemical compounds that have been computationally predicted to impact six targets discovered by the Company;
- In March 2017, we announced that Marrone Bio Innovations, or MBI, will advance certain novel bacteria and Evogene-identified related proteins into MBI's bio-insecticide product development pipeline under their previously announced multi-year collaboration for the discovery and development of novel insect control solutions. In parallel, Evogene continues its product development efforts to develop seed trait solutions based on such proteins;
- In June 2017, we announced positive results in our internal program for insect control seed traits and the advancement to Phase-I of a first toxin against Western corn rootworm. Additionally, the Company announced for the first time the identification of a set of genes displaying initial toxic activity against southern green stinkbug, a major pest in soybean and other crops;
- In July 2017, we announced that the company reached an important milestone in its crop disease collaboration with Monsanto Company, or Monsanto, with the demonstration of positive Fusarium resistance results with Evogene discovered genes. Additionally, Evogene announced the completion of the candidate gene discovery stage in the companies' yield and abiotic stress collaboration, which mainly focuses on corn and soy;
- In July 2017, we announced entering into a multiyear collaboration with DuPont-Pioneer for the development of microbial-based bio-stimulant seed treatments for the improvement of corn productivity in a broad acre approach;
- In September 2017, we announced together with Rahan Meristem (1998) Ltd., or Rahan Meristem, positive results in 2nd year field trials addressing Black Sigatoka disease in bananas and the utilization of the results for genome editing;
- In October 2017, we announced a revised and expanded market focus and new corporate structure under which the Company's revised focus will include both agriculture and other market areas, and will emphasize further downstream product development and shorter-term commercialization;
- In October 2017, we announced the establishment of Biomica, a new subsidiary, focused on the discovery and development of human microbiome-based therapeutics;
- In January 2018, we announced positive 2nd year field trial results in corn bio-stimulant Ag-Biologicals program with results demonstrating significant yield improvement. Selected microbial strains are expected to be tested as part of the collaboration with DuPont-Pioneer;
- In February 2018, we announced positive results in our novel Mode-of-Action herbicide program with multiple 'families' of novel Evogene predicted chemical compounds demonstrating improved herbicidal effectiveness;

I. INDUSTRY BACKGROUND

Evogene operates in diverse life science markets. Our product candidates are aimed for agricultural markets, including: (i) seed traits, (ii) ag-biological products, (iii) ag-chemical products, and (iv) castor seeds, under our subsidiary, Evofuel. Additionally, our subsidiary, Biomica, operates in the market for human microbiome-based therapeutics.

1. Agricultural Markets

The global population is projected to reach 9.5 billion inhabitants by 2050, which is expected to lead to a necessary 90% expansion in food production. This increase in food production will have to come from increasing yields and cropping intensity as there is limited arable land left to expand planting.[3] Moreover, changing diets in BRIC countries (Brazil, Russia, India and China) to more protein and dairy heavy diets, are leading to a rising need for grain for animal feed.

In light of historical and current needs to improve crop productivity, technological inventions have been incorporated into agriculture since the dawn of humanity. The most advanced and recent technological tool available is biotechnology, which aims to enhance crop performance and productivity. During the last decade, the biological world has witnessed a dramatic increase in the availability of data, which is used to drive agricultural product innovation. This increase in the availability of biological and chemical data has primarily been a result of the introduction of new technologies that facilitate the rapid generation of quality data at a significantly lower cost. As a result, the key opportunity, and challenge, for enhancing crop productivity has shifted from the generation of quality data to data integration and the analysis of large volumes of data.

Mergers and Acquisitions in the Agricultural Industry

Until recently, a handful of global firms (known as the "Big Six") dominated private-sector research on both seeds and crop-protection chemicals: BASF and Bayer, from Germany; the U.S. firms Dow Chemical, DuPont, and Monsanto; and the Swiss firm Syngenta. Each firm combined pest control and seed businesses. Their pest control products consisted primarily of chemical pesticides, but also included biological products and seed treatments. The seed businesses included sales of crop seeds, as well as genetically modified seed traits placed in their own seeds or licensed to other seed firms.[4]

In December 2015, Dow Chemical and DuPont proposed to merge with the intention of later separating their combined agriculture, materials science, and specialty products businesses into three independent and specialized corporations. In February 2016, the State-owned Chinese company ChemChina offered $43 billion to acquire Syngenta. Several months later, in September 2016, Bayer proposed to purchase Monsanto for $66 billion. These mergers would transform the "Big Six" into the "Big Four." In September 2017, the Dow-DuPont merger was successfully completed. In October 2017, the acquisition of Syngenta by ChemChina was completed.

Competition

The agricultural markets, as described above, are highly consolidated and dominated by a relatively small number of large companies. In order to provide their end-clients (mostly farmers) with cutting-edge products, these companies invest substantial resources in the development of seeds, seed traits, ag-chemical products, ag-biological products and agronomic methods and products. Part of these companies' research and development activity is conducted in-house and part of it is outsourced or conducted through collaborations.

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[3] Source: Piper Jaffray, Industry Note August 27, 2013, Agriculture

[4] Source, USDA https://www.ers.usda.gov/amber-waves/2017/april/mergers-and-competition-in-seed-and-agricultural-chemical-markets/

Generally, the competitors in our industry can be divided into three groups:

(i) Major seed and ag-chemical companies, including BASF, Bayer, Dow, DuPont, Monsanto, Syngenta and others, with internal research and development units dedicated to development of seed traits and seed external products. As the Company's business model is based in part on collaborations, we view the major seed and ag-chemical companies in the ag market as potential collaborators and not only as direct competition;

(ii) Small to mid-size biotech companies specializing in ag products with their own product development programs; and

(iii) Academic and agricultural research institutions that grant licenses to third parties to use their seed trait and ag-chemical and ag-biological discoveries.

As noted, the Company operates in diverse agricultural markets including the seed traits, ag-chemical and ag-biological markets. While Evogene is familiar with companies active in each market, the Company is not aware of a similar sized company, employing computational tools, that operates in all the areas in which Evogene is active.

We believe that our competitive advantage lies in our ability to assemble and connect large amounts of biological and chemical data and to analyze that data using our computational predictive biology platform, or CPB, enabling us to identify and prioritize genes, protein targets, chemical compounds and microbials. For more detailed information on our research and development efforts please see "Item 4.B. Business Overview—Technology Platform."

Market Potential

Seed Traits Market

The seeds market size was estimated at approximately $37 billion in 2015, out of which approximately 53% is attributed to biotech seeds.[5]

The market potential for traits addressing plant insects and diseases was estimated in 2015 to be between $7.5 billion to $8.5 billion, out of which the commercial value of insect resistance products available in the market today is approximately $4.5 billion.[6] We estimate that the potential value of improving non-existent commercial seed traits such as yield, drought or fertilizer utilization in the major crops of corn and soybean alone could be significant.

Ag-biologicals Market

Biological-based solutions are gathering momentum as farmers around the globe struggle with increasing weed and pest resistance to long-standing, crop chemistry and agronomic practices. Additionally, regulatory scrutiny is intensifying around the environmental impact of synthetic crop chemicals.[7]

The market for ag-biological products is approximately $3 billion, and is believed to demonstrate a substantial annual growth rate of 10-15% year over year during the next years.[8] Ag-biological products are generally divided into two key areas: (i) bio-stimulants – ag-biologicals for crop enhancement, directly impacting crop yield or abiotic stress tolerance, and (ii) bio-pesticides – ag-biologicals for crop protection, addressing biotic stresses such as insects, diseases and weeds.

Ag-chemicals Market

Lack of available solutions to control pests which lead to significant crop loss and increasing pest resistance to existing pesticide solutions leads to a pressing need for novel pesticides. However, due to increasing regulatory requirements, the development of next-generation pesticides is lengthy and complicated.

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[5] Source: Phillips McDougall, 2015.
[6] Source: Context Network, Cropnosis, internal analysis.
[7] Source: Piper Jaffray, Industry Note August 27, 2013, Agriculture.
[8] Source: PiperJaffray, Industry Note, August 27, 2013.

The ag-chemical market was estimated at approximately $50 billion in 2015, out of which approximately 42%, 28% and 27% are attributed to herbicides, insecticides and fungicides, respectively, and is expected to grow to over $70 billion by 2022.[9]

2. Castor seeds

The global castor oil and derivatives market is expected to reach USD 2.30 billion by 2024.[10]

3. Human Based Therapeutics

The human microbiome based therapeutics market is estimated to reach approximately $10 billion by 2024. As of today, approximately $840 million were invested in microbiome companies since 2010.[11]

II. CROP ENHANCEMENT (CE) DIVISION

Overview

The CE division develops products to increase crop performance and productivity with its main focus on enhancing yield, tolerance to abiotic stresses such as drought, heat and salinity and fertilizer use efficiency in key commercial crops, or target crops such as corn, soy, wheat, rice and cotton.

The CE division focuses on the development of two types of products: (i) CE seed traits, which are seed traits having improved yield, abiotic stress tolerance and fertilizer use efficiency, through biotechnology and advanced breeding methods and (ii) ag-biologicals, focusing on microbial-based bio-stimulants and bio-pesticides, which are microbial-based products to serve as externally-applied treatments for improving yield, abiotic and biotic stress tolerance.

In the CE division, we currently generate revenues from research and development payments for discovery and optimization activities under the CE seed traits activity. In the future, we expect to receive milestone payments upon advancement of our seed traits through the product development pipelines of our collaborators and royalties from sales of product candidates by our collaborators as well as milestone and royalties payments from commercialization of our ag-biologicals product candidates with collaborators or distributors.

(i) CE seed traits

Overview

Initiated in 2004, our CE seed traits activity focuses on important seed traits that have a direct impact on crop productivity, through biotechnology and advanced breeding. Under these programs we seek to identify and prioritize genes and other genetic elements capable of increasing crop yield per acre of land, improving yield, abiotic stress tolerance (*i.e.*, yield stability over varying environmental conditions and tolerance to environmental stress factors, such as drought) and fertilizer utilization. Major seed companies have declared their goal to significantly increase crop yield to meet the growing needs of the world population. We believe that improved seeds will play an important role in supporting the ambitious goal of substantially increasing crop yields in the future. The size of the overall seed industry is estimated at $37 billion[12], out of which 53% is attributed to biotechnology seeds. We estimate that the potential value of new, currently not existing, commercial biotechnology seed traits such as yield, drought or fertilizer utilization in the major crops of corn and soybean alone could be significant.

In this field, we use our expertise in plant understanding and genomics to improve plant performance utilizing our CPB platform. Our proprietary CPB platform, validation techniques and other capabilities enable us to identify and optimize promising candidate genes and other genetic elements (such as genetic markers or precise edits of the crop's genes) that have the potential to improve our traits of interest in target crops. The most promising candidates will be used to develop improved seeds through genetic modification, advanced breeding or genomic editing.

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[9] Source: Phillips McDougall, 2016.

[10] Source: Grand View Research, August 2016 at http://www.grandviewresearch.com/industry-analysis/castor-oil-derivatives-industry.

[11] Source: BCC Research (2017) – Human Microbiome-based Drugs and Diagnostics Market SVB; Emerging Healthcare: Microbiome Investment Trends Aug 2017.

[12] Source: Phillips McDougal 2015.

We utilize several biotechnology approaches including: (i) genetic modification of plants, which involves the direct manipulation of a plant's genome by inserting a gene into the plant's DNA, (ii) advanced breeding methods, whereby plants with favorable characteristics are selectively crossed through genomic-guided breeding schemes, with the goal of eventually improving seed traits and (ii) genome editing technologies - in the last few years the maturity of technologies that enable deletion or modification of specific genomic regions in the crop's genome has provided for an expanded technological toolbox for genomic manipulation, allowing for a broad variety of changes potentially resulting in trait improvement without inserting foreign DNA to the plant. Genome editing technologies may present an opportunity for introducing valuable traits, in shorter time to market and significantly lower development and regulation costs.

Since we initiated our CE seed trait activity, we have accumulated substantial scientific knowledge on plant mechanisms and biological pathways associated with yield, abiotic stress and fertilizer use efficiency traits. Currently, we maintain proprietary genomic data from over 200 different plant species, and have two model validation plants that can validate over 1,000 genes annually under different greenhouse and tissue culture validation assays (*i.e.* tests designed to analyze plant performance under specific growth conditions, for instance, measuring a plant's greenhouse seed yield under simulated drought conditions).

The product development cycle for seed traits via genetic modification is comprised of five phases. See "—Product Development Cycle—Seed Trait Product Development Cycle." Currently, we specialize in the upstream portion of the development cycle, particularly in the discovery phase (*i.e.*, when candidate genes are identified and validated in model plants), as well as in Phase I supporting development activities via gene optimization and stacking activities to increase trait efficacy, stability and avoid unintended effects, aiming to increase probability to reach commercialization.

In the field of CE seed traits, we collaborate with world leading seed companies, including Biogemma and Monsanto. Typically, under these collaborations we discover and validate candidate trait-improving genes and other genetic elements, and subsequently our collaborators, under license from us, test and further develop these discoveries in their product development pipelines with the goal of introducing them into commercial crop seeds. Currently, our collaborations cover a portfolio of 4 key product programs, tailored to address specific market needs across various crops and traits. Generally, under our collaboration agreements, we expect to be entitled to milestone payments when our product candidates reach significant milestones at our partners' development pipelines, and royalties, which we expect to be entitled to once our product candidates are commercialized. In addition, under part of our collaboration agreements we are entitled to research and development payments for our activities under the collaborations. All of our product programs under our CE seed traits activity are currently either in the Discovery, Phase I, or Phase II stages and a substantial majority of them focus on improving traits through genetic modification. For more information on our collaborations in this field, see "—Key Collaboration—CE Seed Traits."

Product programs

The following table sets forth our key product programs in the field of CE seed traits under development with our collaborators:

Program	Crop	Trait	Technology	Collaborator
1	Corn	Yield, abiotic stress tolerance & nitrogen use efficiency	Genetic modification	Monsanto
2	Corn	Yield & abiotic stress tolerance	Genetic modification	Biogemma
3	Soybean	Yield & abiotic stress tolerance	Genetic modification	Monsanto
4	(1)	Yield	Advanced breeding	A consumer goods company (1)

(1) Crop and collaborator name not disclosed.

Our most significant collaboration in the CE seed traits is with Monsanto, addressing yield, drought tolerance and fertilizer utilization in corn, soybean, cotton and canola through biotechnology. Under this collaboration, Monsanto funded a research program in which we applied our proprietary computational technologies first to identify genes with the potential to improve the target traits in the target crops and then to optimize gene performance. In February 2015, we disclosed that more than 1,000 candidate genes that we identified and validated in the framework of the collaboration have entered into Monsanto's yield and abiotic stress product development pipeline and that a new gene optimization program was being incorporated into the collaboration. In February 2016, we disclosed positive results from the testing by Monsanto of a set of our discovered genes in corn and soybeans utilizing a novel "Trait-First" methodology. In July 2017, we announced the successful completion of the gene discovery stage of the collaboration, which now focuses on progressing selected gene candidates through additional testing in Monsanto's product development pipeline.

In the future, our agreements in the field of CE seed traits could lead to substantial milestone and royalty payments if our partners commercialize products that incorporate genes or other genetic elements that we license to them.

Product development cycle

Developing and integrating seed traits into commercial seeds through biotechnology takes, based on estimations, between eight and sixteen years. The length of the process may vary depending on the technology being applied, the complexity of the trait and the type of crop involved. The length of the seed traits development process enhances the uncertainty of product development; for example, during the development process changes in the competitive landscape or developments of new seed improvement technologies may affect product advancement decisions. The development process for seed traits is divided into several discrete steps, or phases, which generally include discovery, validation and development, and end with regulatory approval and commercial launch of a seed product containing the trait.

While the process for developing seed traits is similar in some aspects to using genetic modification, advanced breeding or genome editing, the development process differs significantly in later phases of development and may be considerably shorter when applying advanced breeding and genomic editing technologies rather than genetic modification. For example, receiving regulatory approval for genetically-modified seeds is a far more comprehensive and lengthy process than doing the same for advanced breeding seeds. For seed traits developed via genome editing, the technology is in its rather early stages of adoption, with remaining uncertainties regarding certain regulatory and other aspects of product development. The product development process is relatively similar for CE and CP seed traits, thus the description below applies for seed traits developed under both our Crop Enhancement and Crop Protection divisions.

The development process of genetically-modified seed traits and their integration into commercial seeds is generally divided into five key phases, as described below. Based on industry benchmarks, analyst assessments and the company's internal estimations, the process typically ranges between ten and sixteen years. This process may vary among different companies and depending on the specific crop and trait of interest. For example, with respect to development phase I ("Proof of Concept", as further detailed below), in our experience, the process of testing genes and other genetic elements by our partners may vary in terms of experimental set up, scope of activity, success criteria, and other aspects, which ultimately have an effect on the duration of such phase.

- *Discovery*: The identification of candidate genes potentially capable of enhancing specified plant traits. These genes are usually introduced into model plants to determine whether the gene (or gene combination) will enhance the specified trait. We usually employ our own advanced greenhouse facilities in Israel to perform model plant validation utilizing *Arabidopsis* for dicots, such as soybean, canola, cotton and sunflower, and *Brachypodium* for monocots, such as corn and wheat. In our experience, the Discovery phase typically lasts approximately 18-24 months.

- *Phase I, or "Proof of Concept"*: Promising candidate genes are advanced to Phase I, or "proof of concept." In this phase, the genes or gene combinations are inserted into target plants and their efficacy in improving plant performance, including specific plant attributes or target traits such as yield, is tested through greenhouse trials, field trials, or both. During this phase, the genes are also optimized to improve their efficacy, with improved gene constructs then tested again in target crops. Phase I is typically conducted by our collaborators in their own facilities, although we conduct certain proof of concept tests in some of our projects, and in our experience, typically lasts between four to six years.

- *Phase II, or "Early Development"*: In this phase, the field tests are expanded, and our collaborators evaluate various modes of use of the genes as well as other characteristics in order to optimize performance on a large scale across various geographical locations and varieties, to reach commercially viable success rates. We expect Phase II to last between two to four years.

- *Phase III, or "Advanced Development and Regulation"*: In Phase III, extensive field tests are used to demonstrate the effectiveness of selected genes in enhancing particular traits, and the process for obtaining regulatory approvals from government authorities is initiated, including conducting tests for potential environmental impact assessments of possible toxicity and allergenicity. Based on current available estimates, we expect Phase III to last between one to two years.

- *Phase IV, or "Pre-Launch"*: Involves finalizing the regulatory approval process and preparing for the launch and commercialization. The range of activities here includes preparing the seeds for commercial sales, formulation of a marketing strategy and preparation of marketing materials. Based on current available estimates, we expect Phase IV to last between one to two years.

As indicated, the estimated timeframes of phase duration and probability of success are mainly based on our experience and estimates according to available information. The development phases may overlap during the product development cycle, and the total development time for a particular product may be longer or shorter than the duration presented above depending on a range of factors, including the type of crop and trait involved, the specifics of the development process undertaken by our partner, the amount of resources available, or devoted to, particular research or collaboration projects, and changes to the product development process implemented by our partner.

(ii) Ag-biologicals

Overview

In mid-2015, we initiated our ag-biologicals activity for developing ag-biological products. Ag-biologicals are externally-applied products from biological sources, such as microbial (micro-organisms) and naturally derived biochemistries, designed to improve crop productivity. The "plant microbiome", meaning the microbial population living close or within the plant, is a promising source for novel ag-biologicals, contributing to its performance and assisting the plant in addressing threats from its surroundings.

The market for ag-biological products is approximately $3 billion, and is believed to demonstrate a substantial annual growth rate of 10-15% year over year.[13] Ag-biological products are generally divided into two key areas: (i) bio-stimulants – ag-biologicals for crop enhancement, directly impacting crop yield or abiotic stress tolerance, and (ii) bio-pesticides – ag-biologicals for crop protection, addressing biotic stresses such as insects, diseases and weeds. The ag-biologicals market is attracting interest from industry leading players owing to its potential impact by providing a new type of product to improve crop productivity, as well as the relatively inexpensive and rapid regulatory process. The product development period is estimated at six to eight years. Our ag-biologicals operations are mainly focused on bio-stimulants with initial activity in the area of bio-pesticides.

Our activity is focused on discovery and development of next generation microbial based ag-biologicals, converging the plant and microbial worlds to decipher plant-microbiome-pest complex interaction and "cross talk" and, as a result, identify and enhance positive plant-microbiome interactions, resulting with trait improvement. This activity relies on two major scientific and technological developments of recent years, namely: (i) the evolution in understanding of microbiome science, obtained originally in humans and translated into the plant kingdom, and (ii) the establishment of technologies to generate relevant genomic data in a cost effective manner, both in plants and microbial.

Our technological platform includes a proprietary Computational Predictive Biology (CPB) platform, validation techniques, formulation and fermentation technologies and other capabilities to enable us to identify, optimize and develop microbial strains, or microbial strain teams, having the potential to improve crop traits of interest, such as yield and drought tolerance, in target crops (for bio-stimulants products) or to fight diseases or insects (for bio-pesticides products).

To date, we have assembled a broad microbiome-derived strain collection, identified tens of microbial strains validated to improve traits and or yield of a target crop in greenhouse or field experiments. The best performing microbial strains are currently undergoing pre-development activities such as optimization, formulation and fermentation development.

The product development cycle for ag-biological products is comprised of five phases. See "—Ag-biologicals—Product development cycle" below. We are engaged in the development cycle from upstream discovery activity through Pre-Development and Development phases. We expect to license microbial product candidates in different stages along the development pipeline.

In July 2017, we announced our entry into a multiyear collaboration with DuPont-Pioneer for the development of microbial-based bio-stimulant seed treatments for the improvement of corn productivity in a broad acre approach. See "—Key Collaborations—Dupont-Pioneer".

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[13] PiperJaffray, Industry Note, August 27, 2013.

Product programs

Currently, our ag-biologicals activity is mainly focused on developing bio-stimulant products aimed at improving yield and abiotic stress tolerance in corn, soy and wheat and are all at discovery or pre-development phase.

The following table sets forth our current product programs in the CE ag-biologicals activity:

Program	Ag-biological product	Crop/Target	Collaborator / Internal Program
1	Bio-stimulants – Yield & abiotic stress tolerance	Corn	DuPont-Pioneer
2	Bio-stimulants – Yield & abiotic stress tolerance	Corn	Internal program
3	Bio-stimulants – Yield & abiotic stress tolerance	Wheat	Internal program
4	Bio-pesticides – disease control	Row crops, seed treatment	Internal program
5	Bio-pesticides – disease control	Specialty Crop, foliar application	Internal program
6	Bio-pesticides – Insect control	Row crops, seed treatment	Internal program

Product development cycle

We estimate that developing ag-biologicals products based on microbial sources, aiming to achieve a broad range of activity, takes, on average, between six and eight years. The length of the process may vary depending on several factors, including the target market (with each region currently applying different regulatory or registration procedures), the type of application (with different regulatory requirements for bio-stimulants and bio-pesticides), the type of natural source serving as active ingredient (microbial and plant extracts, for instance, undergo different upscaling and formulation procedures) as well as the number of active ingredients (e.g. strains) within the final products, which impacts the development activities required to reach a commercially viable product. As our current focus is microbial-based bio-stimulants, primarily for the U.S. market, the development cycle presented herein below aims to depict the relevant process.

The development process for microbial-based bio-stimulants is divided into five discrete steps, or phases, which generally include discovery, pre-development, development, pre-commercialization, ending with registration approval and commercial launch. As this is a relatively young industry, the process is not yet well established and standardized and the below outline was structured based on our experience and internal activities.

- *Discovery*: The first step in the microbial ag-biologicals development process is Discovery, or the identification of candidate microbial strain, or microbial strain teams, having the potential to improve crop traits of interest. A collection of selected microbial strains, or strain teams, is typically tested on the crop(s) of choice in greenhouse screens (for bio-stimulants), followed by limited field experiments. Based on industry benchmarks and internal estimations, the Discovery phase typically lasts approximately 12-18 months.

- *Pre-development*: Upon successful validation of the candidate microbial strains, or strain teams, promising candidates are advanced to Pre-development. In this phase, initial fermentation and formulation processes are developed and the microbial strains are further tested in greenhouse and field trials, including in the target territory, to examine their efficacy in improving plant performance. The goal of this phase is to determine whether a commercially viable procedure to grow and formulate the microbial stains can be developed, and which candidates have the greatest potential to improve plant performance. Based on industry benchmarks and internal estimations, we expect this stage to last between 18-24 months.

- *Development*: In this phase, the fermentation and formulation procedures are further optimized to allow for commercial scale production, considering other parameters such as relevant stability and shelf life. Field tests commenced in pre-development are expanded and repeated aiming to test efficacy and stability of the candidate product. Based on industry benchmarks and internal estimations, we expect this stage to last between approximately 18-24 months.

- *Pre-commercialization*: In this phase, extensive field tests are undertaken to demonstrate the effectiveness of a candidate product in enhancing particular traits. Additional activities towards launch are performed, including packaging development, registration and go-to-market strategy. Based on industry benchmarks and internal estimations, we expect this stage to last approximately 24 months. We anticipate that this phase would be performed by a collaborator or commercialization partner that will take the lead on product commercialization.

(iii) Key Collaborations

CE seed traits

Our seed trait projects are conducted through collaborations with leading seed and ag-chemical companies, with whom we share the development process of improving plant performance. In most cases, we generate revenue from our collaboration agreements at two different points: first, we receive milestone payments when certain specified results are achieved, such as when a candidate gene progresses to a later phase in the product development cycle, or when a product candidate containing our traits is submitted for regulatory approval; Second, we expect to receive royalty payments once a commercial product containing our traits is launched into the market. Royalty payments will generally be made for the longer of a specified number of years after product launch, or for the duration of our applicable patents in the United States. Under several collaboration agreements, we also receive research and development services payments to cover the costs of our research, including our discovery and validation efforts.

Monsanto 2008 Collaboration Agreement, Amended and Restated in 2011 and 2013

Background and Duties

In August 2008, we entered into a Collaboration and License Agreement with Monsanto. This agreement was amended and restated on two occasions, first in November 2011 and again in October 2013, in both cases extending and expanding the original agreement executed in 2008. We refer to this agreement, as amended, as the Monsanto Collaboration Agreement. With respect to our CE seed traits activities under the Monsanto Collaboration Agreement, the collaboration period (*i.e.*, the period of computational discovery and *in-planta* validation efforts) is approximately nine years, and has expired at the end of 2017, and for CP seed traits activities, the collaboration period is scheduled to expire in August 2019. Pursuant to the Monsanto Collaboration Agreement, Monsanto funded a research program under which we identified and optimized genes with the potential to improve yield, nitrogen use efficiency and abiotic stress tolerance in corn, soybean, cotton and canola.

In February 2016, we announced positive results from the testing of a set of our discovered genes conducted by Monsanto, tested pursuant to a “trait-first” methodology, according to which genes are first identified and tested for impacting key trait attributes, and then combined to potentially lead to yield improvement. In July 2017 we announced completion of candidate gene discovery stage in this collaboration. Overall, the discovery phase of the collaboration is now completed, with more than 4,000 genes that we identified and predicted to be associated with individual plant traits, and more than 1,000 of such genes having entered Phase I in Monsanto's product development pipeline for yield and abiotic stress traits in target crops, a subset of which is now being tested.

Furthermore, under the October 2013 amendment and restatement of the Monsanto Collaboration Agreement, we have agreed to apply our computational technologies in the field of CP seed traits to identify and offer optimization recommendations for genes providing resistance to *Fusarium*, a type of fungi that is a main pathogen responsible for Stalk Rot disease in corn (a widespread, yield-reducing condition). All of the genes that we discover are to be tested and validated by us in our model plants.

License Grants

We have granted Monsanto an exclusive, royalty-bearing, worldwide license under our patents and know-how to commercially exploit and conduct research on the genes we discovered and the gene-optimization recommendations we made under the collaboration, each solely for transgenic applications in the specified crops.

In addition, we have agreed, for a certain duration, to abide by certain exclusivity provisions concerning our activities and grant of licenses in the specified traits and crops.

Diligence Obligations

We and Monsanto both have minimum diligence obligations under the Monsanto Collaboration Agreement: our diligence obligations surrounded the discovery and research of candidate genes and of recommendations supporting gene-optimization and advancement, while Monsanto is obligated to test a specified number of these genes and recommendations for the purpose of ultimately developing and commercializing products containing the genes.

While Monsanto has certain diligence obligations under the Monsanto Collaboration Agreement, there is no express requirement that it actually commercialize any products using the genes that we license to it.

Change in Control

In the event that we experience a change of control, the majority of provisions under the Monsanto Collaboration Agreement would remain in full force and effect. However, if we come under the control of one of Monsanto's competitors: (i) the research portion of the Monsanto Collaboration Agreement may be terminated either fully or in part by Monsanto, and if it is not terminated, we become subject to increased diligence obligations; and (ii) the timing of certain milestone payments and the duration of certain royalty payments due to us under the agreement may also be affected.

Consideration and Costs

As of December 31, 2017, we had received approximately $63.6 million in research payments under the CE seed traits part of the Monsanto Collaboration Agreement. This includes an up-front payment of $5 million paid upon entering into the agreement as well as annual data generation and periodic research and development service payments. In addition, under the Monsanto Collaboration Agreement, Monsanto is obligated to provide us with development milestone payments, which we are entitled to when our product candidates reach significant milestones at Monsanto's development pipeline, as well as royalty payments on any sales or other transfers of products it develops containing our licensed genes. These royalty payments are generally calculated as a percentage of the premium charged on the sale of the seeds containing our licensed genes compared to the sale of similar seeds without the genes and will generally be made for a specified number of years after product launch, or for the duration of our applicable patents in the United States.

In August 2008, Monsanto purchased 1,636,364 of our ordinary shares at a price per share of $11.00, for an aggregate investment of $18.0 million. In addition, in the framework of the October 2013 amendment and restatement of the Monsanto Collaboration Agreement, we and Monsanto entered into a Put Option Agreement pursuant to which we could require Monsanto to purchase additional amounts of our ordinary shares up to an aggregate amount of $12.0 million. In November 2013, Monsanto purchased 813,560 of our ordinary shares in our U.S. initial public offering at the public offering price of $14.75, for an aggregate investment of $12.0 million and the Put Option Agreement was terminated. For more information on Monsanto's holdings of our share capital see "Item 7.A. Major Shareholders." L

Biogemma

Background and Duties

In 2006, we entered into a joint research and collaboration agreement with Biogemma SAS, a subsidiary of Limagrain, focusing on improving yield and abiotic stress tolerance in corn. In 2010, we signed a license agreement, replacing the commercialization provisions of the 2006 agreement, and enabling Biogemma and its shareholders (Limagrain, RAGT, Euralis, Sofiproteol and Unigrain) to pursue commercialization of corn products containing our licensed genes. This later agreement remains in effect. The license agreement with Biogemma is our only current agreement pursuant to which a gene we licensed to a collaborator has advanced to Phase II of the product development cycle.

In the early stages of the 2006 agreement, we provided Biogemma with candidate genes that we identified using our ATHLETE™ computational technology, as well as data regarding those genes. We and Biogemma then jointly selected the most promising candidate genes for further validation and testing. At present, the teams focus on optimizing gene performance.

License Grants

Under the 2010 license agreement, we granted Biogemma an exclusive, worldwide, royalty-bearing license to (i) transgenically introduce specified genes into Biogemma's corn products for research and development purposes to test the impact of the licensed genes in its own research and development program, and (ii) commercialize and sell corn products containing our licensed genes.

Consideration and Costs

The license agreement provides for several one-time research and development services payments to cover our prior research and development efforts, which have already been paid by Biogemma, milestone payments, and royalty payments.

A Multinational Consumer Goods Company

Background and Duties

In October 2014, we entered into a Collaboration Agreement with a multinational consumer goods company, focusing on improving yield in a certain field crop through non-GM methods. This is our first collaboration with a consumer goods company and it differs in certain commercial aspects from the typical model of our collaborations with seed companies. The agreement significantly limits the parties' freedom to disclose information on the nature of and the parties to the agreement.

In the framework of the collaboration, we utilize ATHLETE™, our computational gene discovery technology, to identify genes with the potential to improve the desired trait in the target crop when the expression of such genes in the plant is modified. Unlike other collaborations where typically our partners test the performance of our genes in the target crops, under this collaboration we generate new varieties of the target crop using a molecular biology method known as TILLING, and further test the performance of these new varieties before we deliver them to our partner for further development as part of their breeding pipeline. It is expected that our activities under the collaboration will be performed over a period of approximately four years.

License Grants

Under the agreement, we grant the partner an exclusive worldwide license to our patents and know-how with respect to the genes we identify under the collaboration and to our rights in the varieties of the target crop we deliver under the collaboration, to develop and commercialize varieties of the target crop through non-GM methods.

Diligence Obligations

The agreement sets forth a scheme for the development by our partner of the varieties we generate. If our partner fails to achieve the milestones required under such scheme, we may require it to forfeit its licenses to the relevant genes and varieties.

Termination

In addition to each party’s right to terminate the agreement upon a material breach by the other party, or upon the commencement of bankruptcy proceedings against the other party, either party may terminate the agreement at any point, at its discretion. Upon termination, our partner would forfeit its licenses.

Consideration and Costs

The agreement provides for several one-time research and development payments to cover our research and development efforts, payable in increments subject to our deliveries under the collaboration as well as for milestone payments by partner upon achievement of certain development milestones. The agreement does not provide for payment of royalties to us following commercialization of a product containing our trait.

Ag-biologicals

DuPont-Pioneer (now Dow-DuPont)

Background and Duties

In July 2017 we entered into a multiyear collaboration with DuPont Pioneer (now Dow-DuPont) for the research and development of novel microbial bio-stimulant seed treatments for the improvement of corn productivity globally.

Product development efforts under the collaboration utilize our proprietary microbe combinations, predictive computational biology platform and microbial formulation and fermentation technologies, while DuPont provides access to its extensive seed treatment application technology and product development expertise.

License Grants

The multi-year collaboration has an extension option if certain milestones are met. DuPont has agreed to obtain worldwide marketing rights for any products, with milestone payments and royalties to be paid to us.

Termination

Either party may terminate the agreement upon a material breach by the other party.

Consideration and Costs

Under the agreement, we are entitled to milestone payments for advanced candidate seed treatments, and royalties from products sales.

(iv) Raw Materials

We do not significantly rely upon any sources of raw materials for our operations.

(v) Seasonality

Our business in general, and our revenues in particular, which are generated almost entirely from our strategic collaborations, based on research and development and milestone payments as the seed traits we discover advance in the product development pipeline of our collaborators, are not subject to variations based on seasonality.

(vi) Intellectual Property

Our intellectual property rights are important to our business, as they generally determine our eligibility to receive royalties for seed traits under the licenses we grant our collaborators. We actively seek to protect the intellectual property and proprietary technology that we believe is important to the development of our business.

Our success will depend on our ability to obtain and maintain patent and other proprietary protection for commercially important technology, inventions and know-how related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets and operate without infringing the valid and enforceable patents and proprietary rights of third parties

To date, we have identified and sought patent protection for over 4,600 plant genes linked to traits such as improved yield and drought tolerance. These genes are currently protected through more than 166 patents and 232 national patent applications. In light of our evolving field of activity, this year we also initiated new type of patent submission referring to microbial strains and microbial genes as part of our ag-biologicals and insect control traits activities.

(vii) Government Regulation of our Operations

Seed traits

Our business is subject to regulation related to agriculture, health and the environment. To operate, we must obtain various permits and licenses from government authorities and municipalities in our active jurisdictions, and we must maintain our compliance with the terms of those permits, licenses and other government standards as necessary. These laws and regulations, particularly in relation to biotechnology, are not fully settled, but continue to evolve in order to keep pace with technological advances.

As an Israeli company, our activities in the fields of biotechnology and plant genomics are regulated by the Israel Ministry of Agriculture and Rural Development, or ISARD, and more specifically by the ISARD's Plants Protection and Inspection Services, or PPIS. Our activities are subject to various laws, regulations, orders and procedures, which require us, among other things, to obtain permits for conducting experiments on genetically enhanced plants and to satisfy special conditions determined by the ISARD regarding the growing procedures of such seeds and plants. Violation of these regulations may expose the company to criminal penalties. Pursuant to these regulations, we are also obligated to obtain separate permits to own and operate our greenhouses and testing fields in Israel and we are routinely inspected by ISARD.

Ag-biologicals

Ag-biologicals is a relatively new and evolving sector and, as a result, the regulation framework is changing rapidly in recent years and may change further in the coming years.

As an Israeli company, our activities in the fields of microorganisms are regulated by ISARD, which are responsible for product registration and regulation. Our activities are subject to various laws, regulations, orders and procedures. Violation of these regulations may expose the company to criminal penalties. Pursuant to these regulations, we may be obligated to obtain separate permits to own and operate our experimental activities in Israel, and we are routinely inspected by ISARD.

Our activities in the United States are subject to U.S. regulation.

(viii) Government Regulation of Product Candidates

Seed traits

Regulatory approvals are required prior to the commercialization and importation of biotechnologically enhanced seeds in most countries. Most of the key target markets where we anticipate our collaborators will sell seeds containing our traits, including the United States, European Union, Brazil and Argentina, will require such regulatory approvals prior to the commercialization of such products. Additional regulatory approvals will be required for countries importing grain produced from seeds containing our traits, such as China, India and certain countries in the European Union. Pursuant to our collaboration agreements in the field of seed traits, our collaborators will apply for all requisite regulatory approvals prior to commercialization of the product candidates we are developing with them.

Examples of regulatory approvals our collaborators may need to apply for include, in the United States, approvals required by the United States Department of Agriculture, or USDA, prior to the commercial sale of genetically modified products. The USDA's review and deregulation process for biotech products is costly and time-intensive, with no guarantee of success. In the United States, collaborators may also need to seek regulatory approval from the United States Environmental Protection Agency, or EPA, which regulates the marketing and use of new plant pesticides and herbicides. In addition, in Brazil, the commercialization of biotech products is regulated by the National Technical Commission of Biosafety, Comissão Técnica Nacional de Biossegurança or CTNBio under the Ministry of Science and Technology. The approval process involves data collection and analysis, environmental impact assessments and public hearings on certain products, and is similarly costly and time-intensive.

The regulatory status of products developed via genome editing technologies is currently unclear. In the United States, approvals are required by the United States Department of Agriculture, or USDA, prior to field testing of genomic edited seeds. A 'non-regulated organism' approval has been issued by the USDA for some products currently under development, however the regulatory status of all changes this technology allows, has yet to be determined.

Ag-biologicals

In general, the regulatory landscape in the relatively fast evolving field of ag-biological products is developing and may change in the next few years. In most countries regulatory approvals for ag-biologicals (biostimulants and biopesticides) are required for three main activities: (i) importation of microbial into a commercially relevant country, (ii) field testing in commercially relevant countries, and (iii) commercialization of ag-biological end-products.

Complexity of regulatory processes vary between bio-stimulants and bio-pesticides and between regulatory organizations. The key target markets where we anticipate to commercialize our products, the U.S. and the EU, will require such regulatory approvals. We are familiar with the relevant requirements (if needed, we use external consultants) and apply required ag-biologicals regulatory approvals for the activities we perform.

In the United States, the key focus market at our current activity, the USDA's Animal and Plant Health Inspection Service, or APHIS, is responsible for importation and field release permits for ag-biological products and the EPA leads the approval process of commercial products. Most US states also require registration process for commercial products.

Under current EPA guidance, bio-stimulants are regarded as plant inoculants, which currently does not require any regulatory action at the federal level, but requires registration and approvals at the state level. Bio-pesticides require regulation approvals both at the federal and the state level. State level regulation processes vary between states.

In the EU, bio-stimulants are currently regarded as part of the fertilizer regulation, and bio-pesticides are regarded as part of the plant protection regulation.

III. Crop Protection (CP) Division

Overview

The CP division develops products to address weed control, insect control and disease control for target crops. The CP division is active in developing two types of products: (i) CP seed traits, which are seed traits having improved resistance or tolerance to biotic stresses such as diseases and insects, and (ii) ag-chemicals, focusing on novel herbicides and insecticides.

In the CP division, we currently generate revenues from research and development payments for discovery activities under the CP seed traits activity. In the future, we expect to receive research and development payments under new collaborations in our CP seed traits and ag-chemicals activities, as well as milestone payments as our discoveries advance in our partners' product development pipelines and royalty payments from commercialization of products by our collaborators.

(i) CP seed traits

Overview

Initiated in 2007, our CP seed traits activity focuses on improving plant resistance or tolerance to insects and plant diseases. The size of the seed industry is estimated at $37 billion[14], and the market potential for seed traits addressing plant insects and diseases is estimated at between $7.5 billion to $8.5 billion, out of which the commercial value of insect resistance products available in the market today is approximately $4.5 billion. [15]

In this field, we use our expertise in genomics and computational biology to improve plant performance through biotechnology, utilizing our CPB platform. Our proprietary computational technologies, validation techniques and other capabilities enable us to identify candidate genes that have the potential to improve traits of interest in target crops. The most promising candidates will be used to develop improved seeds via genetic modification (or transgenic approaches), advanced breeding or genome editing technologies. In this field, we have entered into collaboration agreements with some of the world’s leading seed and ag-chemical companies, including DuPont, and Monsanto, which license the trait-improving genes that we identify with the goal of introducing them into the seeds of commercial crops.

We utilize several biotechnology approaches including: (i) genetic modification of plants, which involves the direct manipulation of a plant’s genome by inserting a gene into the plant’s DNA, (ii) genome editing technologies - which involves the deletion or modification of specific genomic regions in the crop's genome, allowing for a broad variety of changes potentially resulting in trait improvement without inserting foreign DNA to the plant. Genome editing technologies may present an opportunity for introducing valuable traits, in shorter time to market and at significantly lower development and regulation costs. We may also use advanced breeding methods, whereby plants with favorable characteristics are selectively crossed through genomic-guided breeding schemes, with the goal of eventually improving seed traits.

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[14] Phillips McDougal 2015.

[15] Source: Context Network, Cropnosis, internal analysis.

The product development cycle for CP seed traits is similar to that of the CE seed trait activity under our crop enhancement division and is comprised of five phases. See "—Product Development Cycle—Seed Trait Product Development Cycle." Currently, we specialize in the upstream stage of the development cycle, particularly in the Discovery phase (i.e. when candidate genes are identified and validated in model plants), as well as in Phase I, by optimizing the utilization of discovered genes and stacking activities to increase trait efficacy and probability to reach commercialization.

In the field of CP seed traits, we collaborate with world-leading seed companies, including DuPont-Pioneer and Monsanto. Typically, under these collaborations we discover and validate candidate trait-improving genes and other genetic elements, and subsequently our collaborators, under license from us, test and further develop these discoveries in their product development pipelines with the goal of introducing them into commercial crop seeds. Currently, our collaborations cover a portfolio of three product candidates and an additional seven product candidates are developed independently and not under collaborations, tailored to address specific market needs across various crops and traits. Generally, under our collaboration agreements, we expect to be entitled to milestone payments if our product candidates reach significant milestones at our partners' development pipelines, and royalties, which we expect to be entitled to if our product candidates are commercialized. All of our product programs and collaborations in this field are currently either in the Discovery or Phase I stages and a substantial majority them focus on improving seed traits through genetic modification.

Product Programs

The following table sets forth our key product programs in the field of CP seed traits, under development with our collaborators or as internal product programs:

Program	Crop	Trait	Technology	Collaborator / Internal Program
1	Corn	Fusarium	Genetic modification	Monsanto
2	Corn	Lepidoptera	Genetic modification	Internal program
3	Corn	Coleoptera	Genetic modification	Internal program
4	Soybean	Asian Soybean Rust	Genetic modification	DuPont
5	Soybean	Nematodes	Genome editing	Internal program
6	Soybean	Hemiptera	Genetic modification	Internal program
7	Soybean	Lepidoptera	Genetic modification	Internal program
8	Banana	Black sigatoka	Genetic modification & genome editing	Rahan Meristem
9	Wheat	Fusarium	Genome editing	Internal program
10	Cotton	Lepidoptera	Genetic modification	Internal program

To perform research activities relating to biotic stress, we leverage the expertise and know-how that was generated in our CE seed traits activity. At the same time, we seek to develop unique technological tools and capabilities aimed specifically at biotic stress traits. As the resistance of insects and diseases to existing products that address biotic stress increases, the seed industry seeks more advanced technological solutions to address these resistance issues.

During the last years, we expanded our offering and capabilities with the entry into the field of insect resistance traits. Enhancement of our capabilities in this field includes the incorporation of large amounts of microbial genomic data to our databases, including metagenomics microbial data that represents an untapped diversity of uncultured bacteria, in order to enable discovery of microbial genes that may assist plants to cope with insects. During 2017, we completed testing of approximately 900 genes discovered using BiomeMiner, our dedicated computational technology infrastructure consisting of a proprietary microbial-based database and a dedicated analysis platform for identifying microbial insecticidal toxins. Using our insect validation capabilities at our U.S. site, we validated dozens of genes for important target insects, representing potential new toxin families. Overall, we have established five discovery programs for toxins predicted to provide resistance to three key insect orders, *Coleoptera*, *Lepidoptera* and *Hemiptera*. For more information on our collaboration with MBI, please see "—Key Collaborations—CE & CP seed traits—CE seed traits—Marrone Bio-Innovations."

In the coming years, we plan to expand our presence in the field of diseases, nematode resistance and insect resistance through new collaboration agreements, using both genetic modification and genome editing technologies.

Product Development Cycle

The product development process of CP seed traits is relatively similar to that of CE seed traits, described in "—Crop Enhancement—CE seed traits—Product Development Cycle."

(ii) Ag-Chemistry

Overview

Our ag-chemicals activity utilizes our core competencies in plant genomics, computational chemistry, structural biology and 'big data' integration and analysis to develop novel ag-chemical products. We currently focus on the early stages of the product development pipeline, specifically on the discovery and optimization of new herbicides and insecticides with novel biological mechanisms (new modes of action, MoA, or new site of action, SoA). The global ag-chemical market was estimated at approximately $50 billion in 2015, out of which 42%, 28% and 27% were attributed to herbicides, insecticides and fungicides, respectively.[16]

During the last years, we made significant progress in developing the required infrastructure for herbicide and insecticide discovery and optimization: (i) the launch in 2014 of our PoinTar discovery platform, aimed at identifying targets responsible for essential biological processes in weeds, (ii) establishment of a target validation system in plants, (iii) establishment of a chemical database, encompassing over 150 million chemical molecules, (iv) the launch in 2015 of our PointHit platform, aimed at discovering new chemistries inhibiting the targets in the weed or insect to result in weed or insect mortality, and (v) establishment of a robust high-throughput set of chemical screens in plants to test the predicted chemical compounds for herbicidal or insecticidal activity, and (vi) the launch of a first version of our PointLead platform, aimed at hit optimization. During 2016, we made significant progress in achieving successful proof of concept for these technologies.

During 2017, we progressed in two important directions: (i) we strengthened and advanced our internal herbicide pipeline and reached a set of over 10 candidate chemical molecules that have displayed activity *in planta* predicted to inhibit eight new targets, and (ii) we initiated activities for optimization of active ingredient, focusing on finding novel molecules that improve key parameters in existing herbicides or insecticides. This activity, enabled through the development of the first version of the PointLead optimization platform, represents an opportunity for significant commercial value with potentially shorter time to market.

Product Programs

Our Ag-Chemicals discovery and optimization programs are designed to assist ag-chemical producers in moving beyond the traditional methods of Ag-Chemicals discovery and optimization by implementing a target-based approach for identifying and developing novel herbicides and insecticides with new MoA's or SoA's to address the growing resistance of weeds and insects to existing products. We utilize our expertise in plant and insect genomics, as well as our advanced technologies and know-how, leveraging biology to drive chemical discovery with the target of ultimately developing new herbicides and insecticides that display new MoA's or SoA's.

Our process for developing novel Ag-chemicals begins with the identification of protein "targets", meaning proteins that are essential to the plant/insect function and performance, utilizing our proprietary computational platform, PoinTar and our chemical database. The targets we seek are those that, when inhibited (for instance by a chemical), lead to plant/insect death. We then identify "candidate hits", which are chemical compounds that potentially inhibit these targets, through our PointHit computational platform and screen candidate chemical compound hits to identify those capable of achieving the desired impact on plants or insects. Hits displaying confirmed activity in such the initial validation screens will enter the Hit-to-Lead process, which include computational optimization using the PointLead platform and additional more advanced validation experiments. For more information on PoinTar, PointHit and PointLead computational platforms, see "Item 5. Operating and Financial Review and Prospects—C. Research and Development, Patents and Licensing—Computational Technologies—Computational Analysis Platforms."

In July 2015, we announced the discovery and validation of several novel plant targets for herbicides. Our discovered targets have then become the subject of a unique methodology for the discovery of chemical molecules that can inhibit their functionality, resulting in weed death. These chemical molecules would then serve as the basis for the development of active ingredients in commercial herbicide products.

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[16] Source: Phillips McDougall, 2016.

In December 2015, we entered into our first collaboration agreement in the ag-chemical space with BASF, focusing on discovering novel herbicides. Under the terms of the agreement, Evogene utilizes its biology-driven computational discovery approach to identify candidate chemical hits for novel herbicides, while BASF utilizes its proprietary advanced plant platform to screen the candidate chemical hits validate their biological effects on weeds. Successful candidate chemical hits from this collaboration will be further developed by BASF. For more information on our collaboration with BASF, please see "—Key Collaborations—Ag-Chemical Products—BASF".

In parallel to the collaboration with BASF, we are working on a set of targets originating from our internal herbicide discovery programs, and we have recently announced that ten chemical compounds that we have identified and that are computationally linked to seven of such targets have displayed herbicidal activity on plants. These hits are being advanced in our optimization pipeline.

Currently, our product development pipeline includes the following three main product programs:

Program	Ag-chemical Product	Organism	Collaborator / Internal Program
1	Non-selective & selective herbicides	All crops	BASF
2	Non-selective & selective herbicides	All crops	Internal program
3	Broad spectrum insecticides	Lepidoptera, Coleoptera and Hemiptera	Internal program

Product development cycle

Our activities for the development of ag-chemical products are still in early stages. We are advancing in the process of developing the technologies and platforms that will support our development activities.

We expect, based on our expertise, that our activities will focus on the early stages of the development cycle. Specifically, we use our PoinTar, PointHit and PointLead proprietary computational platforms to identify plant targets and chemical hits that inhibit these targets.

We expect that our collaborators will perform the remaining steps in the product development cycle. Screening resulting with herbicidal hits delivered to partners will be followed by a "hit-to-lead" optimization process, in which the most promising chemical molecules are further assessed and optimized. If this process successfully indicates that certain chemical molecules have a desired effective impact on plants, these molecules may be developed and commercialized into herbicides. In the final development phases, any new chemical product will be registered with the proper regulatory authorities and then launched for commercialization. According to publications of key industry players, such development process is likely to last 10-12 years.

(iii) Key Collaborations

CP seed traits

Our seed trait projects are conducted through collaborations with leading seed and ag-chemical companies, with whom we share the development process of improving plant performance. In most cases, we generate revenue from our collaboration agreements at two different points: first, we receive milestone payments when certain specified results are achieved, such as when a candidate gene progresses to a later phase in the product development cycle, or when a product containing our traits is submitted for regulatory approval; Second, we expect to receive royalty payments once a commercial product containing our traits is launched into the market. Royalty payments will generally be made for the longer of a specified number of years after product launch, or for the duration of our applicable patents in the United States. Under several collaboration agreements, we also receive research and development services payments to cover the costs of our research, including our discovery and validation efforts.

Monsanto

As part of the October 2013 amendment and restatement of the Monsanto Collaboration Agreement, we apply our computational technologies in the field of biotic stress to identify and offer recommendations for genes providing resistance to *Fusarium*, a type of fungus that is a main pathogen responsible for Stalk Rot disease in corn (a widespread, yield-reducing disease). We test all of the genes that we discover in our model plant validation systems. Under the Monsanto Collaboration Agreement, the collaboration period for the biotic stress activities (*i.e.*, the period of computational discovery and *in-planta* validation efforts) is six years, scheduled to expire in August 2019.

In July 2017 we announced that we have reached an important milestone in the collaboration with the demonstration of positive Fusarium resistance results with Evogene-discovered genes.

For more information on the Monsanto Collaboration Agreement, please see "—Crop Enhancement (CE) Division —Key Collaborations—CE seed traits—Monsanto".

DuPont

Background and Duties

In 2011, we entered a multi-year research and development collaboration with DuPont to improve resistance to Asian Soybean Rust, or ASR, a devastating fungal disease in soybean. We amended and expanded the agreement with DuPont in October 2013. Pursuant to this collaboration, we applied our proprietary ATHLETE™ computational discovery technology to identify relevant genes having the potential to improve in-plant resistance to ASR. Under the October 2013 amendment, we also added the application of our Gene2Product™ computational technology, enabling us to improve the efficacy of desired traits. The collaboration period under this agreement, including the stages of data generation, gene discovery, and preliminary testing by DuPont, is expected to continue throughout 2020.

License Grants

Under the 2011 agreement, we granted DuPont a worldwide, royalty-bearing, exclusive license to develop and commercialize soybean products containing our licensed genes. We also granted DuPont an option, limited in time, to obtain an exclusive license to use the licensed genes for certain products other than soybean.

Diligence Obligations

Pursuant to the research program under this agreement, we have diligence obligations that required us to identify a minimum number of genes intended to improve the target trait (*i.e.*, ASR in-plant resistance). DuPont's diligence obligations, on the other hand, require it to test a specified number of genes before advancing any qualified genes through its product development pipeline. If DuPont fails to meet its obligations, some or all of the licenses it received under the agreement may terminate.

Termination and Change in Control

Either party has the right to terminate the research project, with or without cause. The precise effects of such a termination depend on the point in time at which the right is exercised, but generally, the agreement allows the non-terminating party to continue with the project alone and at its own cost.

The 2011 agreement with DuPont does not automatically terminate upon our undergoing a change in control. However, if we experience a change in control to one of DuPont's major competitors, DuPont may elect to terminate the agreement entirely, or terminate certain unexercised co-investment options (described below). If the agreement is terminated as a result of our change in control, DuPont's licenses relating to genes that confer ASR-tolerance would terminate. Nevertheless, even following a change of control to a competitor, DuPont would retain a non-exclusive, royalty bearing, worldwide license to the genes discovered under the collaboration for traits other than ASR in certain specific crops.

Consideration and Costs

Our compensation under the 2011 agreement with DuPont is in the form of milestone payments and royalty payments based on the sales of resulting products. According to the agreement, each party funds its expenses in performing its activities using its own resources and a grant from the Israel-U.S. Binational Industrial Research and Development Foundation, or BIRD. We hold a contractual option to co-invest in the development costs for greater royalty percentages downstream if a product is successfully commercialized.

Rahan Meristem

Background and Duties

In 2007, we entered a multi-year collaboration with Rahan Meristem, or Rahan, with the target of developing banana varieties expressing tolerance to Black Sigatoka, the most damaging disease threatening commercial banana plantations. Black Sigatoka disease affects over 50% of banana crops, reducing yields by 35%-50% and leading to an estimated addition of 15-20% to final retail prices. The agreement is focused on identifying and developing genes targeting this trait in banana. The joint program focuses on the discovery and validation of genes identified by Evogene's ATHLETE computational technology. Transformation to banana plants and further validation in infected areas is conducted by Rahan.

In 2013, we announced that, in field trials conducted by Rahan, banana crops consisting of Evogene-discovered genes demonstrated a lower infection rate than banana crops which did not contain the selected genes.

In September 2017, we announced positive results in 2nd year field trials as well as the utilization of genome editing technologies to leverage genomic knowledge gained from the field trials.

License Grants

Pursuant to the agreement, Rahan holds an exclusive license to develop and commercialize banana products containing genes identified and prioritized under the collaboration.

Consideration and Costs

Each of Rahan and us bears its costs in performing its activities under the program, using its own resources. Under the terms of the agreement, we are entitled to royalty payments from sales by Rahan of commercial products containing genes identified under the collaboration.

Ag-chemicals

BASF SE (BASF)

Background and Duties

In December 2015, we entered into a three-year collaboration with BASF for the discovery and development of novel herbicides. Under the terms of the collaboration agreement, we utilize our biology-driven computational discovery approach to identify potential candidate chemicals for novel herbicides while BASF uses its proprietary advanced plant platform to screen the candidate chemicals in order to experimentally validate their biological effects on weeds. Successful candidates from this collaboration will be further developed by BASF.

License Grants

Pursuant to the agreement, BASF obtains a worldwide, royalty-bearing, exclusive license to use and modify chemical compounds that we identify under the collaboration to develop and commercialize weed control products containing such compounds.

Termination

Either party may terminate the agreement upon a material breach by the other party, whereupon the licenses granted to BASF shall terminate.

Consideration and Costs

Under the terms of the agreement, we are entitled to milestone payments upon achievement of certain development milestones as well as royalty payments from sales of products developed under the collaboration.

(iv) Raw Materials

We do not significantly rely upon any sources of raw materials for our operations.

(v) Seasonality

Our business in general, and our revenues in particular, which are generated almost entirely from our strategic collaborations, based on research and development and milestone payments as our discoveries advance in the product development pipelines of our collaborators, are not subject to variations based on seasonality.

(vi) Intellectual Property

Our intellectual property rights are important to our business, as they generally determine our eligibility to receive royalties for seed traits. We actively seek to protect the intellectual property and proprietary technology that we believe is important to the development of our business.

Our success will depend on our ability to obtain and maintain patent and other proprietary protection for commercially important technology, inventions and know-how related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets and operate without infringing the valid and enforceable patents and proprietary rights of third parties.

For information on the intellectual property rights under our CP and CE Seed Traits activities, please see "—Crop Enhancement (CE) Division —Intellectual Property."

With respect to our ag-chemicals activities, we expect in the future to file patent applications with respect to our discoveries, whether ourselves or together with our collaborators. Our on-going operations take into consideration various aspects of such future filings.

(vii) Government Regulation of our Operations

Seed traits

For more information on government regulation relating to our CP and CE Seed Traits activities, please see "—Crop Enhancement (CE) Division—Government Regulation."

Ag-chemicals

Our Activities in the area of ag-chemicals are performed at our labs in Israel and St. Louis and are regulated by the provisions of several Israeli/US governmental agencies. Violation of these regulations may expose us to criminal or civil actions and may impose liability on us.

(viii) Government Regulation of Product Candidates

Seed traits

For more information on regulation of CP and CE Seed Traits products, please see "—Crop Enhancement (CE) Division —Regulation of Products."

Ag-chemicals

Regulatory approvals are required prior to the commercialization and importation of ag-chemical products in most countries. Most of the key target markets where we anticipate our collaborators to sell ag-chemical products containing our compounds, including the United States, European Union, Brazil and Argentina, will require such regulatory approvals prior to the commercialization of such products. Pursuant to our collaboration agreement in the field of ag-chemicals, our collaborators will apply for all required regulatory approvals prior to commercialization of the product candidates we develop with them.

Examples of regulations our collaborators may need to apply for include numerous tests assessing the potential effects of the new active ingredient on mammals. These include tests on acute toxicity, carcinogenicity, mutagenicity and reproduction. Results from this stage will be fed into the chemistry and formulation development stages. In order to sell a crop protection ag-chemical product in most countries, both the product and its active ingredient first need to be registered. This process may require the submission of over 100 toxicology and ecotoxicology studies, as well as detailed information on the chemistry of the active ingredient and the product. In the United States, collaborators may need to seek regulatory approval from the EPA, which regulates the marketing and use of new plant pesticides and herbicides. In addition, in Brazil, the commercialization of ag-chemical products is regulated also among Anvisa, the federal agency in charge of evaluating pesticide health risks. The approval process involves data collection and analysis, environmental impact assessments and public hearings on certain products, and is similarly costly and time-intensive.

IV. SEEDS (EVOFUEL)

(i) Overview

Our wholly owned subsidiary, Evofuel, develops seeds for crops with high acreage potential, which have been overlooked by the multinational seed companies. We currently focus on the development of advanced high-yielding castor bean varieties that are non-GM and that can serve for industrial uses, such as bio-polymers and lubricants. We initiated these operations in 2007, which were spun-off from Evogene in January 2012 to operate as a separate company. Our initial target market is Latin America, particularly Brazil, Mexico and Argentina, where large scale agriculture is well established. We have entered into collaboration agreements with leading domestic companies in these markets, and expect to benefit from their established agriculture production models. In March 2016, we entered an agreement with Castor Fields, S.A.P.I. de C.V., or Castor Fields, a Mexican corporation focused on growing castor in Mexico, as well as producing and commercializing castor oil, under which we have agreed to sell castor seeds to Castor Fields. Our revenues with respect to this initial commercial sale are not significant.

Castor bean is grown today for its high-quality oil, which is used for various products in the bio-polymers and lubricants industries. Though treated as a "low-tech" crop in its key production areas around the world (for example, the castor bean is grown using traditional techniques such as hand picking), the castor bean plant may hold great promise as a source for the alternative fuel industry: oil comprises nearly 50% of the castor bean seed, and the plant itself contains innate characteristics of heat and drought tolerance. We believe that by leveraging our advanced breeding capabilities and methods we can turn castor into a modern crop, having attractive economics as feedstock source for industrial uses and biofuel, such as bio-polymers and lubricants. Our offering includes a "full package" to the grower for castor: (i) high yielding varieties with plant structure suitable for mechanized harvest; and (ii) best practices and recommendations to growers on how to grow castor efficiently in large scale. In addition, we collaborate with the Brazilian Agricultural Research Corporation, EMBRAPA, in customizing solutions for combine harvest. We anticipate that in the first years of commercialization our improved castor bean varieties will address the existing traditional castor oil markets, where the oil is used in a range of industrial products such as bio-polymers, lubricants, paints and cosmetics, and it could be used for the biofuel market beyond that.

For the last few years we have been testing our castor varieties in Latin America, mainly in Brazil, Argentina, and Mexico. Since we are attempting to turn castor into a modernized crop and introducing new protocols for growth, our path to commercialization requires collaborating with domestic companies in Latin America that have local agricultural production operations. Under these collaborations, we provide seeds and growth protocols to integrate castor into their growth cycle.

In multiyear and multisets field trials conducted in recent years, our castor varieties have demonstrated the ability to produce castor as a row crop. In 2018 we are continuing the field trialing activity with our different collaborators in the region.

(ii) Product development cycle

The castor seeds product development process includes three main steps: (i) research and pre-breeding, which we typically undertake in Israel and which takes between one to two years, resulting with experimental varieties for market location trials (ii) yield field trials in the target markets, which take between two to four years and result in varieties for pre-commercial field trials and (iii) semi-commercial field trials which take approximately two years in the target markets.

(iii) Key Collaborations

Insolo Agroindustrial

In early 2015, we entered into a collaboration agreement with Insolo Agroindustrial S.A., a Brazilian agribusiness and producer of soybean in Piaui state in the northeastern part of Brazil.

In December 2016, the collaboration agreement was extended by an additional two years with the target of evaluating the agronomic and economic benefits of growing Evofuel's castor varieties for Insolo farms located in the Cerrado, while developing the agronomic know-how and mechanical harvest know-how to integrate castor into Insolo's production system. According to the collaboration agreement, Evofuel will provide Insolo with castor bean seeds as well as technical growth protocols and agronomic guidance. Insolo, on its part, will provide the land, employees, equipment and other infrastructure required for growing the castor bean crops.

All intellectual property rights relating to the castor varieties vest solely with us. Both parties may terminate the agreement at will, other than during the growing season.

Castor Fields

In 2015 and the first quarter of 2016 we entered into two agreements with Castor Fields, a Mexican corporation that is focused on growing castor in North-West Mexico, as well as producing and commercializing castor oil. The target of the first agreement with Castor Fields was to evaluate the performance of Evofuel's castor varieties in Castor Field's fields in Northwest Mexico, as well as share agronomic know-how. Under such agreement, the seeds were supplied to Castor Fields by Evogene at no cost. Under the second agreement, Evofuel agreed to sell additional castor seeds to Castor Fields during 2016 for commercial use. Revenues to be received by Evofuel with respect to this initial commercial sale are not be significant. In 2018 we are continuing the evaluation of Evofuels castor varieties performance in Mexico.

Castor Oil Argentina

In October 2016, we entered into a three-year collaboration agreement with Castor Oil Argentina S.A., or CASA, an Argentinian corporation aiming to establish a castor oil industry in Argentina to evaluate the performance of Evofuel's castor varieties in CASA's fields in Argentina, as well as share agronomic know-how.

Domrep Energia

In March 2017, we entered into a three-year collaboration agreement with Domrep Energia srl, or DRE, a Dominican Republic corporation engaged in the development of conventional and renewable energy projects in Latin America and Caribbean regions to evaluate the performance of Evofuel's castor varieties in DRE's fields in the Dominican Republic, as well as share agronomic know-how.

Embrapa

In October 2014, we entered a joint research agreement with the Brazilian Agricultural Research Corporation (Embrapa), Brazil's leading agricultural research institution, for the advancement of castor cultivation in Brazil. The cooperation primarily focuses on technologies for controlling castor-specific diseases as well as practices for castor cultivation in rotation with soybean.

We expect the joint research agreement to be extended for an additional two years.

(iv) Raw Materials

We do not significantly rely upon any sources of raw materials for our operations.

(v) Seasonality

Our business in general, and our revenues in particular, generated from our collaborations with castor growers, are subject to variations based on seasonality. The timing of our seed production field trials, as well as the delivery of castor seeds to our partners and revenue recognition with respect to such seed sales, derive substantially from the seasonality of castor growing in our target markets.

(vi) Intellectual Property

Our policy is to register relevant varieties in the destination territories. To date we have registered, and are in the process of registering, several of our varieties in several Latin America countries.

(vii) Government Regulation of our Operations

Our activities, as well as those of our subsidiary, Evofuel, in the field of seeds and biofuels, are regulated by the Ministry of Environmental Protection. Pursuant to these regulations, we are required, among other things, to (i) obtain toxins permits, which allow us to conduct experiments using "hazardous materials," as such term is defined in the applicable regulations, and (ii) follow special rules regarding waste disposal. Violation of these regulations may expose the company to criminal penalties, administrative sanctions and responsibility to compensate those injured for any environmental damages.

(viii) Government Regulation of Product Candidates

All seed production designated for export is subject to field and warehouse inspection by the local regulator for compliance with the regulation of the country of destination. The inspections include sampling and inspections for pest and diseases.

Human Microbiome Therapeutics (Biomica)

Our subsidiary, Biomica Ltd., or Biomica, develops innovative microbiome-based therapeutics for the treatment of immune-mediated and infectious diseases. Biomica aims to discover and develop novel therapeutics intended to prevent, mitigate and treat human disease conditions related to the microbiome.

The human microbiome is one of the richest and most diverse ecosystems on earth, with a population of more than 40 trillion microorganisms that live in our intestines, mouth, skin and elsewhere in the body. In a healthy, symbiotic state the colonic microbiome plays an important role in human health, helping the body digest food, resist pathogens, regulate the metabolic systems, develop and regulate the immune system and synthesize essential nutrients and vitamins. However, the colonic microbiome may change in composition for a variety of reasons, including in response to long-term or high-dose antibiotics or following gastrointestinal infection. These changes in composition may result in the loss of key microbes, resulting in a state of dysbiosis. While the study of the human microbiome is not new, the scientific community's understanding of the microbiome, and the colonic microbiome in particular, has been significantly advanced through metagenomics, which has enabled the broader understanding of the human microbiome at the organismal, functional and community level. Scientific research has correlated dysbiosis in the colonic microbiome with various indications, including: infectious diseases, metabolic diseases, and inflammatory and immune diseases, including immuno-oncology.[17]

There are currently no therapeutics approved by the U.S. Food and Drug Administration, or the FDA, which are designed to restore the microbiome to a healthy state. Biomica leverages the combined power of computational predictive biology, unique understanding of the human microbiome at the molecular and functional levels, and their relevance to human health and disease conditions. Biomica's pipeline is enabled by a computational predictive biology platform combining biological 'Big-Data' and cutting edge Artificial Intelligence analysis technologies. In addition, Biomica aims to target microbes in a highly selective and specific manner, while preserving the microbial diversity and avoiding elimination of beneficial or commensal microbes in the treatment of infectious diseases.

V. TECHNOLOGY INFRASTRUCTURE

We believe that we have achieved a unique position in the seeds, ag-biologicals and ag-chemicals industry through our ability to effectively integrate and analyze massive amount of complex agricultural 'big data' aimed at improving crop productivity. Our technology infrastructure facilitates all of our product-driven operations: seed traits, ag-chemicals, ag-biologicals, and seeds. This infrastructure, which is highly flexible and synergistic, provides us with means of integrating our genomics core competencies. Specifically, our technology infrastructure is comprised of four enablers that are key to our leading position in utilizing big data to improve plant performance: (i) scientific know-how and expertise in various relevant fields, such as plant science, ag-chemicals, and plant diseases, continuously enriched through advances in our discovery programs; (ii) vast amounts of data generated in-house or collected from public sources, tailored to support hypotheses we develop based on our scientific know-how; (iii) computational technologies that integrate, assemble and mine the vast amount of genomic, chemical and microbial data; and (iv) validation systems and assays in various plants and insects as well as screening systems for chemicals, used to validate the discoveries made through our computational technologies.

We continuously strive to improve and expand our technological capabilities. Since our initiation in 2002, we believe that we have developed valuable computational technologies containing unique features. We intend to continue investing in our research capabilities in order to expand our technological capabilities in genomics, chemistry and microbiology to continue to provide innovative solutions for our collaborators.

[17] Source: N Engl J Med 375;24; Microbial Ecology in Health & Disease 2015, 26: 26191; Inflamm Intest Dis 2017;2:116–123

Science and Know-how

As of December 31, 2017, our research and development activities involve 130 employees amounting to approximately 79% of our total full-time workforce. Our staff possesses multidisciplinary and wide-ranging expertise, with employees specializing in biology, chemistry, plant genetics, agronomics, mathematics, computer science and other related fields and 45 of our employees hold a Ph.D.

Our main physical research and development facilities are located near the agricultural and biotech hub in Rehovot, Israel, and we benefit from continuing professional relationships with members of the agriculture and plant-science academy. In February 2015, we announced the establishment of our U.S. R&D site at the Bio-Research and Development Growth (BRDG) Park on the campus of the Donald Danforth Plant Science Center in in St. Louis, Missouri, initially focusing on validation of genes discovered under our insect control program.

Furthermore, we employ a Scientific Advisory Board composed of representatives from the Faculty of Agriculture of the Hebrew University in Jerusalem, the Weizmann Institute of Science in Rehovot and other global academia institutions, as well as experienced scientists from the industry.

We are constantly improving our scientific skill set and know-how. As we enter into new fields of operations and new product programs, we are able to leverage our existing know-how and enrich our genomic knowledge and capabilities.

Computational Technologies

Our computational technologies, utilized for data integration and analysis, are comprised of two main proprietary components: (i) our databases generated via data integration capabilities and (ii) our computational analysis platforms, utilized to mine these databases within our on-going activities.

Proprietary Databases

To date, Evogene's databases leverage multiple sources and types of "big data" in order to support the different research and development activates across the company. Specifically, we focus on four different entities: plant genes, microbial genes, microbial organisms and small molecules. Information on these different entities is highly connected, enabling our analysis platforms to maximize the predictive power based on data.

Our databases draw in part on the public domain (primarily from academic institutions and research publications), and in part compile increasing amounts of proprietary data, generated either in-house or received from our collaborators.

Our current database framework consists of the following:

- *Our plant and microbial gene databases* are focused on the gene entity, linking all available data relevant to a gene in a single assembled database. Our plant gene databases covers over 16 million genes from more than 200 plant species, and accounts for various data types, including phenotypic (*i.e.*, data related to a plant's observable characteristics, morphology, development and physiological properties) and genotypic (*i.e.*, data from the molecular level, derived from DNA, RNA or other sources). Our microbial gene database, currently incorporates microbial genes from both public and proprietary resources. To date, we have more than 250 million microbial genes in our database. In the scope of our efforts to expand our databases to include novel genetic material, we established a pipeline for assembling gene models from samples containing bacterial populations, or metagenomics. Utilizing this approach, we have unveiled millions of genes, some of which have never been observed before, as well as a multitude of bacteria never previously cultured. Altogether, the genomic databases, including both plant and bacterial genes, is continuously expanding to support on-going activities. We continue to accumulate tailored data generated from our in-house field trials, as well as any newly available information from the public domain.

- *Our chemical database* is structured as molecule centric, covering broad chemical collections, derived from publicly available sources of synthetic and natural chemistry. This database currently comprises over 150 million chemicals, integrating multiple layers of data describing the chemicals' properties. This database, along with its integration to our other databases, serves our on-going ag-chemical activity, supporting our discovery of novel chemicals to potentially serve as herbicides and insecticides. The chemical database will continue to expand with data generated from in-house dedicated experiments, as well as incorporation of available public data.

- *Microbial strain database* – In 2016 and 2017, we continued to develop our microbial strain centric database. This database comprises data on microbial strains isolated from plant surroundings. We have already established a preliminary collection of several of tens of thousands of microbials, which have been isolated, and are undergoing characterization. This will serve our Ag-biologicals activity, as well as potential other activities in the future.

Computational Analysis Platforms

We have developed advanced proprietary computational analysis platforms, comprised of novel algorithms and methodologies designed to handle immense amounts of data. Our computational analysis platforms are designed to deliver innovative solutions to key bottlenecks in the product development process. In the recent years, we have focused more and more on machine learning driven approaches to provide effective predictions for key questions. As our predictions undergo validation via dedicated validation systems, this allows us to continuously improve by feeding back these results into our systems.

We intend to continue improving our existing computational analysis platforms through novel methodologies and enhanced algorithms and developing new technologies, allowing us to address new fields, within plant genomics and beyond, in correspondence to of the arising needs of seed and ag-chemical industry pipelines. Where appropriate, we may also enter agreements with third parties to bolster our technological capabilities.

Currently, we operate and develop the following computational analysis platforms:

ATHLETE™

The ATHLETE™ computational analysis platform was launched in 2006 and is our central computational analysis platform for plant gene identification, comprised of unique algorithmic tools and novel data-mining concepts that allow generation of rapid and reliable lists of genes relevant to a target trait.

Using this technology, we are able to capture and dissect vast amounts of genomic data types from various plant species and other species and engage in the efficient discovery and prioritization of hundreds of genes linked to desired traits. This technology mines our genomic, gene centric database, including the available information on the gene's biological activity, its molecular characteristics, and any available correlation between the gene's phenotype and its activity in the molecular level, as well as the same type of information for similar genes in other plant species. Through hundreds of queries, the system is able to prioritize the genes linked to a desired trait. ATHLETE™ is one of our most versatile technological tools as well; we apply this tool to different traits and crops, all according to the needs of our various internal programs and collaboration agreements.

Gene2Product™

The Gene2Product™ analysis platform was launched in 2013, although components of the platform have been used since 2010. Gene2Product™ is a unique computational analysis platform to develop biotechnology seed traits by high throughput optimization of a selected gene function in a target crop (which we refer to as "mode of use"). This technology complements our ATHLETE™ platform: efficacy of a gene depends not only on the presence or absence of the gene of interest, which is determined by ATHLETE™, but also on the optimization of the gene with other factors related to the mode of use of such gene, which is determined by Gene2Product™. Gene2Product™ is designed to improve trait efficacy for certain genes identified (for example by ATHLETE™) by predicting desired gene combinations, preferred gene variants, optimal gene regulation mode, and a gene's performance under changing environmental conditions.

EvoBreed™

The EvoBreed™ computational analysis platform was launched in 2010. EvoBreed™ is our technology for discovery of SNPs, to enhance advanced plant breeding, designed to offer reliable correlations between genetic data and plant phenotype. A SNP is a single-nucleotide polymorphism, which is essentially a DNA sequence variation that occurs when a single nucleotide, a basic gene "building block," varies from one DNA sequence to another. Like ATHLETE™, EvoBreed™ specializes in comprehensive cross analysis, tapping into the extensive genomic datasets we have collected. The result is a prediction of SNP-to-trait association. The ultimate purpose of EvoBreed™ is to enable plant breeders to design optimal crosses between breeds, enhancing a desired trait or set of traits, allowing for logical and insightful breeding decisions, to accelerate and correct the breeding process from start to end.

PoinTar

We developed a computational analysis platform for our ag-chemical division, PoinTar, which we launched on February 2014. This technology specializes in the identification of plant targets (proteins) for development of ag-chemicals such as herbicides, and examines data aimed to indicate the potential impact that a target, when inhibited, would have on a weed. Both our gene centric database and its integrated chemical-centric database are mined by PoinTar to achieve this goal. In addition to incorporating tools available in ATHLETE™, through dedicated tools developed to address the specific needs and considerations related to herbicide target identification, PoinTar addresses the structural characteristics of a target in order to predict the target's likelihood of binding to a small chemical molecule for use as a herbicide.

PointHit

PointHit, launched in 2015, is a computational analysis platform for identifying chemical molecules that are predicted to be potential ag-chemicals, currently focusing on herbicide applications. This analysis platform leverages biological rationale, discovering chemical molecules by optimizing between three key considerations: (i) predicted binding to plant molecular targets, discovered by PoinTar, (ii) potential for ag-activity, namely probability to be absorbed by the plant and transported within the plant to reach the molecular target within the plant, and (iii) compliance with product desired attributes such as low cost of production, low toxicity and others. Overall, relying on 'big data' computational approaches, the PointHit platform is capable of prioritizing tens of millions of chemicals to a selected library of candidate herbicide hits. The designed libraries will then be screened on plants in order to validate which of the candidate chemicals indeed exhibit herbicidal activity.

BiomeMiner

In 2015 we launched a computational analysis platform for identifying microbial insecticidal toxins, *i.e.* microbial genes that can be specifically toxic to insects that lead to substantial crop damage. This unique computational technology platform consists of a newly developed vast proprietary microbial-based gene centric database, the underlying data assembly pipelines, as well as a dedicated analysis platform, BiomeMiner. The BiomeMiner platform utilizes advance machine learning methods in order to identify toxins with novel modes of action in order to overcome the rising resistance to current products' modes of action. In August 2015, we announced the achievement of a key milestone in our insect control program with the successful completion of the first computational discovery round for microbial genes with insecticidal properties using this platform.

Microbeminer

During 2016 and 2017 we developed a computational platform addressing key challenges in the discovery and development of microbial products. The core of the analysis platform relies on the ability to identify the genetic functions within the microbe responsible for important aspects of product development including, efficacy, stability of effect across conditions and shelf life. This platform leverages the vast digital catalog of microbial functions within our microbial gene database along with our proprietary plant-microbe phenotypic data in our microbial strain database.

C. Organizational Structure

As of the date of this report, we held directly and indirectly the percentage indicated of the outstanding capital stock of the following subsidiaries:

Name of Subsidiary	Jurisdiction	Ownership Interest
Biomica Ltd.	Israel	100% (1)
Evofuel Ltd.	Israel	100%
Evogene Inc.	Delaware	100%

(1) The Company has undertaken to grant Biomica's CTO shares and options constituting up to 9.90% of Biomica's share capital.

D. Property, Plants and Equipment

Our principal facility is located in Rehovot, Israel and consists of 3,209 square meters (approximately 34,500 square feet) of leased office space accommodating our corporate offices, our molecular and microbial labs and our crop protection labs. The lease for these offices and labs expires on December 31, 2018.

We perform most of our research and plant validation work at our "Evogene Farm," located on two adjacent lots we lease outside Rehovot. The first lease covers approximately 13,500 square meters (or approximately 145,000 square feet) of land, and expires on July 21, 2025, and we hold an option to renew such lease for an additional 36 months. The second lease covers approximately 10,000 square meters (approximately 108,000 square feet) of land and expires on May 14, 2021, and we hold an option to renew such lease for an additional 60 months. The Evogene Farm contains greenhouses, which are used for gene validation in model and target plants, plant propagation, and plant nurseries. In addition, the Evogene Farm contains warehouses, office facilities and seed banks. In January 2018, we entered a three year sublease of a portion of the leased space, comprising approximately 88,000 square feet of land, with an agriculture-tech start-up company.

In 2015, we established a research and development facility in the Bio-Research and Development Growth (BRDG) Park, developed by Wexford Science & Technology, a BioMed Realty Company, in the campus of the Donald Danforth Plant Science Center in St. Louis, Missouri. We signed a 6 years lease, expiring November 1, 2021 and covering approximately 5,753 square feet lab facility to accommodate our insect resistance research. In December 2017, we entered a 3 year sublease of a portion of the leased space, comprising approximately 1,200 square feet of lab and office space, with a biotech company.

Unless otherwise stated, all of our facilities are fully utilized. We have no material tangible fixed assets apart from the leased properties described above.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

*The information contained in this section should be read in conjunction with our consolidated financial statements for the year ended December 31, 201***7** *and related notes and the information contained elsewhere in this annual report. Our financial statements have been prepared in accordance with IFRS as issued by the IASB. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. As a result of many factors, such as those set forth under "Item 3.D. Risk Factors" and "Special Note Regarding Forward-Looking Statements," our actual results may differ materially from those anticipated in these forward-looking statements.*

Summary

We are a leading biotechnology company developing novel products for life science markets through the use of a unique Computational Predictive Biology (CPB) platform. We have developed a proprietary innovative CPB platform, leveraging scientific understanding and computational technologies to harness biological 'Big Data' in order to develop improved seed traits, ag-chemical and ag-biological products, as well as microbiome based therapeutics for humans.

Our product development efforts are organized under two business divisions, the Crop Enhancement division, for the development of products enhancing plant yield and tolerance to abiotic stresses (such as improved tolerance to drought, heat and salinity), and the Crop Protection division, for the development of products improving plant resistance to biotic stresses (such as resistance to diseases, pests and insects). As of the beginning of 2018, our product development efforts are organized under three product-oriented divisions: Ag-Biologicals, Ag-Seeds, and Ag-Chemicals.

Currently, we are primarily developing seed traits for improved yield and abiotic stress tolerance, seed traits for biotic stress resistance, novel herbicides, bio-stimulants and bio-pesticides. The product candidates we develop focus on essential crops, including corn, soybean, wheat, rice, and cotton.

Furthermore, we operate a seed business under our wholly-owned subsidiary, Evofuel Ltd., or Evofuel, currently focusing on the development of improved castor bean seeds for industrial uses. Similarly, we aim to discover and develop human microbiome based therapeutics though our subsidiary, Biomica Ltd.

Our research and development activities, which focus on the early stages of product development, are performed either as internal product development programs or as part of strategic collaborations with world-leading agricultural companies, including BASF, Bayer, DuPont, and Monsanto, which aim to further develop our discoveries into commercial products. In recent years our relative investment in internal research and development activities has gradually increased, from 64% of total research and development investment in 2015, to 74% in 2016 and to 86% in 2017. We currently research and develop at least 23 different innovative crop enhancement and crop protection seed traits, ag-chemical and ag-biological product candidates either independently or as part 8 strategic collaborations. We are still in the development stages and no product has been commercialized based on our discoveries.

Key Measures of Our Performance

Revenues

Our revenues are principally derived from research and development payments under our collaboration agreements and related arrangements with our collaborators. Revenues from our collaboration with Monsanto accounted for approximately 66% of our revenues for the year ended December 31, 2017. See "Item 4.B. Business Overview—Key Collaborations." We have not yet generated any revenues from our CE ag-biologicals business. We expect our revenues to decrease due to net decrease in the research and development payments we receive in accordance with the work plans under our various collaboration agreements, including changes in the scope and nature of our activities as part of our yield and stress collaboration with Monsanto. All of our revenues for the year ended December 31, 2017 were revenues from research and development services performed under our collaboration agreements.

We also derive, to a lesser extent at this stage of our business, a portion of our revenues from milestone payments paid by our collaborators upon the occurrence of certain specified events pursuant to the agreements with our collaborators. We did not record revenues for the year ended December 31, 2017 from milestone payments.

Most of our agreements with collaborators also provide for royalty revenues based on the sales or transfer of products our collaborators develop that contain, or are based on, our discoveries, which we license to them. We have not yet generated revenues from royalty payments.

Payments

Under our collaboration agreements and related arrangements, our revenues, principally derived from research and development services, are paid to us in one or more of the following different forms of payment:

On-Going Payments

On-going payments for research and development services are payments we receive from our collaborators as consideration for the research and development services we provide them.

In accordance with the terms of the relevant agreements, these payments are recognized as revenues either over the duration of the relevant contract based on the proportion of actual costs incurred for each reporting period to the estimated total costs of the collaboration or at certain specific time points. Revenues from payments for research and development services performed under our collaboration agreements, amounted to $3.30 million and accounted for approximately 97.6% of our total revenues for the year ended December 31, 2017.

Up-front Payments

We also receive a portion of our revenues as up-front payments made under our agreements with our collaborators. Up-front payments primarily represent payments we received upon entering into collaboration agreements for research and development services.

In accordance with the terms of the relevant agreement, up-front payments are recognized either as revenues over the duration of the relevant contract based on the proportion of actual costs incurred for each reporting period to the estimated total costs of the collaboration or at certain specific time points.

Share Purchases

We also entered into share purchase agreements with Monsanto and Bayer, which were signed in contemplation of our collaboration agreements with them. We attribute the proceeds from arrangements under these agreements to the value of our ordinary shares issued to Monsanto and Bayer at the time of the investments as well as to the services we perform under the collaboration agreements. As a result, we recognize as revenues the excess payment, which is the consideration investors paid for our ordinary shares over the market value of our ordinary shares traded on the TASE at the time of the investment.

This excess payment is recognized as revenues beginning on the date of the investment, for the duration of the contract based on the proportion of actual costs incurred for each reporting period to the estimated total costs of the collaboration. We recognized as revenues the fair value of the put option with Monsanto throughout the term of the agreement, based on the proportion of actual costs incurred for each reporting period to the estimated total costs of the collaboration.

Geographical Breakdown of Revenues

The following table presents net revenues by geographic breakdown of customers as a percentage of net revenues for the periods indicated. This data refers to the location of the customer and does not take into consideration the location of the end-user (to the extent it is different).

	Year ended December 31,		
Geographical Region:	**2017**	**2016**	**2015**
United States	76%	89%	86%
Germany	10%	11%	14%
Other	14%	-	-
Total	**100%**	**100%**	**100%**

Cost of Revenues

Cost of revenues primarily consists of development costs incurred in conjunction with our collaborations, which include salaries and related personnel costs (including share-based compensation) for our research and development employees working on the collaborations, payments to third party suppliers that assist us in producing genomic data and the cost of disposable materials (such as seeds, laboratory supplies, fertilizer, water and soil). Cost of revenues also includes operational overhead costs such as depreciation of our property, plant and equipment, costs related to leasing and operating our office and laboratory facilities and greenhouses and expenses related to retaining advisors, which primarily consist of biological experts. We expect our cost of revenues to decrease due to changes in the scope and nature of activities performed under our collaborations, in accordance with the work plans under those collaborations.

Operating Expenses

Research and Development Expenses: Research and development expenses primarily consist of costs related to our internal or independent research and development activities, as opposed to development costs incurred in connection with our collaborations (which are included in cost of revenues). These activities include developing and improving our computational, scientific and validation technologies, know-how and capabilities used by our product divisions as well as research and development conducted mainly under our ag-chemicals, ag-biologicals, and seeds operations. Research and development costs include salaries and related personnel costs (including share-based compensation), payments to third party suppliers mainly with respect to producing genomic data, cost of disposable materials, expenses associated with participation in professional conferences, operational overhead costs, which include costs related to leasing and operating our office, laboratory facilities and greenhouses, and depreciation of property, plant and equipment. Expenses related to our intellectual property, such as legal and other costs associated with patent applications, are also included as research and development expenses. We expect that our research and development expenses will remain at the current level.

Business Development Expenses: Business development expenses consist of costs primarily related to maintaining our relationships with our collaborators and establishing new collaborations. These costs include salaries and related personnel costs (including share-based compensation), expenses incident to business travel, legal and professional services. We expect our business development expenses will remain at the current level.

General and Administrative Expenses: General and administrative expenses mainly include salaries and related personnel costs (including share-based compensation) for our general and administrative employees, HR activities and employee benefits and welfare, consulting, insurance, legal and professional services and other expenses associated with being a U.S. listed entity. We expect that our general and administrative expenses will remain at the current level.

Financing Income and Expenses

Financing income consists primarily of interest income on our cash bank deposits and securities, income related to a revaluation of the marketable securities we hold, which consist of corporate bonds and government treasury notes, and foreign currency exchange income. Financing expenses consist primarily of expenses related to bank charges and commissions, expenses related to a revaluation of the marketable securities we hold, and foreign currency exchange expense. The interest due on government grants is also considered a financial expense, and is recognized beginning on the date on which we receive the grant until the date on which the grant is expected to be repaid.

Taxes on Income

We do not generate taxable income in Israel, as we have historically incurred operating losses resulting in carryforward tax losses totaling approximately $79 million as of December 31, 2017, to be carried forward indefinitely to future tax years. Accordingly, we do not expect to pay taxes in Israel until we have taxable income after the full utilization of our carryforward tax losses.

Our U.S. subsidiary, Evogene Inc., is subject to U.S. income taxes. In 2017, the weighted tax rate applicable to Evogene Inc. was approximately 20% (federal tax and state tax where the company operates).

Segment Data

We split our operations into three operating segments - Evogene, Evofuel and Biomica, as follows:

- *Evogene*: Our Evogene segment includes the activities preformed under our Crop Enhancement and Crop Protection divisions, including seed traits, ag-chemicals and ag-biological activities.
- *Evofuel*: Our Evofuel segment focuses on the development and commercialization of improved castor bean seeds for industrial uses.
- *Biomica:* Biomica was established on March 2, 2017. Biomica's mission is to discover and develop human microbiome-based therapeutics.

The following table presents our revenues and operating loss by segment for the period presented:

	Evogene	Evofuel	Biomica	Total
	(in thousands)			
Year ended December 31, 2017				
Revenues	$ 3,247	$ 134	$ -	$ 3,381
Operating loss	(21,430)	(313)	(204)	(21,947)
Year ended December 31, 2016				
Revenues	6,540	-	-	6,540
Operating loss	(20,168)	(921)	-	(21,089)
Year ended December 31, 2015				
Revenues	11,129	-	-	11,129
Operating loss	(16,146)	(1,775)	-	(17,921)

A. Operating Results

Comparison of Period-to-Period Results of Operations

The following table sets forth our results of operations as a percentage of revenues for the periods indicated:

	Year Ended December 31,					
	2015		2016		2017	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
	(in thousands)					
Consolidated Statements of Comprehensive loss:						
Total Revenues	$ 11,129	100%	$ 6,540	100%	$ 3,381	100%
Cost of revenues	8,255	74.2	5,639	86.2	2,845	84.1
Gross profit	2,874	25.8	901	13.8	536	15.9
Operating Expenses:						
Research and development, net	14,449	129.8	16,405	250.8	16,987	502.4
Business development	1,964	17.6	1,696	25.9	1,686	49.9
General and administrative	4,382	39.4	3,889	59.5	3,810	112.7
Total operating expenses	20,795	186.9	21,990	336.2	22,483	665
Operating loss	(17,921)	(161.0)	(21,089)	(322.5)	(21,947)	(649.1)
Financing income	2,571	23.1	2,424	37.1	2,125	62.9
Financing expenses	(1,863)	(16.7)	(891)	(13.6)	(1,005)	(29.7)
Loss before taxes on income	(17,213)	(154.7)	(19,556)	(299.0)	(20,827)	(616.0)
Taxes on income	-	-	36	0.6	11	0.3
Net loss	(17,213)	(154.7)	(19,592)	(299.6)	(20,838)	(616.3)
Other comprehensive income (loss):						
Loss from cash flow hedges	(45)	(0.4)	-	-	-	-
Amounts transferred to the statement of profit or loss for cash flow hedges	267	2.4	-	-	-	-
Total comprehensive loss	$ (16,991)	(152.7)%	$ (19,592)	(299.6)%	$ (20,838)	(616.3)%

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenues

Our total revenues decreased by $3.1 million, or 48.3%, to $3.4 million for the year ended December 31, 2017 from $6.5 million for the year ended December 31, 2016.

Revenues primarily consisted of research and development payments, reflecting R&D cost reimbursement under certain of our collaboration agreements. The majority of these agreements also provide for development milestone payments and royalties or other forms of revenue sharing from successfully developed product candidates, and therefore, longer term, we anticipate that our future revenues and profitability will largely reflect the receipt of such payments from existing and future collaborations.

The decline in revenues reflects the net decrease in research and development cost reimbursement, in accordance with the work plans under Evogene's various collaboration agreements. This decline is mainly due to the advancement of our collaboration agreement with Monsanto, from gene discovery to pre-development efforts, resulting in reduction of activity scope. Looking forward, we expect this revenue trend to continue.

Cost of Revenues

Cost of revenues decreased by $2.8 million, or 49.5%, to $2.8 million for the year ended December 31, 2017 from $5.6 million for the year ended December 31, 2016. The decrease related primarily to the decrease in revenues from R&D cost reimbursement.

Gross Profit

Gross profit decreased by $0.4 million, or 40.5%, to $0.5 million for the year ended December 31, 2017 from $0.9 million for the year ended December 31, 2016. This decrease was mainly a result of the decrease in the activity under our collaborations, as described above.

Operating Expenses

Research and Development Expenses, net. Research and development expenses increased by $0.6 million, or 3.5%, to $17.0 million for the year ended December 31, 2017 from $16.4 million for the year ended December 31, 2016.

Business Development Expenses. Business development expenses remained stable at $1.7 million for the year ended December 31, 2017 and for the year ended December 31, 2016, as the Company continued its business development activities.

General and Administrative Expenses. General and administrative expenses decreased by $0.1 million, or 2.0%, to $3.8 million for the year ended December 31, 2017 from $3.9 million for the year ended December 31, 2016.

Financing Income and Expenses

Financing Income. Financing income decreased by $0.3 million, or 12.3%, to $2.1 million for the year ended December 31, 2017 from $2.4 million for the year ended December 31, 2016. This decrease is due to relatively high capital gains derived mainly from the company's marketable securities in the first half of 2016.

Financing Expenses. Financing expenses increased slightly by $0.1 million, or 12.8%, to $1.0 million for the year ended December 31, 2017 from $0.9 million for the year ended December 31, 2016.

Taxes on Income

We did not record or pay taxes on income for the year ended December 31, 2017 in Israel due to our net loss for the year. We recorded taxes in the amount of $0.01 million with respect to Evogene Inc.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenues

Our total revenues decreased by $4.6 million, or 41.2%, to $6.5 million for the year ended December 31, 2016 from $11.1 million for the year ended December 31, 2015.

Revenues primarily consisted of research and development payments, reflecting R&D cost reimbursement under certain of our collaboration agreements. The majority of these agreements also provide for development milestone payments and royalties or other forms of revenue sharing from successfully developed product candidates.

This decline reflects the net decrease in such research and development payments in accordance with the work plans under our various collaboration agreements. It includes changes in the scope and type of activities undertaken by us as part of our yield and stress collaboration with Monsanto, whereby resource intensive activities, such as novel gene discovery and validation, evolved to focus increasingly on optimization activities supporting Monsanto’s ongoing development and advancement efforts of our discovered genes.

Cost of Revenues

Cost of revenues decreased by $2.7 million, or 31.7%, to $5.6 million for the year ended December 31, 2016 from $8.3 million for the year ended December 31, 2015. The net decrease primarily related to the change in the scope and type of activities performed under our collaboration with Monsanto.

Gross Profit

Gross profit decreased by $2.0 million, or 68.6%, to $0.9 million for the year ended December 31, 2016 from $2.9 million for the year ended December 31, 2015. This decrease was mainly a result of the decrease in the activity under our collaborations, as described above.

Operating Expenses

Research and Development Expenses, net. Research and development expenses increased by $2.0 million, or 13.5%, to $16.4 million for the year ended December 31, 2016 from $14.4 million for the year ended December 31, 2015. The increase in these expenses largely related to the expansion of activities, primarily focused on the development of computational platforms, as well as discovery and validation activities in our key growth segments (insect control activity under our seed traits segment, ag-chemicals and ag-biologicals).

Business Development Expenses. Business development expenses decreased by $0.3 million, or 13.6%, to $1.7 million for the year ended December 31, 2016 from $2.0 million for the year ended December 31, 2015. The decrease mainly related to a decrease in non-cash share-based compensation expenses and to a decrease in salaries and benefits.

General and Administrative Expenses. General and administrative expenses decreased by $0.5 million, or 11.3%, to $3.9 million for the year ended December 31, 2016 from $4.4 million for the year ended December 31, 2015. This decrease was primarily attributable to a decrease in non-cash share-based compensation expenses.

Financing Income and Expenses

Financing Income. Financing income decreased by $0.2 million, or 5.7%, to $2.4 million for the year ended December 31, 2016 from $2.6 million for the year ended December 31, 2015. This decrease was primarily attributable to a decrease in interest income.

Financing Expenses. Financing expenses decreased by $1.0 million, or 52.2% to $0.9 million for the year ended December 31, 2016 from $1.9 million for the year ended December 31, 2015. This decrease was primarily attributable to the changes in the fair value of marketable securities that we hold and to devaluation of investments we made in 2015.

Taxes on Income

We did not record or pay taxes on income for the year ended December 31, 2016 in Israel due to our net loss for the year. We recorded taxes in the amount of $0.04 million with respect to Evogene Inc.

Application of Critical Accounting Policies and Estimates

Our accounting policies affecting our financial condition and results of operations are more fully described in our consolidated financial statements included elsewhere in this annual report. The preparation of our financial statements requires management to make judgments, estimates and assumptions that affect the amounts reflected in the consolidated financial statements and accompanying notes, and related disclosure of contingent assets and liabilities. We base our estimates upon various factors, including past experience, where applicable, external sources and on other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and could have a material adverse effect on our reported results.

In many cases, the accounting treatment of a particular transaction, event or activity is specifically dictated by accounting principles and does not require management's judgment in its application, while in other cases, management's judgment is required in the selection of the most appropriate alternative among the available accounting principles, that allow different accounting treatment for similar transactions.

We believe that the accounting policies discussed below are critical to our financial results and to the understanding of our past and future performance as these policies relate to the more significant areas involving management's estimates and assumptions. We consider an accounting estimate to be critical if: (1) it requires us to make assumptions because information was not available at the time or it included matters that were highly uncertain at the time we were making our estimate; and (2) changes in the estimate or different estimates that we could have selected may have had a material impact on our financial condition or results of operations.

Revenue Recognition

We recognize revenues when such revenues and the costs incurred or to be incurred in respect of the transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to us.

We have entered into collaboration agreements under which we grant to our collaborators an exclusive license to intellectual property rights for the development and commercialization of our proprietary product candidates. The agreements contain multiple elements, including funding from periodic payments for research and development services, up-front payments, payments based on achievement of specified milestones and royalties on sales of products sold by our collaborators that include the licensed traits.

Revenues from periodic payments for research and development services are recognized throughout the services period based on the proportion of actual costs incurred for each reporting period to the estimated total costs of the collaboration, subject to the enforceable rights. Up-front payments received upon entering into the license and collaboration agreements, in exchange for the transfer of our patented genes to licensees, are also recognized as revenues over the duration of the relevant contract based on the proportion of actual costs incurred for each reporting period to the estimated total costs of the collaboration.

Revenues from milestone events, which are contingent upon the occurrence of certain events specified in the collaboration agreement, are recognized as revenues when the milestones, as defined in the particular agreement, are achieved.

Share-Based Compensation

We account for share-based compensation in accordance with the fair value recognition provision of IFRS guidance on share-based compensation. Under these provisions, share-based compensation is measured at the grant date based on the fair value of the award and is recognized as an expense, net of estimated forfeitures, over the requisite service period, which is generally the vesting period of the respective award. Share-based compensation expense was $2.2 million in 2017. We selected the binomial option-pricing model as the most appropriate method for determining the estimated fair value of our share-based compensation. The determination of the grant date fair value of options using an option-pricing model is affected by estimates and assumptions regarding a number of complex and subjective variables. These variables include the estimated period of time that we expect employees to hold their options, the expected volatility of our share price over the expected term of the options (estimated using historical data from prior years, including historical forfeiture rates), share option exercise and cancellation behaviors, risk-free interest rates, expected dividend yields (assumed to be zero as we have historically not paid and do not intend to pay dividends on our ordinary shares) and the price of our ordinary shares. In addition, our compensation expense is affected by our estimate of the number of awards that will ultimately vest. In the future, if the number of equity awards that are forfeited by employees is lower than expected, the expense recognized in future periods will be higher.

Government Grants

Government grants received from the IIA, BIRD and CIIRDF are recognized as a liability if future economic benefits are expected from the projects that will result in royalty-bearing sales.

A liability for the grant is first measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grant received and the fair value of the liability is accounted for as a government grant and recognized as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. Royalty payments we make to repay the grant are treated as a reduction of the liability. If no economic benefits are expected from the research activity, the grant receipts are recognized as a reduction of research and development expenses, in which case, the royalty obligation is treated as a contingent liability.

There is uncertainty regarding the estimates of future cash flows and the estimate of the capitalization rate that is used for determining the amount of the liability recognized. At the end of each reporting period, we evaluate whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid (since we will not be required to pay royalties) based on the best estimate of future sales, and if so, the appropriate amount of the liability is recognized as a reduction of research and development expenses.

Recently Issued Accounting Standards

A number of new standards, amendments to standards and interpretations were not yet in effect for the year ended December 31, 2017, and have not been applied in preparing our consolidated financial statements as of that date. For more information on these accounting standards, please see Note 4 to the financial statements.

Impact of Israeli Tax Policies and Government Programs on our Operating Results

Tax regulations have a material impact on our business, particularly in Israel where we have our headquarters. The following summary describes the current tax structure applicable to companies in Israel, with special reference to its effect on us.

General Corporate Tax Structure in Israel

Israeli companies are generally subject to corporate tax on their taxable income. In 2017, the corporate tax rate was 24% and as of 2018, the corporate tax rate is 23%. Capital gains derived by an Israeli company are generally subject to tax at the prevailing regular corporate tax rate.

Law for the Encouragement of Industry (Taxes), 5729-1969

The Law for the Encouragement of Industry (Taxes), 5729-1969, generally referred to as the Industry Encouragement Law, provides several tax benefits for "Industrial Companies".

The Industry Encouragement Law defines an "Industrial Company" as an Israeli resident company which was incorporated in Israel, of which 90% or more of its income in any tax year, other than income from certain government loans, is derived from an "Industrial Enterprise" owned by it and located in Israel. An "Industrial Enterprise" is defined as an enterprise whose principal activity in a given tax year is industrial production.

The following tax benefits, among others, are available to Industrial Companies:

- amortization over an eight-year period of the cost of purchased know-how and patents and rights to use a patent and know-how which are used for the development or advancement of the Industrial Enterprise, commencing in the year in which such rights were first exercised;
- under limited conditions, an election to file consolidated tax returns together with Israeli Industrial Companies controlled by it; and
- expenses related to a public offering are deductible in equal amounts over a three-year period, commencing in the year of the offering.

Eligibility for benefits under the Industry Encouragement Law is not contingent upon the approval of any governmental authority. We believe that we currently qualify as an Industrial Company within the meaning of the Industry Encouragement Law. There can be no assurance that we will continue to qualify as an Industrial Company or that the benefits described above will be available in the future.

Law for the Encouragement of Capital Investments, 5719-1959

The Law for the Encouragement of Capital Investments, 5719-1959, generally referred to as the Investment Law, provides certain incentives for capital investments in production facilities (or other eligible assets) by "Industrial Enterprises" (as defined under the Investment Law).

The Investment Law was significantly amended effective April 1, 2005 (the "2005 Amendment"), further amended as of January 1, 2011 (the "2011 Amendment") and further amended as of January 1, 2017 (the "2017 Amendment"). Pursuant to the 2005 Amendment, tax benefits granted in accordance with the provisions of the Investment Law prior to its revision by the 2005 Amendment remain in force but any benefits granted subsequently are subject to the provisions of the 2005 Amendment. Similarly, the 2011 Amendment introduced new benefits to replace those granted in accordance with the provisions of the Investment Law in effect prior to the 2011 Amendment. However, companies entitled to benefits under the Investment Law as in effect prior to January 1, 2011 were entitled to choose to continue to enjoy such benefits, provided that certain conditions are met, or elect instead irrevocably to forego such benefits and have the benefits of the 2011 Amendment apply. The 2017 Amendment introduces new benefits for Technological Enterprises, alongside the existing tax benefits.

On October 24, 2010, we received a tax ruling from the Israel Tax Authority, according to which, among other things, our activity has been qualified as an "industrial activity", as defined in the Investment Law and is also eligible to tax benefits as a Beneficiary Enterprise, which will apply to the turnover attributed to such enterprise. The benefit period under this tax ruling will be ended in 2018, and since we do not anticipate to generate any taxable income in tax year 2018, we will not be entitled to any tax benefits under this tax regime.

In addition, we have reviewed and evaluated the implications and effect of the benefits under the 2011 and 2017 Amendments, and, while potentially eligible for such benefits, we have not yet chosen to be subject to the tax benefits introduced by the 2011 or the 2017 Amendments.

B. Liquidity and Capital Resources

Our working capital requirements generally reflect the growth in our business and have historically been provided by cash raised from our investors, payments from our collaborators and government grants. As of December 31, 2017, we had cash, marketable securities and short term bank deposits of $71.8 million and working capital of $68.1 million, which is calculated by subtracting our current liabilities from our current assets. As of December 31, 2017, we had $3.5 million of outstanding indebtedness related to government grants. We expect that our working capital and capital investment needs will be funded for the foreseeable future mainly by our cash and cash equivalents, marketable securities and bank deposits we hold as well as from payments from our collaborators. Currently, our principal uses of cash are to fund our operations. In the future, cash may serve us in effecting M&A transactions for achieving inorganic growth in our different segments of operation. We believe that our existing cash and cash equivalents, marketable securities and short-term bank deposits as of December 31, 2017 will be sufficient to meet our projected cash requirements for at least 12 months.

To the extent that existing cash, and cash equivalents, marketable securities and short-term bank deposits are insufficient to fund our future activities, we may need to raise additional funding through debt and equity financing. Additional funds may not be available when we need them on terms that are acceptable to us, or at all. If adequate funds are not available to us on a timely basis, we may be required to delay, limit, scale back or cease our research and development activities, establishment and maintenance of sales and marketing capabilities or other activities that may be necessary to commercialize our product candidates.

Cash Flows

The following table presents the major components of net cash flows used in and provided by operating, investing and financing activities for the periods presented:

	Year Ended December 31,		
	2015	2016	2017
		(in thousands)	
Net cash used in operating activities	$ (12,407)	$ (11,693)	$ (15,929)
Net cash provided by investing activities	17,387	4,028	15,245
Net cash provided by financing activities	45	655	814
Exchange rate differences - cash and cash equivalents	(17)	25	69
Net increase (decrease) in cash and cash equivalents	$ 5,008	$ (6,985)	$ 199

Cash Used in Operating Activities

Cash used in operating activities for the year ended December 31, 2017 was $15.9 million and was impacted primarily by a net loss of $20.8 million, net financing income of $1.5 million, a decrease of $0.5 million in deferred revenues and other advances, partially offset by $2.2 million in share-based compensation expenses, $2.1 million in depreciation expenses and by $2.2 million in interest received during the year ended December 31, 2017.

Cash used in operating activities for the year ended December 31, 2016 was $11.7 million and resulted primarily from a net loss of $19.6 million, net financing income of $1.7 million, a decrease of $0.5 million in trade and other payables, partially offset by $2.9 million in share-based compensation expenses, a net decrease of $2.4 million in trade and other receivables, $2.3 million in depreciation and amortization expenses and by $2.4 million in interest received during the year ended December 31, 2016.

Cash used in operating activities decreased by $0.7 million in 2016 compared to 2015. Net cash used in operating activities for the year ended December 31, 2015 was $12.4 million and resulted primarily from a net loss of $17.2 million, an increase of $1.8 million in trade and other receivables, a decrease of $1.1 million in deferred revenues, a decrease of $0.7 million in trade and other payables and net financing income of $0.8 million, partially offset by $4.4 million in share-based compensation expenses, $2.4 million in depreciation and amortization expenses and by $2.7 million in interest received during the year ended December 31, 2015.

Cash Provided by Investing Activities

Cash provided by investing activities was $15.2 million for the year ended December 31, 2017. This was primarily attributable to the net proceeds from sale of marketable securities and withdrawal of bank deposits, partially offset by purchases of property, plant and equipment.

Cash provided by investing activities was $4.0 million for the year ended December 31, 2016. This was primarily attributable to withdrawal of bank deposits, partially offset by net purchases of marketable securities and purchases of property, plant and equipment.

Cash provided by investing activities was $17.4 million for the year ended December 31, 2015. This was primarily attributable to the net proceeds from sale of marketable securities and withdrawal of bank deposits, partially offset by purchases of property, plant and equipment.

Cash Provided by Financing Activities

Cash provided by financing activities was $0.8 million for the year ended December 31, 2017. This was primarily attributable to proceeds from exercise of options and to net proceeds from government grants.

Cash provided by financing activities was $0.7 million for the year ended December 31, 2016. This was primarily attributable to proceeds from exercise of options and to net proceeds from government grants.

Cash provided by financing activities was $45 thousand for the year ended December 31, 2015. This was primarily from proceeds from exercise of options, partially offset by net repayment of government grants.

Government Grants

Our research and development efforts are financed, in part, through grants from IIA, BIRD, CIIRDF and EU. From our inception through 2017, we received grants totaling $6.6 million (including accrued interest) from IIA and repaid $3.3 million; we received grants totaling $0.9 million from BIRD and repaid $50 thousands; we received grants totaling $0.3 million from CIIRDF, which we have not yet repaid; and we received grants totaling $0.4 million from EU, which are not required to be repaid. As of December 31, 2017, we had four active research grants under which we received funding: two from the IIA, one from each of the BIRD and EU.

Under the Innovation Law, research and development programs that meet specified criteria and are approved by a committee of the IIA are eligible for grants. The grants awarded are typically up to 50% of the project's expenditures, as determined by the IIA committee and subject to the benefit track under which the grant was awarded. A company that receives a grant from the IIA, is typically required to pay royalties to IIA on income generated from products incorporating know-how developed using such grants (including income derived from services associated with such products), until 100% of the U.S. dollar-linked grant plus annual LIBOR interest is repaid. Certain benefit tracks do not require payment of royalties. In general, the rate of royalties varies between 3% to 5% of the income generated from the IIA supported products and services. The Company has received to date grants under multiple projects, all of which were extended to the Company under a single program.

The obligation to pay royalties is contingent on actual income generated from such products and services. In the absence of such income, no payment of royalties is required. It should be noted that the restrictions under the Innovation Law, including restrictions on the sale, transfer or assignment outside of Israel of know-how developed as part of the programs under which the grants were given will continue to apply even after the repayment of such royalties in full.

The terms of the grants under the Innovation Law also require that the products developed as part of the programs under which the grants were given be manufactured in Israel and that the know-how developed thereunder may not be transferred outside of Israel, unless prior written approval is received from the IIA (such approval is not required for the transfer of a portion of the manufacturing capacity which does not exceed, in the aggregate, 10% of the manufacturing (in which case only notification is required)), and additional payments are required to be made to IIA, as described below. It should be noted that this does not restrict the export of products that incorporate the funded know-how.

Ordinarily, as a condition to obtaining approval to manufacture outside Israel, we may be required to pay royalties at an increased rate and up to an increased cap amount of up to three or six times the total amount of the IIA grants, plus interest accrued thereon, depending on the manufacturing volume to be performed outside Israel.

The Innovation Law restricts the ability to transfer know-how funded by IIA outside of Israel. Transfer of IIA-funded know-how outside of Israel requires prior approval and is subject to payment of a redemption fee to the IIA calculated according to a formula provided under the Innovation Law. A transfer for the purpose of the Innovation Law is generally interpreted very broadly and includes, inter alia, any actual sale of the IIA-funded know-how, any license to develop the IIA-funded know-how or the products resulting from such IIA-funded know-how or any other transaction, which, in essence, constitutes a transfer of the IIA-funded know-how.

The IIA approval to transfer know-how created, in whole or in part, in connection with an IIA-funded project to a third party outside Israel is subject to payment of a redemption fee to IIA calculated according to a formula provided under the Innovation Law that is based, in general, on the value of the transferred know how, multiplied by the amount of grants received from the IIA (including the accrued interest), divided by the total amounts expended by the grant recipient on R&D. To the extent any royalties were paid on account of the grants, such royalties will be deducted from the calculation. The redemption fee is subject to a cap of six times the total amount of the IIA grants, plus interest accrued thereon, namely the total liability to the IIA, including the accrued interest, multiplied by six. If the grant recipient undertakes that for a period of not less than three years, at least 75% of its relevant R&D positions will remain in Israel, then the cap will be reduced to three times (rather than six times) the total liability to the IIA, calculated as set out above.

Subject to prior approval of the IIA, we may transfer the IIA-funded know-how to another Israeli company. If the IIA-funded know-how is transferred to another Israeli entity, the transfer would still require IIA approval but will not be subject to the payment of the redemption fee (although there will be an obligation to pay royalties to the IIA from the income of such sale transaction as part of the royalty payment obligation). In such case, the acquiring company would have to assume all of the selling company's restrictions and obligations towards the IIA (including the restrictions on the transfer of know-how and manufacturing capacity outside of Israel) as a condition to IIA approval.

We are required to pay up to 100% of the amount of grants received by us from IIA plus interest at the London Interbank Offered Rate, or LIBOR. In addition to paying any royalty due, we must abide by other restrictions associated with receiving such grants under the Innovation Law. These restrictions may impair our ability to outsource development of products containing our traits, engage in change of control transactions or otherwise transfer our know-how outside Israel and may require us to obtain the approval from IIA for certain actions and transactions and pay additional royalties and other amounts to IIA. We cannot be certain that any approval of IIA will be obtained on terms that are acceptable to us, or at all. We may not receive the required approvals should we wish to transfer IIA-funded know-how, manufacturing and/or development outside of Israel in the future. Furthermore, in the event that we undertake a transaction involving the transfer to a non-Israeli entity of know-how developed with IIA-funding pursuant to a merger or similar transaction, the consideration available to our shareholders may be reduced by the amounts we are required to pay to IIA. Any approval, if given, will generally be subject to additional financial obligations. Failure to comply with the requirements under the Innovation Law may subject us to mandatory repayment of grants received by us (together with interest and penalties), as well as expose us to criminal proceedings. In addition, IIA may from time to time conduct royalties audits and such audits may lead to additional royalties being payable on additional products. Such grants may be terminated or reduced in the future, which would increase our costs. IIA approval is not required for the marketing of products resulting from the IIA-funded research or development in the ordinary course of business.

We have two BIRD grants: (i) a joint development program with DuPont of research and development improvements to soybean rust resistance and (ii) a joint research and development program with Marrone Bio Innovations, or MBI, for discovery of novel modes of biological action for insect control.

Under these two BIRD programs, the grant for the joint development will be repaid either (a) from revenues received for the licensing of products developed under the project (b) from revenues generated from sales of products developed under the project (c) from proceeds received from the outright sale of the technology developed under the project, (d) if we and our partner have concluded the development of a product within the period of development defined under each of the programs, or (e) if within 66 months from the original grant date, in the case of our program with DuPont, or 60 months, in the case of our program with MBI, we and our partner to the development program did not conclude the development of a product but nevertheless decide to continue the project, and in each such case the repayment shall be in an amount of up to 150% of the total grant received, depending on the timing of the repayment.

The CIIRDF grant was also provided as part of a previous joint project of ours with Saskatchewan Wheat Pool Inc., operating under the name of Viterra, to develop canola with improved yield and abiotic stress tolerance. This grant will be repaid from income resulting from the commercialization of a product developed pursuant to the grant project, at a rate of 2.5% of royalties on sales of such product, in an amount up to 100% of the total grant received. Alternatively, we may repay the grant as royalties of 2.5% of the income we receive from licensing the product developed pursuant to the grant. Payment of such royalties is not required if commercial revenues are not generated as a result of the project.

In early 2016, a grant application for a consortium for research in photosynthesis in which we participate within the EU Horizon 2020 Program for Research and Innovation was confirmed. The consortium's research program is focused on an innovative approach to modulate photosynthesis related pathways aiming to improve photosynthetic efficiency. Beyond us, the consortium includes academic institutions such as the Max Planck Institute of Molecular Plant Physiology and the Institute of Terrestrial Microbiology, the Weizmann Institute of Science, and the Imperial College of Science, Technology and Medicine. We will receive €0.9 million for our participation in the consortium during the five-year project.

In January 2018, Evogene announced participation in a three-year IIA sponsored Phenomics Consortium to develop tools and systems for precision agriculture and innovative development of agriculture products. In addition to Evogene, the Phenomics Consortium consists of several Israeli industrial companies and academic institutions. The goal of the consortium is to develop plant phenotyping technologies, including the generation of comprehensive agricultural 'Big-Data' and the development of artificial intelligence algorithms for real time analysis of phenotypic data. The consortium is expected to span over three years, subject to both re-approval each year and an option to be extended to five years. The grant approved for the consortium for calendar year 2018 is approximately $5 million, of which approximately $1.4 million to Evogene.

See "Item 3.D. Risk Factors—Risks Relating to Our Incorporation and Location in Israel—We have received Israeli government grants for certain of our research and development activities. The terms of these grants may require us to satisfy specified conditions in order to manufacture products and transfer technologies supported by such grants outside of Israel. We may be required to pay penalties in addition to repayment of the grants."

C. Research and Development, Patents and Licenses, etc.

Evogene continuously invests in maintaining the technological capabilities of our Computational Predictive Biology (CPB) platform, which includes tailored 'Big-Data' databases, interconnected data hubs and proprietary analysis and prediction algorithms. The Company also maintains laboratories, greenhouses and fields for conducting biological validation activities for our computational predictions.

The Company's ongoing research and development activities are funded mainly by internal resources, collaboration research and development payments and governmental grants.

Evogene's research and development activities comprise a significant portion of the Company's expenses, representing over 78.3%, 79.8% and 78.2% of Evogene's total expenses in 2017, 2016 and 2015, respectively. Research and development expenses reached $19.8 million, $22.0 million and $22.7 million in 2017, 2016 and 2015, respectively.

As of 31 December, 2017, 130 of our employees, representing approximately 79% of our entire work force, were engaged in research and development on a full-time basis.

D. Trend Information

The Company has reported a decline in revenues which reflects the net decrease in research and development cost reimbursement, in accordance with the work plans under Evogene's various collaboration agreements. This decline is mainly due to the advancement of our collaboration agreement with Monsanto, from gene discovery to pre-development efforts, resulting in reduction of activity scope.

The world market experienced a decrease in commodity prices in 2014 (one example of such decrease is corn prices which decreased from around US$7 per bushel in mid-2013 to less than US$4 per bushel in late 2014 and maintained that level throughout 2015, 2016 and 2017[18]).

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[18] Source:USDA NASS, Quick Stats Database.

Commencing in 2015 and continuing throughout 2016 and 2017, the seeds and ag-chemicals markets, which are highly consolidated and dominated by a relatively small number of large companies, have undergone further consolidation. In December 2015, Dow Chemical and DuPont proposed to merge with the intention of later separating their combined agriculture, materials science, and specialty products businesses into three independent and specialized corporations. In February 2016, the State-owned Chinese company ChemChina offered $43 billion to acquire Syngenta. Several months later, in September 2016, Bayer proposed to purchase Monsanto for $66 billion. These mergers would transform the "Big Six" into the "Big Four." In September 2017, the Dow-DuPont merger was successfully completed. In October 2017, the acquisition of Syngenta by ChemChina was completed. These mergers may further limit the number of potential collaborators available for us to partner with. Due to the small number of companies in our market, there are limited opportunities for us to grow our business with new collaborators. For further information, please see "Item 3.D Risk Factors—Risks Related to our Business and Industry—There are only a few companies in our seed and ag-chemical market, and we rely on a limited number of collaborators to develop and commercialize products containing our seed traits and ag-chemicals."

These trends may adversely impact the size of research and development expenditures of our existing and potential collaborators, which may, in turn, adversely impact the size of the research payments that we may receive, as well as our ability to extend existing collaborations or enter into new ones. For further information, please see "Item 3.D Risk Factors—Risks Related to our Business and Industry—A decrease in research expenditures in the seed, ag-chemicals and ag-biologicals markets may jeopardize the continuation, or scope, of our collaborations with seed, ag-chemicals and ag-biologicals companies and adversely impact our ability to continue or extend existing collaborations or enter into new collaborations on favorable financial terms."

Other than as described immediately above or disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2017 to December 31, 2017 that are reasonably likely to have a material adverse effect on our net revenue, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

E. Off-Balance Sheet Arrangements

We do not currently engage in off-balance sheet financing arrangements. In addition, we do not have any interest in entities referred to as variable interest entities, which includes special purpose entities and other structured finance entities.

F. Contractual Obligations

Our significant contractual obligations and commitments as of December 31, 2017 are summarized in the following table:

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
			(in thousands, unaudited)		
Trade payables	$ 1,110	$ -	$ -	$ -	$ 1,110
Other payables(1)	2,934	-	-	-	2,934
Liabilities in respect of government grants (undiscounted)(2)	106	1,308	873	1,941	4,228
Non-cancellable operating leases(3)	742	563	243	-	1,548
Total	$ 4,892	$ 1,871	$ 1,116	$ 1,941	$ 9,820

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(1) Consists of liabilities to employees for salaries and payroll accruals, liabilities to government authorities and accrued expenses.

(2) Consists of the projected repayments of government grants that partly fund our research and development activities.

(3) Consists of non-cancellable operating leases of our offices, laboratory facilities, greenhouses and motor vehicles.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth the name, age and position of each of our executive officers and directors as of the date of this annual report.

Name	Age	Position
Executive officers		
Ofer Haviv	51	President and Chief Executive Officer
Ido Dor	42	Executive Vice President & General Manager Ag-Biologicals
Dr. Arnon Heyman	40	Vice President & General Manager Ag-Seeds
Mark Kapel	41	Executive Vice President Technology
Dr. Hagai Karchi	56	Chief Technology Officer & Head of R&D Ag-Biologicals
Eran Kosover	40	Executive Vice President & General Manager Ag-Chemicals
Dr. Alin Sela-Brown	47	Vice President Screening & Validation Systems
Alex Taskar	52	Chief Financial Officer
Directors		
Martin S. Gerstel(3)(4)	76	Chairman of the Board
Sarit Firon(1)(2)(4)	51	Director
Ziv Kop(1)(3)(4)	46	Director
Dr. Adina Makover(2)(4)	65	Director
Leon Y. Recanati(3)(4)	68	Director
Dr. Kinneret Livnat Savitsky(1)(2)(3)(4)	50	Director

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(1) Member of our Audit Committee.

(2) Member of our Compensation and Nominating Committee.

(3) Member of our Corporate Development Committee.

(4) Independent director under the Nasdaq Listing Rules.

Executive Officers

Ofer Haviv has served as Evogene's President and Chief Executive Officer since December 2004 after having joined the company in January 2002 as Chief Financial Officer. Mr. Haviv serves as Chairman of the Board of Directors of both the subsidiaries: Evogene Inc. and Evofuel Ltd., and has held such positions since 2006 and 2012, respectively. From 2006 to 2007, Mr. Haviv served as a director of the company. Mr. Haviv is a Certified Public Accountant and holds a BA in Accounting and Economics from Tel Aviv University.

Ido Dor has served as Executive Vice President & General Manager Ag-Biologicals since January 2018. Previously Mr. Dor served as EVP & General Manager Crop Enhancement starting November 2015, responsible for the overall management of the Crop Enhancement division. Mr. Dor joined Evogene in 2011 as a Director of Business Development and led the business activity of the Ag-Chemicals division. In 2015, Mr. Dor was appointed to lead Evogene's Ag Biologicals activity, overseeing research, development and business aspects. Prior to joining Evogene, Mr. Dor headed the Small & Mid-Size Enterprise business unit at the Israeli branch of SAP, the world leading organizational software company. Prior to his role at SAP Israel, Mr. Dor led a business unit at Niram Gitan Group, a leading Israeli management-consulting firm. Mr. Dor holds an M.B.A. and a BSc in Industrial Engineering - both from Tel Aviv University.

Dr. Arnon Heyman was appointed Vice President & General Manager of Ag-Seeds in January 2018, previously serving as director of project management crop protection. Dr. Heyman's team was in charge of all collaboration and internal projects in the fields of disease control, insect control and chemistry. Prior to Evogene, Dr. Heyman served as Chief Technology Officer of BondX Technologies Ltd. from 2009-2014. Dr. Heyman holds a PhD. in Biotechnology from the Hebrew University in Jerusalem and a MBA from the College of Management.

Mark Kapel was appointed as Executive Vice President Technology in February 2018, previously serving as Director of Information Technologies & Data Management from 2013. Mr. Kapel joined Evogene in 2005 and has held various positions in the company's IT and technology platform over the years. Mr. Kapel holds a B.Sc. in Physics & Computers from the Ben Gurion University of Negev, an MBA specializing in Management of Technology from Tel Aviv University's Faculty of Management – Recanati Graduate School of Business Administration.

Dr. Hagai Karchi has served as Chief Technology Officer & Head of R&D Ag-Biologicals since January 2018. Previously Mr. Karchi served as Chief Technology Officer & Head of R&D Crop Enhancement Starting January 2016. Dr. Karchi joined Evogene from its establishment in January 2002 as one of its founders, and has served as Company's Executive Vice President of Development and Chief Technology Officer since September 2008. Dr. Karchi also serves as a director of Evogene's subsidiary, Evogene Inc., since September 2006. Dr. Karchi holds a PhD in Plant Genetics and Genomics, earned jointly from the Weizmann Institute of Science and the Hebrew University of Jerusalem, and an MA and BA in Plant Genetics, both from the Hebrew University of Jerusalem.

Eran Kosover has served as Executive Vice President & General Manager Ag-Chemicals since January 2018. Previously Mr. Kosover served as EVP & General Manager Crop Protection starting of November 2015, responsible for the overall management of the Crop Protection division. Prior to that, Mr. Kosover served as Evogene's VP Project Management since April 2014, responsible for managing all company collaborations and internal projects. Between January 2009 and May 2011 Mr. Kosover served as a Business Development Manager. Prior to joining the company, Mr. Kosover was in charge of Sales, Business Development and Operations at Atera Networks, an Israeli Hi-tech start-up in the field of Small-Medium Businesses IT. Prior to Atera, Mr. Kosover worked as a Project Manager in various strategic consulting projects for Teva Pharmaceuticals (mainly Teva EU division). Mr. Kosover holds an M.A. in Economics and a B.A. in Economics and Management, both from the Tel Aviv University.

Dr. Alin Sela- Brown was appointed Vice President Screening & Validation Systems in February 2018, previously serving as Director of Labs and Bioassays managing labs, Tissue Culture, PG unit and QA. Dr. Sela-Brown joined Evogene in March 2005 as Head of the Molecular lab. In 2012, Dr. Sela-Brown assumed responsibility of the Labs and QA group aggregating together 3 units: Molecular Lab, Tissue Culture and QA. Over the years Dr. Sela-Brown developed a broad perspective over Evogene's validation pipelines. Prior to joining Evogene, Dr. Sela-Brown served as a researcher at Proteologics Ltd., a biotech company. Dr. Sela-Brown holds a Ph.D in Medical Science from the Hebrew University of Jerusalem.

Alex Taskar joined Evogene in January 2017 as CFO. Prior to joining Evogene Mr. Taskar served in various senior managerial positions, including CFO of Mercury Interactive Israel, CFO of Orsus Solutions and various COO and CFO positions in several Industrial and Start-up companies. Mr. Taskar holds an M.A. in Economics and a BA in Accounting and Economics, both from Tel-Aviv University. Mr. Taskar is also a Certified Public Accountant in Israel.

Directors

Martin S. Gerstel has served as our chairman of the board of directors since December 2004 and as a director since February 2004. In addition, Mr. Gerstel has served as the chairman of Compugen Ltd., a predictive drug discovery and development company, from 1997 to 2017 and currently serves as an advisor. From February 2009 to February 2010, Mr. Gerstel served as either chief executive officer or co-chief executive officer of Compugen, and, in both cases, as a member of the board of directors. Mr. Gerstel also served as chairman of Keddem Bioscience Ltd., a drug discovery company, from 2004 to 2016, co-founder and co-chairman of Itamar Medical Ltd., a medical device company, from 1997 to 2017, where he is now a director. In addition, Mr. Gerstel has been a board member of Yeda Ltd., the technology transfer company of the Weizmann Institute of Science, since 1994 and was a board member of Yissum Ltd., the technology transfer company of the Hebrew University, from 2003 to 2015. He is a member of the board of governors and the executive committee of the Weizmann Institute of Science and the board of governors of The Hebrew University of Jerusalem. Prior to relocating to Israel, Mr. Gerstel was co-chairman and chief executive officer of ALZA Corporation, a U.S. pharmaceutical company specializing in advanced drug delivery, which he helped to found in 1968. Mr. Gerstel holds a B.S. from Yale University and an M.B.A. from Stanford University.

Sarit Firon has served as a director of our Company since she was appointed by the Board on August 10, 2016. Ms. Firon is the Managing Partner of Cerca Partners, a Venture Capital, co-investment fund. Previously, Ms. Firon was the Chief Executive Officer of Extreme Reality (XTR3D), a company that provides real time software-based, 3D motion capture technology, using a single standard webcam. Prior to her role at Extreme Reality (XTR3D), Ms. Firon held roles as Chief Financial Officer at each of Kenshoo, MediaMind (NSDQ: MDMD, acquired by DG corp.), OLIVE SOFTWARE, P-CUBE (acquired by Cisco) and RADCOM, LTD. (NSDQ: RDCM). Ms. Firon serves as the Chairperson of myThings, a global leader in customized programmatic ad solutions, which runs personalized retargeting campaigns on desktop, mobile and Facebook, since July 2015. Ms. Firon also holds other board positions at DTORAMA and Protected Media. Ms. Firon holds a Bachelor's degree in accounting and economics, and a Diploma in Accounting Advanced Studies, both from Tel Aviv University.

Ziv Kop has served as a director of our company since 2014. Mr. Kop also serves as a director of Outbrain Inc. and Outbrain LTD. Mr. Kop is a Partner at Marker LLC, an early and late stage venture capital firm. Mr. Kop served as chief operating officer of Outbrain Inc. a web-based content discovery platform, from February 2014 to December 2015. From its inception in 2003 until June 2013, Mr. Kop was a Managing Partner at GlenRock Israel., a private equity investment firm, where he managed a portfolio of growth companies in the fields of advanced technologies and healthcare, and served on the board of more than ten private and public companies. Prior to his role at GlenRock, Mr. Kop served as Chief Executive Officer of POC Management Consulting, a leading Israeli consultancy in the field of strategic planning. Mr. Kop holds an LL.B. and M.B.A. from Tel Aviv University Law School and Business School, and is a graduate of INSEAD's Young Managers Program.

Dr. Kinneret Livnat Savitsky has served as a director of our company since September 2010. Between 2010 and October 2016 she has served as the chief executive officer of BioLineRx Ltd., a drug development company. She also served on its board of directors from 2010 to 2011, and as its Vice President of Research and Development during 2004. From 2005 to 2009, she served as the General Manager of BioLine Innovations Jerusalem Ltd., after having been employed by Compugen Ltd. from 1997 to 2004, where she last served as Vice President of Biology. Dr. Savitsky holds a B.Sc. in Biology from the Hebrew University in Jerusalem, as well as an M.Sc. in Biochemistry and a Ph.D. in Molecular Biology, both from Tel Aviv University, in Israel. Dr. Savitsky currently serves as a Chairperson in KAHR Medical, ImmPACT-Bio, and HepaRx (in a process of liquidation by board resolution), and a Director in DreaMed Diabetes and FutuRx (starting January 2018), all private companies in the healthcare field. In addition she serves as a consultant to other pharmaceutical development companies and related funds.

Dr. Adina Makover has served as a director of our company since February 2003. Dr. Makover also serves as a director of the following companies: GeneGrafts Ltd., a biotechnology company, since 2006; Spine 21 Ltd., a medical device company, since 2008; EarlySense Ltd., a medical device company, since 2006; PerfAction Technologies Ltd., a medical device company, since 2007; and Kadimastem, a medicine company in the field of stem cell-based therapeutics, since 2013. She has also served as a board observer at Argo Medical Ltd., a medical device company in the rehabilitation field, since 2011. From 2006 to present, Dr. Makover has served as the investment manager of the Life Sciences ventures at ProSeed Venture Capital Fund Ltd. Dr. Makover holds a Ph.D. in Life Sciences earned jointly from the Weizmann Institute of Science and Columbia University, and an M.B.A. from Bar-Ilan University.

Leon Y. Recanati has served as a director of our company since May 2005. Mr. Recanati has served as chairman and chief executive officer of GlenRock Israel Ltd. since 2003. Previously, Mr. Recanati was chief executive officer and/or chairman of IDB Holding Corporation; Clal Industries Ltd.; Azorim Investment Development and Construction Co Ltd.; Delek Israel Fuel Corporation; and Super-Sol Ltd. He also founded Clal Biotechnologies Industries Ltd., a biotechnology investment company operating in Israel. Mr. Recanati holds an M.B.A. degree from the Hebrew University of Jerusalem and Honorary Doctorates from the Technion Institute of Technology and Tel Aviv University.

Arrangements for Election of Directors and Members of Management; Family Relationships

There are no arrangements or understandings with major shareholders, customers, suppliers or others related to the election of our board of directors or the appointment of members of our senior management. There are furthermore no family relationships among any directors or members of our senior management.

B. Compensation

Compensation of Officers and Directors

The aggregate compensation, including non-cash share-based compensation (consisting of expenses related to option grants), accrued by us in respect of the year ended December 31, 2017 to all persons who served as directors and/or executive officers during that year, was approximately $3.0 million. That amount includes approximately $0.4 million of gross compensation set aside or accrued for executive officers for purposes of pension, severance, retirement, car, phone or similar benefits or expenses, but does not include share based compensation, business travel, relocation, professional and business association dues and expenses reimbursed to executive officers, and other expenses commonly reimbursed by companies in Israel. During 2017 we granted to our executive officers and directors an aggregate amount of 761,500 options at an average exercise price of NIS 19.02. All of such options will expire within ten (10) years from the date of grant.

Our compensation for our executive officers is paid pursuant to employment agreements and is based, in part, on each executive officer's personal contribution to our management, operations and success. Such compensation is determined consistent with our compensation policy. For more information on our compensation policy, please see "—Equity Compensation". Each executive officer's annual bonus is determined according to a formula that is consistent with the compensation policy and that links financial and qualitative target-based goals and metrics related to the specific objectives within the responsibility of the relevant executive officer. Certain general company targets are uniform with respect to all of our executive officers, including our Chief Executive Officer. The goals and objectives of our executive officers are determined by the compensation and nominating committee and our board of directors. For each fiscal year, our board of directors determines the maximum target bonus for each of our executive officers, including our Chief Executive Officer. In the case of our executive officers other than the Chief Executive Officer, assuming that the bonus terms conform to the compensation policy, such terms only require approval by the compensation and nominating committee followed by the board of directors. For our Chief Executive Officer, all terms of employment, including bonus terms, require in general approval by our shareholders including the holders of a majority of shares voted by all shareholders on such matter and held by shareholders who are neither controlling shareholders of our Company nor have a personal interest in such matter.

The following table presents information regarding compensation accrued in our financial statements for the year ended December 31, 2017 for our five most highly compensated executive officers, namely: our Chief Executive Officer (Mr. Ofer Haviv); our former Chief Operation Officer (Mr. Yuval Ben-Galim, who served throughout 2017 and whose term of office expired in February 2018); our Chief Financial Officer (Mr. Alex Taskar); our Executive Vice President & General Manager Crop Enhancement (Mr. Ido Dor); and our Executive Vice President & General Manager Crop Protection (Mr. Eran Kosover);

	(in thousands, US$)(1)			
Name and Position	**Salary and related benefits**	**Bonus**(2)	**Value of Options Granted**(3)	**Total**
Ofer Haviv				
President and Chief Executive Officer	359	110	180	649
Yuval Ben-Galim				
Former Chief Operation Officer	224	9	228	461
Alex Taskar				
Chief Financial Officer	203	39	151	393
Ido Dor				
EVP & General Manager Crop Enhancement	200	47	124	371
Eran Kosover				
EVP & General Manager Crop Protection	193	46	126	365

(1) All amounts reported in the table are in terms of cost to the Company, as recorded in our financial statements.

(2) Bonus amounts shown in this table reflect bonuses that were paid, or to be paid, in 2018, relating to the officers' service in our company in 2017 and approved by our compensation and nominating committee and board of directors, and with respect to our Chief Executive Officer also by our shareholders.

(3) Consists of amounts recognized as non-cash expenses in our comprehensive statement of income for the year ended December 31, 2017 ("Share based-compensation" expenses).

Employment and Consulting Agreements with Executive Officers

We have entered into written employment agreements with all of our executive officers. Each of these agreements contains provisions regarding non-competition, confidentiality of information and assignment of inventions. The non-competition provision applies for a period that is generally 12 months following termination of employment. The enforceability of covenants not to compete in Israel and in the United States is subject to limitations. The employment agreement of each executive officer is terminable at will, upon 60 days written notice, by either party to the agreement, except for the employment agreement with Mr. Ofer Haviv, our President and Chief Executive Officer, which is terminable at will, upon 90 days written notice, by either party to the agreement.

Director Compensation

Our directors are entitled to cash compensation and equity compensation as follows:

Cash Compensation to Directors

All of our directors receive annual fees and per-meeting fees for their service on our board and its committees, in the following amounts:

- Annual fees in the amount of approximately $24,700 for directors not classified as experts and approximately $32,900 for directors classified as experts;
- Per-meeting fees in the amount of approximately $950 for directors not classified as experts and approximately $1,260 for directors classified as experts; 60% of such amounts for participation in meetings via phone and 50% of such amounts for resolutions adopted in writing.

Such amounts are within the range for cash compensation for external and unaffiliated directors under the Companies Law.

Cash Compensation to Chairman of the Board

According to our compensation policy, a chairman of the board who is determined by the Board to be an "active chairman" in light of increased involvement in our activities and increased time investment in the performance of the duties accompanying the chairman's position compared to the other directors, may be entitled to increased compensation relative to our other directors. If so determined, an active chairman of our board will be entitled to (i) an annual fee of up to three times the average annual fee of the other directors and (ii) a per-meeting fee of up to two times the average per-meeting fee of the other directors.

Our Board has determined that Mr. Martin Gerstel, our chairman of the board, is an active chairman and our shareholders have approved setting Mr. Gerstel's fees as active chairman at approximately $7,200 per month. Mr. Gerstel has waived his right to receive the per-meeting fees that are payable to our other directors for so long as he serves as the Company's active chairman of the board.

Equity Compensation

In accordance with our compensation policy, each new non-employee director who is appointed to the board of directors is granted options to purchase 10,000 ordinary shares of the Company. These options vest over a period of four years, with one-sixteenth of the options vesting at the end of each successive three-month period following the director's appointment, subject to continued service through each vesting date. In accordance with our compensation policy, the chairman of the board was granted options to purchase twice the number of ordinary shares, on similar terms.

In addition, each non-employee director is granted annually, upon the anniversary of such director's original election to the board, options to purchase 2,500 ordinary shares of the Company. These options vest over a period of one year commencing three years following such anniversary of the director's appointment to the board, with one fourth of the options vesting at the end of each successive three-month period during such year, subject to continued service through each vesting date. The chairman of the board is granted options to purchase twice the number of ordinary shares, on similar terms. All of our currently serving directors were granted options accordingly.

Under our compensation policy, all option grants to directors are subject to the terms of our 2013 Share Option Plan, are granted at an exercise price equal to the higher of (i) the closing price of our ordinary shares on the TASE on the date of the option grant and (ii) the average closing price of our ordinary shares on the TASE during the 30 trading days prior to the options grant date, plus 5% (or the average closing price of our ordinary shares on the TASE during the 15 trading days prior to the options grant date, plus 5%, with respect to grants to directors effected under the compensation policy that was in effect prior to January 17, 2017, the date of the extraordinary general meeting at which our shareholders adopted the compensation policy currently in effect). All options expire 10 years following the date of grant thereof.

Information regarding the options to purchase our ordinary shares (including number of options, exercise price and expiration date of all such options) held by each of our directors and executive officers who beneficially owns our ordinary shares, after including ordinary shares underlying options held by them, which, as of March 28, 2018, were exercisable or exercisable within 60 days, appears in the beneficial ownership table in Item 7.A below and in the footnotes thereto.

Option Plans

We maintain three share option and incentive plans: our Evogene Share Option Plan (2002), our Evogene Ltd. Key Employee Share Incentive Plan, 2003, and our Evogene Ltd. 2013 Share Option Plan, or the 2013 Plan. All such option and incentive plans provide for the grant of options to purchase our ordinary shares. The plans are administered by our board.

As of March 28, 2018, options to purchase 4,886,724 ordinary shares were outstanding under our option and incentive plans, having a weighted average exercise price of NIS 30.88 per share, of which, options to purchase 3,163,027 ordinary shares were exercisable. An additional 1,023,502 ordinary shares remained available for future grant under our option and incentive plans (all of which are available under our 2013 Plan) as of that date.

Among other types of option awards, our share option and incentive plans provide for granting options in compliance with Section 102 of the Israeli Income Tax Ordinance, 1961, or the Ordinance, which provides to employees, directors and officers, who are not controlling shareholders (*i.e.*, who hold less than 10% of our share capital) and are Israeli residents, favorable tax treatment for compensation in the form of shares or options issued or granted, as applicable, to a trustee under the "capital gains track" for the benefit of the relevant employee, director or officer and are (or were) to be held by the trustee for at least two years after the date of grant or issuance. Under the "capital gains track", we are not allowed to deduct an expense with respect to the grant or issuance of the options or shares.

The 2013 Plan also permits us to grant options to U.S. residents. Under an addendum to the 2013 Plan, or the U.S. Addendum, that our shareholders approved at a special general meeting of our shareholders on March 15, 2016 following adoption by our board in March 2015, the board may grant options to U.S. residents to purchase ordinary shares, in accordance with the applicable provisions of the U.S. Internal Revenue Code of 1986, as amended, or the Code.

Options granted under our plans are subject to vesting schedules and generally expire 10 years from the grant date. The plans address the treatment of vested and unvested options upon the termination of employment of the option holder as well as upon consummation of a merger or consolidation of our company, or sale of all or substantially all of our shares or assets.

In addition, certain of our subsidiaries have adopted their own employee benefit plans. The option pools under such plans range from 8% to 25% of the relevant subsidiary's share capital. To date, such subsidiaries have granted or committed to grant options to purchase between 3.9% and 14.3% of the relevant subsidiary's share capital."

C. Board Practices

Board of Directors

Under the Companies Law and our articles of association, the supervision of the management of our business is vested in our board of directors. Our board of directors may exercise all powers and may take all actions that are not specifically granted to our shareholders or to executive management. Our Chief Executive Officer (referred to as a "general manager" under the Companies Law) is responsible for our day-to-day management. Our Chief Executive Officer is appointed by, and serves at the discretion of, our board of directors, subject to the employment agreement that we have entered into with him. All other executive officers are appointed by the Chief Executive Officer and are subject to the terms of any applicable employment agreements that we may enter into with them.

Under our articles of association and the Companies Law, our board of directors must consist of not less than three and no more than seven directors. Currently our board of directors consists of six directors. Previously, two of our directors presided as "external directors", as such term is defined in the Companies Law. See "—External Directors."

Our directors are elected annually, by a simple majority vote of holders of our voting shares participating and voting at the annual meeting of our shareholders, for a one-year term, from the annual general meeting of our shareholders at which they are elected until the next annual general meeting and until their respective successors are elected and qualified or until their earlier removal by our shareholders at a general meeting, or upon the occurrence of certain events, in accordance with the Companies Law and our articles of association.

In addition, under our articles of association, our board of directors may appoint directors to fill vacancies or as new directors for a term of office that lasts until the next annual meeting of our shareholders. In the event of a vacancy resulting in the board consisting of less than the minimum number of directors required by our articles of association, our board of directors may only act in order to convene a general meeting of our shareholders for the purpose of electing such additional number of directors.

Pursuant to the terms of a put option agreement we entered into with Monsanto in October 2013, Monsanto has the right to nominate a non-voting observer to our board of directors so long as Monsanto holds at least 5% of our voting rights. In addition, pursuant to a share purchase agreement we entered into with Bayer in December 2010 and as amended in June 2013, Bayer also has the right to appoint one observer to our board of directors so long as Bayer holds at least 3% of our issued and outstanding shares. In each case, the observer is entitled to be advised reasonably in advance of board meetings, and is to receive copies of all material distributed in connection with such meetings. The observer would not have any voting rights. To date, neither Monsanto nor Bayer has appointed an observer.

Chairman of the Board

Our articles of association provide that the chairman of the board is appointed by the members of the board of directors and serves as chairman of the board throughout his term as a director, unless resolved otherwise by the board of directors. Under the Companies Law, the general manager or a relative of the general manager may not serve as the chairman of the board of directors, and the chairman or a relative of the chairman may not be vested with authorities of the general manager, in each case without shareholder approval consisting of a majority vote of the shares present and voting at a shareholders meeting, provided that either:

- such majority includes at least 2/3 of the shares held by all shareholders who are not controlling shareholders and do not have a personal interest in such appointment, present and voting at such meeting; or
- the total number of shares of non-controlling shareholders who do not have a personal interest in such appointment voting against such appointment does not exceed two percent of the aggregate voting rights in the company.

In addition, a person subordinated, directly or indirectly, to the general manager may not serve as the chairman of the board of directors; the chairman of the board may not be vested with authorities that are granted to those subordinated to the general manager; and the chairman of the board may not serve in any other position in the company or a controlled company, except that he may serve as a director or chairman of a subsidiary.

External Directors

In general, under the Companies Law, the board of directors of an Israeli public company (such as us) is required to include at least two external directors. According to regulations promulgated under the Companies Law, a person may be appointed as an external director if such person has either professional qualifications or accounting and financial expertise. In addition, at least one of the external directors must be determined by our board of directors to have accounting and financial expertise

However, pursuant to regulations enacted under the Companies Law in 2016, the board of directors of a company whose shares are listed on certain non-Israeli stock exchanges (including the Nasdaq Global Market), which company does not have a controlling shareholder (as such term is defined in the Companies Law), may elect not to comply with certain requirements of the Companies Law, including those relating to the election of external directors and to the composition of the audit committee and compensation committee, so long as the company satisfies the applicable foreign country laws and regulations, including applicable stock exchange rules, that apply to companies organized in that country relating to the appointment of independent directors and the composition of audit and compensation committees.

As currently our company does not have a controlling shareholder, and as we comply with the Nasdaq listing rules applicable to domestic U.S. companies with respect to a majority of our directors being independent and with respect to the composition of our audit committee and compensation committee, our board of directors determined, in May 2016, to opt out of the requirement to elect external directors. If in the future we were to have a controlling shareholder, we would likely again be required to comply with the requirements relating to external directors and composition of the audit committee and compensation committee.

One of our two former external directors, Dr. Kinneret Livnat-Savitsky, remained on our board of directors as an independent director.

The term controlling shareholder, as used in the Companies Law for purposes of all matters related to external directors and for certain other purposes, means a shareholder that has the ability to direct the activities of the company, other than by virtue of being an office holder. For purposes of all matters related to external directors, a shareholder is presumed to be a controlling shareholder if the shareholder holds 50% or more of the voting rights in the company or has the right to appoint the majority of the directors of the company or its general manager (chief executive officer).

Directors' Service Contracts

There are no arrangements or understandings between us, on the one hand, and any of our directors, on the other hand, providing for benefits upon termination of their service as directors of our company.

Financial Statements Review and Audit Committee

Our financial statements review and audit committee, or audit committee, consists of Ms. Sarit Firon, Mr. Ziv Kop and Dr. Kinneret Livnat Savitsky. Ms. Firon serves as the Chairperson of the audit committee.

Requirements as to Composition

Following the promulgation of the regulations described above, we may comply with the requirements of the Companies Law by appointing an audit committee, whose composition complies with the Nasdaq Listing Rules. Under the Nasdaq Listing Rules, we are required to maintain an audit committee consisting of at least three independent directors, each of whom is financially literate and at least one of whom has accounting or related financial management expertise.

All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and Nasdaq Listing Rules. Our board of directors has determined that that each of Ms. Sarit Firon and Mr. Ziv Kop is an audit committee financial expert as defined by the SEC rules and has the requisite financial experience required under the Nasdaq Listing Rules.

Each of the members of the audit committee is "independent" as such term is defined in Rule 10A-3(b)(1) under the Exchange Act, which is different from the general test for independence of board and committee members under the Nasdaq Listing Rules.

Audit Committee Role

Our board of directors (following the approval by our audit committee) has adopted an audit committee charter setting forth the required composition, meeting procedures and other matters related to the terms of operation of the committee. The charter also describes the responsibilities of the audit committee consistent with the rules of the SEC and the Nasdaq Listing Rules, which include, among others:

- § retaining and terminating the services of our independent auditors, subject to the approval of the board of directors and shareholders;
- § pre-approval of audit and non-audit services to be provided by the independent auditors;
- § reviewing with management and our independent directors our financial reports prior to their submission to the SEC; and
- § approval of certain transactions with office holders and other related-party transactions.

The charter of the audit committee is available on our website at http://www.evogene.com/wp-content/uploads/2017/07/evogene-audit-committee-charter.pdf.

Additionally, under the Companies Law, an audit committee is required, among other things, to (i) identify deficiencies in the administration of the company (including by consulting with the internal auditor), and recommend remedial actions with respect to such deficiencies, (ii) review and approve certain related party transactions, including determining whether or not such transactions are extraordinary transactions or insignificant transactions, and (iii) adopt procedures with respect to processing employee complaints in connection with deficiencies in the administration of the company, and the appropriate means of protection afforded to such employees. In addition, the audit committee is responsible for overseeing the internal control procedures of the company. Under the Companies Law, the approval of the audit committee is required for specified actions and transactions with office holders and controlling shareholders. See "— Approval of Related Party Transactions under Israeli Law."

Compensation and Nominating Committee

Our compensation and nominating committee, or compensation committee, consists of Ms. Sarit Firon, Dr. Kinneret Livnat Savitsky and Dr. Adina Makover. Dr. Livnat Savitsky serves as the Chairperson of the committee.

Requirements as to Composition

Following the promulgation of the regulations described above, we may comply with the requirements of the Companies Law by appointing a compensation committee, whose composition complies with the Nasdaq Listing Rules. Under the Nasdaq Listing Rules, we are required to maintain a compensation committee consisting of at least two independent directors (as defined under the Nasdaq Listing Rules). Each compensation committee member must furthermore be deemed by our board of directors to meet the enhanced independence requirements for members of the compensation committee under the Nasdaq Listing Rules, which requires (among other things) that our board consider the source of each such committee member's compensation in considering whether he or she is independent.

Compensation Committee Role

Our board of directors (following approval by our compensation committee) has adopted a compensation and nominating committee charter setting forth the required composition, meeting procedures and other matters related to the terms of operation of the committee. The charter also describes the responsibilities of the compensation committee consistent with the Nasdaq Listing Rules and the Companies Law, which include, among others:

- § reviewing and recommending an overall compensation policy with respect to our Chief Executive Officer and other executive officers, as described below under "—Compensation Policy";
- § reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer and other executive officers, including evaluating their performance in light of such goals and objectives;
- § reviewing and approving the granting of options and other incentive awards;
- § reviewing, evaluating and making recommendations regarding the compensation and benefits for our non-employee directors; and
- § advising our board of directors in selecting individuals who are best able to fulfill the responsibilities of a director or executive officer of our company.

The charter of the compensation and nominating committee is available on our website at http://www.evogene.com/investor-relations/corporate-governance/

Corporate Development Committee

Our board of directors has formed a corporate development committee, of which Mr. Martin Gerstel, Mr. Ziv Kop and Mr. Leon Recanati serve as members. Mr. Gerstel serves as the Chairperson of the committee. The corporate development committee assists our board of directors in fulfilling its oversight responsibilities across the principal areas of corporate development for our company and its subsidiaries. This committee may also assist the board by reviewing such matters as corporate and division strategy and M&A opportunities and making recommendations for consideration by our board of directors.

Compensation Policy

In addition to appointing a compensation and nominating committee, we are required to establish a policy regarding the terms of engagement of office holders (which include directors and senior executive officers), or a compensation policy. The compensation policy serves as the basis for determining the financial terms of employment or engagement of office holders, including exculpation, insurance, indemnification or any monetary payment or obligation of payment in respect of employment or engagement. The compensation policy must relate to certain factors specified in the Companies Law, including advancement of the company's objectives, the company's business and its long-term strategy, and creation of appropriate incentives for executives. It must also consider, among other things, the company's risk management, size and the nature of its operations. The Companies Law describes what factors have to be considered by, and what principles must be included in, the compensation policy.

Our compensation policy was last updated in January 2017, at a special general meeting of our shareholders, following recommendation of our compensation committee and our board of directors.

Compensation of Directors and Officers

Under the Companies Law, the compensation of each of our directors and our Chief Executive Officer requires the approval of our compensation committee, the subsequent approval of the board of directors and, unless exempted under the regulations promulgated under the Companies Law, the approval of our shareholders at a general meeting (in the case of a company's chief executive officer, the shareholder approval must include the special majority described under "—Exculpation, Insurance and Indemnification of Office Holders" below. The compensation of any other office holder (who is neither a director nor our Chief Executive Officer), if consistent with our compensation policy, requires the approval of our compensation committee, followed by our board of directors. Compensation of any such office holder that deviates from our compensation policy also requires shareholder approval. For additional information, see "Item 6.B. Compensation—Compensation of Officers and Directors."

Leniency Allowing Combining of Audit and Compensation and Nominating Committees

Under leniencies adopted by the Israeli Securities Authority (which we are currently not relaying upon, but may in the future), a company may have in place only one board committee that serves the required functions of each of the audit and compensation committees under Israeli law.

Internal Auditor

Under the Companies Law, the board of directors of an Israeli public company must appoint an internal auditor recommended by the audit committee (subject to the limits imposed by the Companies Law on who may be appointed as an internal auditor). Under the Companies Law, the internal auditor may be an employee of the company but not an office holder, an affiliate, or a relative of an office holder or affiliate, and may not be the company's independent accountant or its representative.

The role of the internal auditor is to examine, among other things, our compliance with applicable law and orderly business procedures. The audit committee is required to oversee the activities and to assess the performance of the internal auditor as well as to review the internal auditor's work plan. Doron Cohen, CPA, has been appointed as our internal auditor and he has served in such role since November 19, 2009. Mr. Cohen is a certified internal auditor and a partner of Fahn Kanne Control Management Ltd, an affiliate of Grant Thornton LLP.

Our internal auditor also provides management and the audit committee ongoing assessments of our risk management processes and system of internal control.

Approval of Related Party Transactions under Israeli Law

Fiduciary Duties of Directors and Executive Officers

The Companies Law codifies the fiduciary duties that office holders owe to a company. Each person listed in the table under "Item 6.A—Directors and Senior Management" is an office holder under the Companies Law. An office holder's fiduciary duties consist of a duty of care and a duty of loyalty. The duty of care requires an office holder to act with the level of care with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of loyalty requires that an office holder act in good faith and in the best interests of the company. The duty of care includes a duty to use reasonable means to obtain (i) information on the appropriateness of a given action submitted for his or her approval or performed by virtue of his or her position; and (ii) all other important information pertaining to these actions. The duty of loyalty includes a duty to (i) refrain from any conflict of interest between the performance of his or her duties in the company and his or her personal affairs; (ii) refrain from any activity that is competitive with the business of the company; (iii) refrain from exploiting any business opportunity of the company in order to receive a personal gain for himself or herself or others; and (iv) disclose to the company any information or documents relating to the company's affairs which the office holder received as a result of his or her position as an office holder.

Disclosure of Personal Interests of an Office Holder and Approval of Certain Transactions

The Companies Law requires that an office holder promptly disclose to the board of directors any personal interest that he or she may have and all related material information known to him or her concerning any existing or proposed transaction with the company. If it is determined that an office holder has a personal interest in a transaction, approval by the board of directors is required for the transaction, unless the company's articles of association provide for a different method of approval. Our articles of association provide that for non-extraordinary interested party transactions, the board of directors may delegate its approval, or may provide a general approval to certain types of non-extraordinary interested party transactions. Every interested party transaction requires that our board of directors determine affirmatively that the transaction is favorable to the company. Approval first by the company's audit committee and subsequently by the board of directors is required for an extraordinary transaction, meaning any transaction that is not in the ordinary course of business, not on market terms or that is likely to have a material impact on the company's profitability, assets or liabilities. A director and any other office holder who has a personal interest in a transaction which is considered at a meeting of the board of directors or the audit committee may generally (unless it is with respect to a transaction which is not an extraordinary transaction) not be present at such a meeting or vote on that matter unless a majority of the directors or members of the audit committee, as applicable, have a personal interest in the matter. If a majority of the members of the audit committee or the board of directors has a personal interest in the approval of such a transaction then all of the directors may participate in deliberations of the audit committee or board of directors, as applicable, with respect to such transaction and vote on the approval thereof and, in such case, shareholder approval is also required.

Pursuant to the Companies Law, extraordinary transactions with our office holders who are not directors require audit committee approval and subsequent approval by our board of directors. Compensation, insurance, indemnification or exculpation arrangements for office holders who are not directors require approval by our compensation committee, followed by our board of directors and, if deviating from our compensation policy, our shareholders as well. Compensation arrangements with directors, including in their capacities as executive officers, or with our Chief Executive Officer, as well as insurance (unless exempted under the applicable regulations), indemnification or exculpation of directors or our Chief Executive Officer, require the approval of the compensation and nominating committee, the board of directors and our shareholders, in that order. If the transaction or compensation arrangement of the office holder brought for approval amends an existing arrangement, then only the approval of the audit committee or compensation and nominating committee (as appropriate) is required if that committee determines that the amendment is not material in relation to the existing arrangement.

Disclosure of Personal Interests of Controlling Shareholders and Approval of Certain Transactions

Pursuant to the Companies Law, the disclosure requirements regarding personal interests that apply to directors and executive officers also apply to a controlling shareholder of a public company. We currently do not have a controlling shareholder.

An extraordinary transaction between a public company and a controlling shareholder, or in which a controlling shareholder has a personal interest, requires the approval of a company's audit committee, board of directors and shareholders in that order. For the terms of compensation (or insurance, indemnification or exculpation) of a controlling shareholder who is an office holder, the approval by our compensation and nominating committee is required in lieu of audit committee approval. The shareholder approval for any such extraordinary transaction or compensatory arrangement must fulfill one of the following requirements:

- at least a majority of the voting rights in the company held by shareholders who have no personal interest in the transaction or arrangement and who are present and voting (in person or by proxy) at the general meeting, must be voted in favor of approving the transaction or arrangement (for this purpose, abstentions are disregarded); or
- the voting rights held by shareholders who have no personal interest in the transaction or arrangement and who are present and voting (in person or by proxy) at the general meeting, and who vote against the transaction, do not exceed two percent of the voting rights in the company.

Shareholder Duties

Pursuant to the Companies Law, a shareholder has a duty to act in good faith and in customary manner toward the company and other shareholders and to refrain from abusing his or her power with respect to the company, including, among other things, in voting at a general meeting and at shareholder class meetings with respect to the following matters:

- an amendment to the company's articles of association;
- an increase of the company's authorized share capital;
- a merger; or
- interested party transactions that require shareholder approval.

In addition, a shareholder has a general duty to refrain from discriminating against other shareholders. Certain shareholders also have a duty of fairness toward the company. These shareholders include any controlling shareholder, any shareholder who knows that it has the power to determine the outcome of a shareholder vote and any shareholder who has the power to appoint or to prevent the appointment of an office holder of the company or exercise any other rights available to it under the company's articles of association with respect to the company. The Companies Law does not define the substance of this duty of fairness, except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty of fairness. Israeli courts have not yet interpreted the scope or nature of any of these duties.

Approval of Private Placements

Under the Companies Law, a significant private placement of securities requires approval by the board of directors and the shareholders by a simple majority. A private placement is considered a significant private placement if it results in a person becoming a controlling shareholder, or if all of the following conditions are met:

- § the securities issued amount to 20% or more of the company's outstanding voting rights before the issuance;
- § some or all of the consideration is other than cash or listed securities or the transaction is not on market terms; and
- § the transaction will increase the relative holdings of a shareholder who holds 5% or more of the company's outstanding share capital or voting rights or that will cause any person to become, as a result of the issuance, a holder of more than 5% of the company's outstanding share capital or voting rights.

Exculpation, Insurance and Indemnification of Office Holders

Under the Companies Law, a company may not exculpate an office holder from liability for a breach of the duty of loyalty. An Israeli company may exculpate an office holder in advance from liability to the company, in whole or in part, for damages caused to the company as a result of a breach of duty of care but only if a provision authorizing such exculpation is included in its articles of association. Our articles of association include such a provision. An Israeli company may not exculpate a director from liability arising out of a prohibited dividend or distribution to shareholders.

An Israeli company may indemnify an office holder in respect of the following liabilities and expenses incurred for acts performed as an office holder, either in advance of an event or following an event, provided a provision authorizing such indemnification is contained in its articles of association:

- § financial liability imposed on him or her in favor of another person pursuant to a judgment, settlement or arbitrator's award approved by a court. However, if an undertaking to indemnify an office holder with respect to such liability is provided in advance, then such an undertaking must be limited to events which, in the opinion of the board of directors, can be foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking shall detail the abovementioned events and amount or criteria;
- § reasonable litigation expenses, including attorneys' fees, incurred by the office holder as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (i) no indictment was filed against such office holder as a result of such investigation or proceeding; and (ii) no financial liability, such as a criminal penalty, was imposed upon him or her as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent; and
- § reasonable litigation expenses, including attorneys' fees, incurred by the office holder or imposed by a court in proceedings instituted against him or her by the company, on its behalf or by a third party or in connection with criminal proceedings in which the office holder was acquitted or as a result of a conviction for an offense that does not require proof of criminal intent.

An Israeli company may insure an office holder against the following liabilities incurred for acts performed as an office holder if and to the extent provided in the company's articles of association:

- a breach of the duty of loyalty to the company, to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach of the duty of care to the company or to a third party, including a breach arising out of the negligent conduct of the office holder;
- a financial liability imposed on the office holder in favor of a third party;
- a financial liability imposed on the office holder in favor of a third party harmed by a breach in an administrative proceeding; and
- reasonable litigation expenses, including attorneys' fees, incurred by the office holder as a result of an administrative proceeding instituted against him or her.
- An Israeli company may not indemnify or insure an office holder against any of the following:
- a breach of the duty of loyalty, except to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach of the duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;
- an act or omission committed with intent to derive illegal personal benefit; or
- a fine or forfeit levied against the office holder.

Under the Companies Law, exculpation, indemnification and insurance of office holders must be approved by the compensation and nominating committee and the board of directors and, with respect to directors and our Chief Executive Officer, also by our shareholders (with the special majority described under "-Approval of Related Party Transactions Under Israeli Law - Disclosure of Personal Interests of Controlling Shareholders and Approval of Certain Transactions, to also exclude controlling shareholders).

Our articles of association allow us to indemnify and insure our office holders for any liability imposed on them as a consequence of an act which was performed by virtue of being an office holder. Our shareholders have approved an amendment to our articles of association that extends such indemnification and insurance to cover omissions by our office holders (in their role as such) as well. Our office holders are currently covered by a directors' and officers' insurance policy.

We have entered into agreements with each of our directors and executive officers. Each such agreement exculpates our director or officer, to the fullest extent permitted by law, from liability to us for damages caused to us as a result of a breach of duty of care, and undertaking to indemnify them to the fullest extent permitted by law. This indemnification is limited to events determined as foreseeable by the board of directors based on our activities, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances.

The maximum indemnification amount set forth in such agreements is limited to an amount equal to 25% of our shareholders' equity as reflected in our most recent consolidated financial statements prior to the date on which the indemnity payment is made. If the amount equal to 25% of our shareholders' equity is insufficient to cover all indemnity amounts payable with respect to all indemnifiable directors and executive officers, such amount will be allocated among our directors and executive officers pro rata, in accordance with their relative culpabilities, as finally determined by a court with respect to a particular claim. The maximum amount set forth in such agreements is in addition to any amount paid (if paid) under insurance and/or by a third party pursuant to an indemnification arrangement. In the opinion of the SEC, indemnification of directors and office holders for liabilities arising under the Securities Act is against public policy and therefore unenforceable.

D. Employees

The number of our employees as of December 31, 2015, 2016 and 2017 was 210, 185 and 165, respectively. As of February 28, 2018 the number of our employees was 152. This net decrease mainly relates to adjustment of the workforce to our activities, hiring new employees relevant to certain activities while reducing workforce in other areas of activity.

Until 2015, all of our employees were based in Israel. Starting in 2015, we had employees of our U.S. subsidiary, Evogene Inc., who are based at our U.S. research and development site in St. Louis, Missouri. In addition, as of December 31, 2017, we had approximately 40 hourly, part-time employees who are based in Israel. The following table shows the breakdown of our employees' headcount workforce as of December 31, 2017, excluding hourly, part-time, employees:

	As of December 31, 2017		
	Evogene Ltd. (Israel)	Evogene Inc. (U.S.)	Total
Executive Management	6	-	6
Crop Enhancement	19	-	19
Crop Protection	15	7	22
Evofuel	2	-	2
Biomica	4	-	4
Technology Platform	89	-	89
General and administrative	23	-	23
Total	158	7	165

Israeli labor laws govern the length of the workday, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination of employment, equal opportunity and anti-discrimination laws and other conditions of employment. Subject to certain exceptions, Israeli law generally requires severance pay upon the retirement, death or dismissal of an employee, and requires us and our employees to make payments to the National Insurance Institute, which is similar to the U.S. Social Security Administration. Our employees have pension plans that comply with the applicable Israeli legal requirements.

While none of our employees is party to any collective bargaining agreements, certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations (including the Industrialists' Associations) are applicable to our employees in Israel by order of the Israeli Ministry of the Economy and Industry. These provisions primarily concern pension fund benefits for all employees, insurance for work-related accidents, recuperation pay and travel expenses.

None of our employees are represented by a labor union or covered under a collective bargaining agreement. We have never experienced any employment-related work stoppages and believe our relationships with our employees are good.

The employees of our U.S. subsidiary are subject to the U.S. labor laws and have insurances coverage, health benefits and plans, such as (i) medical and dental care; (ii) long term disability protection plans; (iii) life insurance; and (iv) 401k savings plan.

Our staff possesses multidisciplinary and wide-ranging expertise, with employees specializing in biology, chemistry, plant genetics, agronomics, mathematics, computer science and other related fields. Additionally, 45 of our employees hold a Ph.D.

E. Share Ownership

For information regarding the share ownership of our directors and executive officers, please refer to the table in "Item 7.A. Major Shareholders."

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information with respect to the beneficial ownership of our shares as of March 28, 2018 by:

- each person or entity known by us to own beneficially more than 5% of our outstanding shares;
- each of our directors and executive officers individually; and
- all of our executive officers and directors as a group.

The beneficial ownership of ordinary shares is determined in accordance with the rules of the SEC, and generally includes any ordinary shares over which a person exercises sole or shared voting or investment power, or the right to receive the economic benefit of ownership. For purposes of the table below, we deem shares subject to options or warrants that are currently exercisable or exercisable within 60 days of the date of March 28, 2018, to be outstanding and to be beneficially owned by the person holding the options or warrants for the purposes of computing the percentage ownership of that person but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person.

For the purpose of calculating the percentage of shares beneficially owned by any shareholder, this table lists applicable percentage ownership based on 25,754,297 ordinary shares outstanding as of March 28, 2018. Unless otherwise indicated below, to our knowledge, all persons named in the table have sole voting and investment power with respect to their shares, except to the extent that authority is shared by spouses under community property laws.

Unless otherwise noted below, each shareholder's address is c/o Evogene Ltd., 13 Gad Feinstein Street, Park Rehovot P.O.B 2100, Rehovot 7612002, Israel. The shareholders listed below (including our directors and executive officers) do not have any different voting rights from any of our other shareholders. We know of no arrangements that would, at a subsequent date, result in a change of control of our company. A description of any material relationship that our principal shareholders have had with us or any of our predecessors or affiliates within the past three years is included under "Item 7.B. Related Party Transactions."

	Shares Beneficially Held	
Name of Beneficial Owner	**Number**	**Percentage of Class**
Principal Shareholders		
Entities affiliated with Waddell & Reed Financial, Inc. (1)	2,795,442	10.9%
Entities affiliated with Migdal Insurance & Financial Holdings Ltd. (2)	1,954,936	7.6%
Entities affiliated with The Phoenix Holding Ltd. (3)	1,717,651	6.7%
Monsanto Company (4)	1,636,364	6.4%
Morgan Stanley (5)	1,380,411	5.4%
Entities affiliated with Harel Insurance, Investments & Financial Services Ltd. (6)	1,339,247	5.2%
Entities affiliated with UBS Group AG (7)	1,330,174	5.2%
Executive Officers and Directors		
Ofer Haviv	692,500(8)	2.6%
Dr. Alin Sela-Brown	51,302(9)	*
Ido Dor	140,987(10)	*
Dr. Arnon Heyman	28,687(11)	*
Dr. Hagai Karchi	453,750(12)	1.7%
Mark Kapel	40,600(13)	*
Eran Kosover	126,868(14)	*
Alex Taskar	46,875(15)	*
Martin S. Gerstel	422,755(16)	1.6%
Sarit Firon	4,375(17)	*
Ziv Kop	10,625(18)	*
Dr. Adina Makover	17,192(19)	*
Leon Y. Recanati	855,734(20)	3.3%
Dr. Kinneret Livnat Savitsky	15,000(21)	*
All directors and executive officers as a group (14 persons)	2,907,250	10.6%

* Less than 1%.

(1) This information is based upon a Schedule 13G/A filed jointly with the SEC on February 14, 2018 by (i) Waddell & Reed Financial, Inc., or WRF; (ii) Waddell & Reed Financial Services, Inc., or WRFSI, a subsidiary of WRF; (iii) Waddell & Reed Inc., or WRI, a broker-dealer and subsidiary of WRFSI; (iv) Waddell & Reed Investment Management Company, or WRIMCO, an investment advisory subsidiary of WRI; and (v) Ivy Investment Management Company, or IICO, an investment advisory subsidiary of WRF. According to this Schedule 13G/A, the investment advisory contracts grant IICO and WRIMCO investment power over securities owned by their advisory clients and the investment sub-advisory contracts grant IICO and WRIMCO investment power over securities owned by their sub-advisory clients and, in most cases, voting power. Any investment restriction of a sub-advisory contract does not restrict investment discretion or power in a material manner. Therefore, IICO and/or WRIMCO may be deemed the beneficial owner of the securities under Rule 13d-3 under the Exchange Act. These ordinary shares are held according to the following segmentation with direct or indirect voting and dispositive power as indicated: WRF: 2,795,442 (indirect); WRFSI: 1,155,062 (indirect); WRI: 1,155,062 (indirect); WRIMCO: 1,155,062 (direct); and IICO: 1,640,380 (direct). The principal address for these entities is 6300 Lamar Avenue, Overland Park, KS 66202.

(2) This information is based upon a Schedule 13G filed by Migdal Insurance & Financial Holdings Ltd., or "Migdal", with the SEC on January 22, 2018. According to this Schedule 13G, 1,954,936 ordinary shares are held for members of the public through, among others, provident funds, mutual funds, pension funds and insurance policies, which are managed by subsidiaries of Migdal, according to the following segmentation: (i) 1,113,585 ordinary shares are held by Profit participating life assurance accounts; (ii) 738,458 ordinary shares are held by Provident funds and companies that manage provident funds and (iii) 102,893 ordinary shares are held by companies for the management of funds for joint investments in trusteeship, each of which subsidiaries operates under independent management and makes independent voting and investment decisions. Migdal has shared dispositive and voting power over all such ordinary shares. The principal address of Migdal is 4 Efal Street; P.O. Box 3063; Petach Tikva 49512, Israel.

(3) This information is based upon a Schedule 13G/A filed with the SEC on February 20, 2018 jointly by (i) Itzhak Sharon (Tshuva); (ii) Delek Group Ltd. and (iii) The Phoneix Holding Ltd. According to this Schedule 13G/A, 1,717,651 ordinary shares are held by various direct or indirect, majority or wholly-owned subsidiaries of the Phoneix Holding Ltd. (the "Subsidiaries") and each reporting person has shared voting and dispositive power with regard to such ordinary shares. The Subsidiaries manage their own funds and/or the funds of others, including for holders of exchange-traded notes or various insurance policies, members of pension or provident funds, unit holders of mutual funds, and portfolio management clients. Each of the Subsidiaries operates under independent management and makes its own independent voting and investment decisions. The Phoenix Holding Ltd. is a majority-owned subsidiary of Delek Group Ltd. The majority of Delek Ltd.'s outstanding share capital and voting rights are owned, directly and indirectly, by Itzhak Sharon (Tshuva) though private companies wholly-owned by him, and the remainder is held by the public. The principal address of the Phoenix Holding Ltd. is 53, Derech Hashalom, Givataim, 53454, Israel. The address of Itzhak Sharon (Tshuva) and Delek Investments and Properties Ltd. is 7, Giborei Israel Street, P.O.B 8464, Netanya, 42504, Israel.

(4) This information is based upon a Schedule 13G/A filed by Monsanto Company with the SEC on February 12, 2016. Monsanto Company is a Delaware corporation and is listed on the NYSE and possesses sole voting and dispositive investment power over these ordinary shares. The principal address for Monsanto Company is 800 North Lindbergh Boulevard, St. Louis, Missouri 63167, USA.

(5) This information is based upon a Schedule 13G filed with the SEC on February 13, 2018 by Morgan Stanley. Morgan Stanley has shared voting power over all ordinary shares and shared dispositive power over 1,351,028 ordinary shares. The principal address of Morgan Stanley is 1585 Broadway New York NY 10036.

(6) This information is based upon a Schedule 13G/A filed by Harel Insurance Investments & Financial Services Ltd., or "Harel", with the SEC on February 1, 2018. Harel may be deemed to have shared voting over 1,337,882 ordinary shares and shared dispositive power over all ordinary shares. According to this Schedule 13G/A (i) 1,337,882 ordinary shares are held for members of the public through, among others, provident funds, mutual funds, pension funds and insurance policies, which are managed by subsidiaries of Harel, and (ii) 1,365 ordinary shares are held by third party client accounts managed by a subsidiary of Harel as portfolio managers, which subsidiary operates under independent management and makes independent investment decisions and has no voting power in the securities held in such client accounts. The principal address of Harel is Harel House, 3 Abba Hillel Street, Ramat Gan 52118, Israel.

(7) This information is based upon a Schedule 13G filed with the SEC on February 13, 2018 by UBG Group AG or "UBS". UBS is a Swiss corporation and is a bank as defined section 3(a)(6) of the Act and possesses shared voting and dispositive investment power over these ordinary shares by itself and by its wholly-owned subsidiaries UBS Financial Services Inc., UBS Securities LLC and UBS AG London Branch. The principal address of UBS is Bahnhofstrasse 45 PO Box CH-8021 Zurich, Switzerland.

(8) Consists of 692,500 ordinary shares issuable upon exercise of options that are currently exercisable or exercisable within 60 days of March 28, 2018, of which, options to purchase 150,000 ordinary shares expire on August 24, 2019, options to purchase 200,000 ordinary shares expire on June 19, 2020, options to purchase 201,563 ordinary shares expire on July 17, 2023, and options to purchase 127,500 ordinary shares expire on March 22, 2025. The weighted average exercise price of these options is NIS 36.00. This number excludes 225,000 ordinary shares underlying options, the grant of which to Mr. Haviv was approved in August 2017 by the compensation committee of the board of directors and by the board of directors itself, and which grant is subject to shareholders approval. Such options have vested as of the date hereof with respect to 42,186 ordinary shares out of the foregoing 225,000 shares

(9) Consists of 51,302 ordinary shares issuable upon exercise of options that are currently exercisable or exercisable within 60 days of March 28, 2018, of which, options to purchase 10,000 ordinary shares expire on June 19, 2020, options to purchase 12,500 ordinary shares expire on July 15, 2023, options to purchase 9,744 ordinary shares expire on March 22, 2025, options to purchase 17,496 ordinary shares expire on May 18, 2026, and options to purchase 1,562 ordinary shares expire on February 26, 2028. The weighted average exercise price of these options is NIS 33.27.

(10) Consists of 140,987 ordinary shares issuable upon exercise of options that are currently exercisable or exercisable within 60 days of March 28, 2018, of which, options to purchase 21,875 ordinary shares expire on September 21, 2021, options to purchase 7,500 ordinary shares expire on July 15, 2023, options to purchase 21,868 ordinary shares expire on November 9, 2024, options to purchase 17,244 ordinary shares expire on March 22, 2025, options to purchase 50,000 ordinary shares expire on November 17, 2025, and options to purchase 22,500 ordinary shares expire on August 8, 2027. The weighted average exercise price of these options is NIS 32.78.

(11) Consists of 28,677 ordinary shares issuable upon exercise of options that are currently exercisable or exercisable within 60 days of March 28, 2018, of which, options to purchase 8,750 ordinary shares expire on November 9, 2024, options to purchase 9,000 ordinary shares expire on May 18, 2026, options to purchase 9,375 ordinary shares expire on August 8, 2027, and options to purchase 1,562 ordinary shares expire on February 26, 2028. The weighted average exercise price of these options is NIS 28.99.

(12) Consists of 363,750 ordinary shares issuable upon exercise of options that are currently exercisable or exercisable within 60 days of March 28, 2018, of which, options to purchase 60,000 ordinary shares expire on August 24, 2019, options to purchase 125,000 ordinary shares expire on June 19, 2020, options to purchase 100,000 ordinary shares expire on July 15, 2023, options to purchase 67,500 ordinary shares expire on March 22, 2025, and options to purchase 11,250 ordinary shares expire on August 8, 2027. The weighted average exercise price of these options is NIS 34.12. Also includes 90,000 ordinary shares held by trustee in favor of Dr. Karchi.

(13) Consists of 40,600 ordinary shares issuable upon exercise of options that are currently exercisable or exercisable within 60 days of March 28, 2018, of which, options to purchase 10,000 ordinary shares expire on June 19, 2020, options to purchase 13,500 ordinary shares expire on July 15, 2023, options to purchase 9,000 ordinary shares expire on March 22, 2025, options to purchase 4,350 ordinary shares expire on August 8, 2027, and options to purchase 3,750 ordinary shares expire on February 26, 2028. The weighted average exercise price of these options is NIS 33.37.

(14) Consists of 126,868 ordinary shares issuable upon exercise of options that are currently exercisable or exercisable within 60 days of March 28, 2018, of which, options to purchase 25,000 ordinary shares expire on May 7, 2024, options to purchase 21,868 ordinary shares expire on November 11, 2024, options to purchase 7,500 ordinary shares expire on March 22, 2025, options to purchase 50,000 ordinary shares expire on November 17, 2025, and options to purchase 22,500 ordinary shares expire on August 8, 2027. The weighted average exercise price of these options is NIS 38.61.

(15) Consists of 46,875 ordinary shares issuable upon exercise of options that are currently exercisable or exercisable within 60 days of March 28, 2018, which expire on April 2, 2027. The weighted average exercise price of these options is NIS 20.12.

(16) Includes 36,250 ordinary shares issuable upon exercise of options that are currently exercisable or exercisable within 60 days of March 28, 2018, of which, options to purchase 7,500 ordinary shares expire on July 20, 2018, options to purchase 5,000 ordinary shares expire on April 9, 2020, options to purchase 5,000 ordinary shares expire on June 11, 2020, options to purchase 5,000 ordinary shares expire on September 17, 2021, options to purchase 5,000 ordinary shares expire on November 10, 2022, and options to purchase 5,000 ordinary shares expire on September 14, 2023, and options to purchase 3,750 ordinary shares expire on August 16, 2024. The weighted average exercise price of these options is NIS 31.63. Also includes 386,505 ordinary shares consisting of: (a) 37,500 ordinary shares held by trustee in favor of Mr. Gerstel; (b) 133,815 ordinary shares held by Martin Gerstel; and (c) 215,190 ordinary shares held by Shomar Corporation over which Martin Gerstel and his wife Mrs. Shoshana Gerstel possess voting and investment power.

(17) Consists of 4,375 ordinary shares issuable upon exercise of options that are currently exercisable or exercisable within 60 days of March 28, 2018, which expire on August 10, 2026. The weighted average exercise price of these options is NIS 26.89.

(18) Consists of 10,625 ordinary shares issuable upon exercise of options that are currently exercisable or exercisable within 60 days of March 28, 2018, of which, options to purchase 10,000 ordinary shares expire on March 20, 2024, and options to purchase 625 ordinary shares expire on March 22, 2025. The weighted average exercise price of these options is NIS 69.15.

(19) Includes 16,875 ordinary shares issuable upon exercise of options that are currently exercisable or exercisable within 60 days of March 28, 2018, of which, options to purchase 2,500 ordinary shares expire on July 20, 2018, options to purchase 2,500 ordinary shares expire on April 9, 2020, options to purchase 2,500 ordinary shares expire on June 11, 2020, options to purchase 2,500 ordinary shares expire on September 17, 2021, options to purchase 2,500 ordinary shares expire on June 11, 2022, options to purchase 2,500 ordinary shares expire on September 15, 2023, and options to purchase 1,875 ordinary shares expire on August 16, 2024. The weighted average exercise price of these options is NIS 32.96. Also includes 317 ordinary shares held by Dr. Makover.

(20) Includes 838,859 ordinary shares held by Mr. Recanati. Also includes 16,875 ordinary shares issuable upon exercise of options that are currently exercisable or exercisable within 60 days of March 28, 2018, of which, options to purchase 2,500 ordinary shares expire on July 20, 2018, options to purchase 2,500 ordinary shares expire on April 9, 2020, options to purchase 2,500 ordinary shares expire on June 11, 2020, options to purchase 2,500 ordinary shares expire on September 17, 2021, options to purchase 2,500 ordinary shares expire on June 11, 2022, options to purchase 2,500 ordinary shares expire on September 15, 2023, and options to purchase 1,875 ordinary shares expire on August 16, 2024. The weighted average exercise price of these options is NIS 32.96.

(21) Consists of 15,000 ordinary shares issuable upon exercise of options that are currently exercisable or exercisable within 60 days of March 28, 2018, of which, options to purchase 10,000 ordinary shares expire on September 17, 2020, options to purchase 2,500 ordinary shares expire on September 17, 2021, and options to purchase 2,500 ordinary shares expire on September 17, 2022. The weighted average exercise price of these options is NIS 31.54.

Changes in Percentage Ownership by Major Shareholders

Over the course of 2017, there were increases in the percentage ownership of (i) entities affiliated with The Phoenix Holding Ltd. (from 5.05% to 6.67%); and (ii) entities affiliated with Harel Insurance Investment & Financial Services Ltd. (from 5.06% to 5.2%); while there were decreases in the percentage ownership of (i) entities affiliated with Migdal Insurance & Financial Holdings Ltd. (from 7.63% to 7.59%), (ii) the entities affiliated with Psagot Investment House Ltd. (from 6.07% to 4.7%), (iii) Monsanto Company (from 6.38% to 6.35%), and (iv) the entities affiliated with Waddell & Reed Financial, Inc. (from 11.91% to 10.86%).

Over the course of 2016, there were decreases in the percentage ownership of some of our major shareholders, including (i) entities affiliated with Harel Insurance Investment & Financial Services Ltd. (from 5.7% to 5.06%), (ii) entities affiliated with Migdal Insurance & Financial Holdings Ltd. (from 8.36% to 7.63%), (iii) the entities affiliated with Psagot Investment House Ltd. (from 9.31% to 6.07%), (iv) Monsanto Company (from 6.43% to 6.38%), (v) the entities affiliated with The Phoenix Holding Ltd. (from 5.10% to 5.05%) and (vi) the entities affiliated with Waddell & Reed Financial, Inc. (from 12.66% to 11.91%).

Over the course of 2015, there were increases in the percentage ownership of entities affiliated with Waddell & Reed Financial, Inc. (from 12.07% to 12.66%) while there were decreases in the percentage ownership of other of our major shareholders, including (i) entities affiliated with Migdal Insurance & Financial Holdings Ltd. (from 8.50% to 8.36%), (ii) the entities affiliated with Psagot Investment House Ltd. (from 9.76% to 9.31%) and (iii) Monsanto Company (from 6.45% to 6.43%).

Record Holders

As of March 28, 2018, all of our ordinary shares were held of record in the United States, in the name of a single record shareholder — Cede & Co., as nominee for the Depository Trust Company. The number of record holders is not representative of the number of beneficial holders of our ordinary shares, nor is it representative of where such beneficial holders reside, since the shares held in the name of Cede & Co. are listed for trading on Nasdaq and the TASE and are beneficially owned by a wide range of underlying beneficial shareholders who hold their shares in "street name." In particular, we are aware, based on public filings, that in addition to Monsanto Company, which holds 6.4% of our ordinary shares and entities affiliated with Waddell & Reed Financial, Inc, which hold 10.9% of our outstanding ordinary shares, have an address in the United States.

B. Related Party Transactions

Except as described below or elsewhere in this annual report, since January 1, 2015, we have had no transaction, nor do we have any presently proposed transaction, and neither we nor our subsidiaries have had any loan, nor do we or our subsidiaries have any presently proposed loan, involving any related party described in Item 7.B of Form 20-F promulgated by the SEC.

Agreements with Directors and Officers

Employment Agreements

We have entered into written employment agreements with all of our executive officers. Each of these agreements contains provisions regarding non-competition, confidentiality of information and assignment of inventions. The non-competition provision applies for a period that is generally 12 months following termination of employment. The enforceability of covenants not to compete in Israel and in the United States is subject to limitations.

Options

See "Item 6.B. Compensation—Option Plans".

Indemnification Agreements

Our articles of association allow us to indemnify and insure our office holders for any liability imposed on them as a consequence of an act which was performed by virtue of being an office holder. They also allow us to exculpate an office holder in advance from liability to the company, in whole or in part, for damages caused to the company as a result of a breach of duty of care. In furtherance of such allowance we have entered into agreements with each of our directors and executive officers exculpating them, to the fullest extent permitted by law, from liability to us for damages caused to us as a result of a breach of duty of care, and undertaking to indemnify them to the fullest extent permitted by law. See "Item 6.C. Board Practices—Exculpation, Insurance and Indemnification of Office Holders."

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Consolidated financial statements

We have appended our consolidated financial statements at the end of this annual report, starting at page F-2, as part of this annual report.

Legal Proceedings

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. We are currently not involved in any pending or contemplated legal proceedings that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. We may become involved in material legal proceedings in the future. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Dividend Policy

Since our inception, we have not declared or paid any cash or other form of dividends on our ordinary shares. We currently intend to retain any earnings for use in our business and do not currently intend to pay cash dividends on our ordinary shares. Dividends, if any, on our outstanding ordinary shares will be declared by and subject to the discretion of our board of directors. Even if our board of directors decides to distribute dividends, the form, frequency and amount of such dividends will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors our board of directors may deem relevant.

In addition, the distribution of dividends may be limited by Israeli law, which permits the distribution of dividends only out of distributable profits. See “Item 10.B. Memorandum and Articles of Association—Dividend and Liquidation Rights.” In addition, if we pay a dividend out of income derived during the tax exemption period from the portion of our facilities that have been granted Approved Enterprise status, we may be required to recapture the deferred corporate tax with respect to the amount distributed. See “Item 10.E. Taxation—Israeli Tax Considerations and Government Programs—Law for the Encouragement of Capital Investments, 5719-1959.”

B. Significant Changes

No significant changes have occurred since December 31, 2017, except as otherwise disclosed in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Listing Details

Our ordinary shares have been trading on the TASE since 2007, on the NYSE from November 2013 until December 2016, and on the Nasdaq since December 2016, in all cases under the symbol "EVGN." The following table sets forth, for the periods presented, the reported high and low closing sale prices of our ordinary shares on the TASE in NIS and U.S. dollars, and the reported high and low closing sale prices of our ordinary shares on the NYSE and Nasdaq in U.S. dollars.

	Tel Aviv Stock Exchange				NYSE / Nasdaq	
	NIS		U.S.$		U.S.$	
	Price Per Ordinary Share		Price Per Ordinary Share		Price Per Ordinary Share	
	High	Low	High	Low	High	Low
Annual:						
2018 (up to March 28, 2018)	14.35	11.07	4.12	3.16	4.16	3.15
2017	21.18	11.30	5.54	3.26	5.55	3.07
2016	32.72	19.60	8.30	5.08	8.42	5.10
2015	41.17	24.90	10.45	6.42	10.42	6.50
2014	69.82	34.12	20.10	8.81	19.91	8.74
2013	68.80	36.34	19.62	9.73	19.99	16.74
Quarterly:						
Fourth Quarter 2017	16.02	11.30	4.58	3.26	4.68	3.07
Third Quarter 2017	19.24	15.14	5.41	4.28	5.55	4.24
Second Quarter 2017	19.27	17.52	5.34	5.02	5.38	5.03
First Quarter 2017	21.18	18.49	5.54	4.97	5.53	4.95
Fourth Quarter 2016	24.46	19.60	6.45	5.17	6.45	5.10
Third Quarter 2016	26.57	23.49	6.95	6.26	6.99	6.10
Second Quarter 2016	29.76	23.50	7.86	6.05	8.06	6.08
First Quarter 2016	32.72	23.48	8.30	6.04	8.42	5.95
Most Recent Six Months:						
February 2018	14.35	11.73	4.12	3.37	4.16	3.28
January 2018	13.82	11.24	4.06	3.24	4.00	3.47
December 2017	13.25	11.30	3.80	3.26	3.85	3.07
November 2017	15.11	13.18	4.31	3.72	4.22	3.70
October 2017	16.02	14.97	4.58	4.25	4.68	4.22
September 2017	16.40	15.14	4.60	4.28	4.84	4.24

B. Plan of Distribution

Not applicable.

C. Markets

See "—Listing Details" above.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

For a discussion of the provisions of the company's articles of association with respect to the powers of directors, see "Item 6.C. Board Practices."

Objects and Purposes

Our registration number with the Israeli Registrar of Companies is 51-283872-3. Our purpose as set forth in article 4 of our articles of association is to engage in any legal business.

Voting

Holders of our ordinary shares have one vote for each ordinary share held on all matters submitted to a vote of shareholders at a shareholder meeting. Shareholders may vote at shareholder meetings either in person, by proxy or by written ballot. Israeli law does not allow public companies to adopt shareholder resolutions by means of written consent in lieu of a shareholder meeting. Shareholder voting rights may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights that may be authorized in the future. Except as otherwise disclosed herein, an amendment to our articles of association to change the rights of our shareholders requires the prior approval of a simple majority of our shares represented and voting at a general meeting and of the holders of a class of shares whose rights are being affected (or the consent in writing of all the holders of such class of shares).

Share Ownership Restrictions

The ownership or voting of ordinary shares by non-residents of Israel is not restricted in any way by our articles of association or the laws of the State of Israel, except that citizens of countries that are in a state of war with Israel may not be recognized as owners of ordinary shares.

Transfer of Shares

Fully paid ordinary shares are issued in registered form and may be freely transferred under our articles of association unless the transfer is restricted or prohibited by another instrument, Israeli law or the rules of a stock exchange on which the shares are traded.

Election of Directors

Our ordinary shares do not have cumulative voting rights for the election of directors. Rather, under our articles of association, our directors, other than external directors (to the extent required to be elected), are elected at each annual general meeting of the shareholders, upon expiration of the term of office, by the holders of a simple majority of our ordinary shares present in person or by proxy at such meeting (excluding abstentions). As a result, the holders of our ordinary shares that represent more than 50% of the voting power represented at a shareholder meeting and voting thereon (excluding abstentions) have the power to elect any or all of our directors. Vacancies on our board of directors, resulting from a resignation or other termination of service by a then serving director, may be filled by a vote of a simple majority of the directors then in office as described under "Item 6.C. Board Practices—Board of Directors." For additional information regarding the election of and voting by directors, please refer to "Item 6.C. Board Practices—Board of Directors."

Dividend and Liquidation Rights

Under Israeli law, we may declare and pay a dividend only if, upon the reasonable determination of our board of directors, the distribution will not prevent us from being able to meet the terms of our existing and contingent obligations as they become due. Under the Companies Law, the distribution amount is further limited to the greater of retained earnings or earnings generated over the two most recent years according to our then last reviewed or audited financial statements, provided that the date of the financial statements is not more than six months prior to the date of distribution. In the event that we do not have retained earnings and earnings legally available for distribution, as defined in the Companies Law, we may seek the approval of the court in order to distribute a dividend. The court may approve our request if it is convinced that there is no reasonable concern that the payment of a dividend will prevent us from satisfying our existing and foreseeable obligations as they become due.

In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of ordinary shares on a pro-rata basis. Dividend and liquidation rights may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future. See "Item 8.A. Consolidated Statements and Other Financial Information—Dividend Policy."

Shareholder Meetings

Under the Companies Law, we are required to convene an annual general meeting of our shareholders once every calendar year, not more than 15 months following the preceding annual general meeting. Our board of directors may convene a special general meeting of our shareholders and is required to do so at the request of two directors or one quarter of the members of our board of directors, or at the request of one or more holders of 5% or more of our share capital and 1% of our voting power, or the holder or holders of 5% or more of our voting power. All shareholder meetings require prior notice of at least 21 days and, in certain cases, 35 days. The chairperson of our board of directors or another one of our directors authorized by our board of directors presides over our general meetings. If either of such persons is not present within 15 minutes from the appointed time for the commencement of the meeting, the directors present at such meeting shall appoint one of our directors as the chairperson for such meeting, and if they fail to do so, then the shareholders present shall appoint one of our directors to act as chairperson, and if no director is present, then one of the shareholders present at such meeting shall act as chairperson. Subject to the provisions of the Companies Law and the regulations promulgated thereunder, only shareholders of record on a date decided upon by the board of directors, which may be between four and 40 days prior to the date of the meeting (depending on the type of meeting and whether written proxies are being used) are entitled to participate and vote at general meetings of shareholders.

Quorum

Under our articles of association, the quorum required for a meeting of shareholders consists of at least two shareholders present in person, by proxy or by written ballot, who hold or represent between them at least 25% of our voting power. A meeting adjourned for lack of a quorum generally is adjourned to the same day in the following week at the same time and place (without requirement of additional notification to the shareholders), or to a later time, if indicated in the notice to the meeting or to such other time and place as determined by the board of directors in a notice to our shareholders. At the reconvened meeting, if a quorum is not present within half an hour from the appointed time for the commencement of the meeting, the meeting will take place so long as at least one shareholder is present (regardless of the voting power held or represented by any such shareholder(s)), unless the meeting was called pursuant to a request by our shareholders, in which case the quorum required is the number of shareholders required to call the meeting as described under "—Shareholder Meetings" above.

Resolutions

Under the Companies Law, unless otherwise provided in the articles of association or applicable law, all resolutions of the shareholders require a simple majority of the voting rights represented at the meeting, in person, by proxy or by written ballot, and voting on the resolution (excluding abstentions).

Access to Corporate Records

Under the Companies Law, all shareholders generally have the right to review minutes of our general meetings, our shareholder register, including with respect to material shareholders, our articles of association, our financial statements and any document we are required by law to file publicly with the Israeli Companies Registrar or the Israeli Securities Authority. Any shareholder who specifies the purpose of its request may request to review any document in our possession that relates to any action or transaction with a related party which requires shareholder approval under the Companies Law. We may deny a request to review a document if we determine that the request was not made in good faith, that the document contains a trade secret or patent or that the document's disclosure may otherwise impair our interests.

Modification of Class Rights

The rights attached to any class of share (to the extent that we may have separate classes of shares in the future), such as voting, liquidation and dividend rights, may be amended by adoption of a resolution by the holders of a majority of our shares represented at the meeting and the holders of a majority of the shares of that class present at a separate class meeting, or otherwise in accordance with the rights attached to such class of shares, as set forth in our articles of association.

Acquisitions under Israeli Law

Full Tender Offer

A person wishing to acquire shares of a public Israeli company and who could as a result hold over 90% of the target company's voting rights or the target company's issued and outstanding share capital (or of a class thereof), is required by the Companies Law to make a tender offer to all of the company's shareholders for the purchase of all of the issued and outstanding shares of the company (or the applicable class). If (a) the shareholders who did not accept the offer hold less than 5% of the issued and outstanding share capital of the company (or the applicable class) and the shareholders who accept the offer constitute a majority of the offerees that do not have a personal interest in the acceptance of the tender offer or (b) the shareholders who did not accept the tender offer hold less than 2% of the issued and outstanding share capital of the company (or of the applicable class), all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law. A shareholder who had its shares so transferred may petition the court within six months from the date of acceptance of the full tender offer, regardless of whether such shareholder agreed to the offer, to determine whether the tender offer was for less than fair value and whether the fair value should be paid as determined by the court. However, an offeror may provide in the offer documents that a shareholder who accepted the offer will not be entitled to appraisal rights as described in the preceding sentence, as long as the offeror and the company disclosed the information required by law in connection with the tender offer. If (a) the shareholders who did not accept the tender offer hold 5% or more of the issued and outstanding share capital of the company (or of the applicable class) or the shareholders who accept the offer constitute less than a majority of the offerees that do not have a personal interest in the acceptance of the tender offer, or (b) the shareholders who did not accept the tender offer hold 2% or more of the issued and outstanding share capital of the company (or of the applicable class), the acquirer may not acquire shares of the company that will increase its holdings to more than 90% of the company's issued and outstanding share capital (or of the applicable class) from shareholders who accepted the tender offer.

Special Tender Offer

The Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of 25% or more of the voting rights in the company. This rule does not apply if there is already another holder of 25% or more of the voting rights in the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company. These requirements do not apply if the acquisition (i) occurs in the context of a private placement by the company that received shareholder approval, (ii) was from a shareholder holding 25% or more of the voting rights in the company and resulted in the acquirer becoming a holder of 25% or more of the voting rights in the company, or (iii) was from a holder of more than 45% of the voting rights in the company and resulted in the acquirer becoming a holder of more than 45% of the voting rights in the company. A special tender offer may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer (excluding controlling shareholders, holders of 25% or more of the voting rights in the company and any person having a personal interest in the acceptance of the tender offer).

In the event that a special tender offer is made, a company's board of directors is required to express its opinion on the advisability of the offer, or shall abstain from expressing any opinion if it is unable to do so, provided that it gives the reasons for its abstention. An office holder in a target company who, in his or her capacity as an office holder, performs an action the purpose of which is to cause the failure of an existing or foreseeable special tender offer or is to impair the chances of its acceptance, is liable to the potential purchaser and shareholders for damages, unless such office holder acted in good faith and had reasonable grounds to believe he or she was acting for the benefit of the company. However, office holders of the target company may negotiate with the potential purchaser in order to improve the terms of the special tender offer, and may further negotiate with third parties in order to obtain a competing offer.

If a special tender offer is accepted, then shareholders who did not respond to or that had objected the offer may accept the offer within four days of the last day set for the acceptance of the offer. In the event that a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

Merger

The Companies Law permits merger transactions if approved by each party's board of directors and, unless certain conditions described under the Companies Law are met, a majority of each party's shareholders. The board of directors of a merging company is required pursuant to the Companies Law to discuss and determine whether in its opinion there exists a reasonable concern that as a result of a proposed merger, the surviving company will not be able to satisfy its obligations towards its creditors, such determination taking into account the financial status of the merging companies. If the board of directors determines that such a concern exists, it may not approve a proposed merger. Following the approval of the board of directors of each of the merging companies, the boards of directors must jointly prepare a merger proposal for submission to the Israeli Registrar of Companies.

For purposes of the shareholder vote, unless a court rules otherwise, if one of the merging companies (or any person who holds 25% or more of the outstanding shares or the right to appoint 25% or more of the directors of one of the merging companies) holds shares in the other merging company, the merger will not be deemed approved if a majority of the shares voted at the shareholders meeting by shareholders other than the other party to the merger, or by any person who holds 25% or more of the outstanding shares or the right to appoint 25% or more of the directors of the other party, vote against the merger. In addition, if the non-surviving entity of the merger has more than one class of shares, the merger must be approved by each class of shareholders. If the transaction would have been approved but for the separate approval of each class or the exclusion of the votes of certain shareholders as provided above, a court may still approve the merger upon the request of holders of at least 25% of the voting rights of a company, if the court holds that the merger is fair and reasonable, taking into account the value of the parties to the merger and the consideration offered to the shareholders. If a merger is with a company's controlling shareholder or if the controlling shareholder has a personal interest in the merger, then the merger is instead subject to the same special majority approval that governs all extraordinary transactions with controlling shareholders (as described above under "Item 6.C. Board Practices—Approval of Related Party Transactions under Israeli Law—Disclosure of Personal Interests of Controlling Shareholders and Approval of Certain Transactions").

Under the Companies Law, each merging company must inform its secured creditors of the proposed merger plans. Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of any of the parties to the merger, and may further give instructions to secure the rights of creditors.

In addition, a merger may not be completed unless at least 50 days have passed from the date that a proposal for approval of the merger is filed with the Israeli Registrar of Companies and 30 days have passed from the date that shareholder approval of both merging companies is obtained.

Antitakeover Measures under Israeli Law

Besides the requirements described above with respect to tender offers and mergers, Israeli law and our articles of association enable the implementation of additional measures that may delay or prevent a takeover attempt and thereby preclude our shareholders from realizing a potential premium over the market value of our ordinary shares that they hold. Our articles of association allow our company to increase its registered share capital and provide that the increased capital will be divided into shares having ordinary, preferred or deferred rights or any other special rights, or may be subject to terms and restrictions in respect of dividend, repayment of capital, voting or other terms, in each case provided that the general meeting of our shareholders approves via a simple majority of shares present (in person or by proxy) and voting. Israeli law also permits the issuance of preferred stock. However, the TASE rules and regulations prohibit a listed company from having more than one class of shares listed, and the TASE's current position is that a listed company may not issue or list preferred shares. Therefore, assuming that the TASE's current position does not change, as long as our ordinary shares are listed on the TASE, we will be prohibited from issuing preferred stock.

To date, the legality of a poison pill as an additional antitakeover measure has not been examined in Israel.

C. Material Contracts

Other than as described in other parts of this annual report, we have no other material contracts to which we were party during the last two years.

D. Exchange Controls

Other than general anti-money laundering regulations, there are currently no Israeli currency control regulations in effect that restrict our import or export of capital to or from the State of Israel, or the availability of cash and cash equivalents for use by our affiliated companies. Under the Bank of Israel Law, 5770-2010, the Governor of the Bank of Israel, with the approval of the monetary policy committee of the Bank of Israel, is authorized to issue an administrative order restricting the transfer of funds to or from Israel. However, such an order is only likely to be issued under emergency circumstances and only for a temporary period, if necessary for the achievement of the goals of the Bank of Israel or the carrying out of its responsibilities under Israeli law. Furthermore, Israel has agreed, pursuant to international agreements to which it is a party (including incident to Israel's having joined the International Monetary Fund) to allow for the free flow of capital to and from within its borders. Certain transactions nevertheless require the filing of reports with the Bank of Israel.

Similarly, there are no currently effective Israeli governmental laws, decrees, regulations or other legislation that restrict the payment of dividends or other distributions with respect to our ordinary shares or the proceeds from the sale of the shares, except for the obligation of Israeli residents to file reports with the Bank of Israel regarding some transactions. However, legislation remains in effect under which currency controls can be imposed by administrative action at any time.

E. Taxation

This section discusses the material Israeli income tax consequences concerning the ownership and disposition of our ordinary shares purchased by investors in our U.S. initial public offering. This summary does not discuss all the aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. Examples of such investors include residents of Israel or traders in securities who are subject to special tax regimes not covered in this discussion. Because parts of this discussion are based on new tax legislation that has not yet been subject to judicial or administrative interpretation, we cannot assure you that the appropriate tax authorities or the courts will accept the views expressed in this discussion. The discussion below is subject to change, including due to amendments under Israeli law or changes to the applicable judicial or administrative interpretations of Israeli law, which change could affect the tax consequences described below.

Taxation of Our Non-Israeli Shareholders

Capital Gains Taxes Applicable to Non-Israeli Resident Shareholders. A non-Israeli resident (whether individual or corporation) who derives capital gains from the sale of shares in an Israeli resident company that were purchased after the company was listed for trading on a stock exchange outside of Israel should generally be exempt from Israeli tax so long as the shares were not held through a permanent establishment that the non-resident maintains in Israel and that such shareholder is not subject to the Israeli Income Tax Law (Inflationary Adjustments) 5745-1985. However, non-Israeli corporations will not be entitled to the foregoing exemption if Israeli residents: (i) have a controlling interest of more than 25% in such non-Israeli corporation or (ii) are the beneficiaries of, or are entitled to, 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly. Additionally, such exemption is not applicable to a person whose gains from selling or otherwise disposing of the shares are deemed to be business income.

A sale of shares by a non-Israeli resident may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty (subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for an exemption). For example, under the United States-Israel Tax Treaty, the disposition of shares by a shareholder who is a United States resident (for purposes of the United States-Israel Tax Treaty) holding the shares as a capital asset and is entitled to claim the benefits afforded to such person by the treaty, is generally exempt from Israeli capital gains tax unless, among other things, (i) the capital gain arising from the disposition can be attributed to a permanent establishment of the shareholder which is maintained in Israel; (ii) the shareholder holds, directly or indirectly, shares representing 10% or more of the voting capital during any part of the 12-month period preceding such sale, exchange or disposition, subject to certain conditions; or (iii) such U.S. resident is an individual and was present in Israel for a period or periods aggregating to 183 days or more during the relevant taxable year. In each case, the sale, exchange or disposition of such shares would be subject to Israeli tax, to the extent applicable; however, under the United States-Israel Tax Treaty, the United States resident would be permitted to claim a credit for the Israeli tax against the United States federal income tax imposed with respect to the sale, exchange or disposition, subject to the limitations in United States laws applicable to foreign tax credits. The United States-Israel Tax Treaty does not relate to U.S. state or local taxes.

In some instances, where our shareholders may be liable for Israeli tax on the sale of their ordinary shares, the payment of the consideration may be subject to the withholding of Israeli tax at source. Shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at source at the time of sale. Specifically, in transactions involving a sale of all of the shares of an Israeli resident company, in the form of a merger or otherwise, the Israel Tax Authority may require from shareholders who are not liable for Israeli tax to sign declarations in forms specified by this authority or obtain a specific exemption from the Israel Tax Authority to confirm their status as non-Israeli resident, and, in the absence of such declarations or exemptions, may require the purchaser of the shares to withhold taxes at source.

Taxation of Non-Israeli Shareholders on Receipt of Dividends. Non-Israeli residents (whether individuals or corporations) are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 25%. With respect to a person who is a "substantial shareholder" at the time of receiving the dividend or on any time during the preceding twelve months, the applicable tax rate is 30%. A "substantial shareholder" is generally a person who alone or together with such person's relative or another person who collaborates with such person on a permanent basis, holds, directly or indirectly, at least 10% of any of the "means of control" of the corporation. "Means of control" generally include the right to vote, receive profits, nominate a director or an executive officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights how to act, regardless of the source of such right. Dividends paid on publicly traded shares, which are registered with and held by a nominee company, to non-Israeli residents are generally subject to Israeli withholding tax at a rate of 25% (whether the recipient is a "substantial shareholder" or not), unless a lower rate is provided under an applicable tax treaty between Israel and the shareholder's country of residence and provided that a certificate from the Israel Tax Authority allowing for a reduced withholding tax rate is obtained in advance.

In this regard, under the United States-Israel Tax Treaty, the maximum rate of tax withheld at source in Israel on dividends paid to a holder of our ordinary shares who is a United States resident (for purposes of the United States-Israel Tax Treaty) is 25%. However, generally, the maximum rate of withholding tax on dividends, not generated by an Approved Enterprise or a Beneficiary Enterprise, that are paid to a United States corporation holding at least 10% or more of our outstanding voting capital throughout the tax year in which the dividend is distributed as well as during the previous tax year, is 12.5%, provided that no more than 25% of our gross income for such preceding year consists of certain types of dividends and interest. We cannot assure you that we will designate the profits that we may distribute in a way that will reduce shareholders' tax liability. United States residents who are subject to Israeli withholding tax on a dividend may be entitled to a credit or deduction for Untied States federal income tax purposes in the amount of the taxes withheld, subject to detailed rules contained in United States tax legislation.

A non-Israeli resident who receives dividends from which tax was withheld is generally exempt from the obligation to file tax returns in Israel with respect to such income, provided that (i) such income was not derived from a business conducted in Israel by the taxpayer, (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed, and (iii) the taxpayer is not obliged to pay excess tax (as further explained below).

Excess Tax

Individuals who are subject to tax in Israel are also subject to an additional tax at a rate of 2% (increased to 3% beginning in 2017 and thereafter) on annual taxable income (including, but not limited to, dividends, interest and capital gain) exceeding a certain threshold (NIS 803,520 for 2016 and NIS 640,000 for 2017 and thereafter, which amount is linked to the annual change in the Israeli consumer price index.

United States Federal Income Taxation

The following is a description of the material United States federal income tax consequences to U.S. Holders (as defined below) of the acquisition, ownership and disposition of our ordinary shares. This description addresses only the United States federal income tax consequences to holders of our ordinary shares that hold such ordinary shares as capital assets. This description does not address tax considerations applicable to holders that may be subject to special tax rules, including, without limitation:

- § banks, financial institutions or insurance companies;
- § real estate investment trusts, regulated investment companies or grantor trusts;
- § dealers or traders in securities, commodities or currencies;
- § tax-exempt entities;
- § certain former citizens or long-term residents of the United States;
- § persons that received our shares as compensation for the performance of services;
- § persons that will hold our shares as part of a "hedging," "integrated" or "conversion" transaction or as a position in a "straddle" for United States federal income tax purposes;

- § partnerships (including entities classified as partnerships for United States federal income tax purposes) or other pass-through entities, or holders that will hold our shares through such an entity;

- § persons subject to special tax accounting rules as a result of any item of gross income with respect to the ordinary shares being taken into account in an "applicable financial statement" pursuant to Section 451(b) of the Code (as defined below);

- § U.S. Holders (as defined below) whose "functional currency" is not the U.S. dollar; or

- § holders that own directly, indirectly or through attribution 10.0% or more of the voting power or value of our shares.

Moreover, this description does not address the United States federal estate, gift or alternative minimum tax consequences, or any state, local or foreign tax consequences, of the acquisition, ownership and disposition of our ordinary shares.

This description is based on the United States Internal Revenue Code of 1986, as amended (the "Code"), existing, proposed and temporary United States Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date hereof. Each of the foregoing is subject to change, which change could apply retroactively and could affect the tax consequences described below. There can be no assurances that the U.S. Internal Revenue Service will not take a different position concerning the tax consequences of the acquisition, ownership and disposition of our ordinary shares or that such a position would not be sustained.

For purposes of this description, a "U.S. Holder" is a beneficial owner of our ordinary shares that, for United States federal income tax purposes, is:

- § a citizen or resident of the United States;

- § a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States or any state thereof, including the District of Columbia;

- § an estate the income of which is subject to United States federal income taxation regardless of its source; or

- § a trust if such trust has validly elected to be treated as a United States person for United States federal income tax purposes or if (1) a court within the United States is able to exercise primary supervision over its administration and (2) one or more United States persons have the authority to control all of the substantial decisions of such trust.

A "Non-U.S. Holder" is a beneficial owner of our ordinary shares that is neither a U.S. Holder nor a partnership (or other entity treated as a partnership for United States federal income tax purposes).

If a partnership (or any other entity treated as a partnership for United States federal income tax purposes) holds our ordinary shares, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership is encouraged to consult its tax advisor as to its tax consequences.

You are encouraged to consult your advisor with respect to the United States federal, state, local and foreign tax consequences of acquiring, owning and disposing of our ordinary shares.

Distributions

Subject to the discussion below under "Passive Foreign Investment Company Considerations," if you are a U.S. Holder, the gross amount of any distribution that we pay you with respect to our ordinary shares before reduction for any Israeli taxes withheld therefrom generally will be includible in your income as dividend income to the extent such distribution is paid out of our current or accumulated earnings and profits as determined under United States federal income tax principles. To the extent that the amount of any cash distribution exceeds our current and accumulated earnings and profits as determined under United States federal income tax principles, it will be treated first as a tax-free return of your adjusted tax basis in our ordinary shares and thereafter as capital gain. We do not expect to maintain calculations of our earnings and profits under United States federal income tax principles. Therefore, if you are a U.S. Holder you should expect that the entire amount of any cash distribution generally will be reported as dividend income to you; provided, however, that distributions of ordinary shares to U.S. Holders that are part of a pro rata distribution to all of our shareholders generally will not be subject to United States federal income tax. Subject to the PFIC rules discussed below, non-corporate U.S. Holders may qualify for the lower rates of taxation with respect to dividends on ordinary shares applicable to long-term capital gains (*i.e.*, gains from the sale of capital assets held for more than one year), provided that certain conditions are met, including certain holding period requirements and the absence of certain risk reduction transactions. Moreover, such reduced rate shall not apply if we are a PFIC for the taxable year in which we pay a dividend, or were a PFIC for the preceding taxable year. Dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders.

If you are a U.S. Holder, dividends that we pay you with respect to our ordinary shares will be treated as foreign source income, which may be relevant in calculating your foreign tax credit limitation. Subject to certain conditions and limitations, Israeli tax withheld on dividends may be deducted from your taxable income or credited against your United States federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends that we distribute generally should constitute "passive category income." A foreign tax credit for foreign taxes imposed on distributions may be denied if you do not satisfy certain minimum holding period requirements. The rules relating to the determination of the foreign tax credit are complex, and you are encouraged to consult your tax advisor to determine whether and to what extent you will be entitled to this credit.

Sale, Exchange or Other Disposition of Ordinary Shares

Subject to the discussion below under "Passive Foreign Investment Company Considerations," if you are a U.S. Holder, you generally will recognize an amount of gain or loss on the sale, exchange or other disposition of our ordinary shares equal to the difference between the amount realized on such sale, exchange or other disposition and your tax basis in our ordinary shares, and such gain or loss will be capital gain or loss. The tax basis in an ordinary share generally will equal the cost of such ordinary share. If you are a non-corporate U.S. Holder, capital gain from the sale, exchange or other disposition of ordinary shares generally will be eligible for a preferential rate of taxation applicable to capital gains, if your holding period for such ordinary shares exceeds one year. The deductibility of capital losses for United States federal income tax purposes is subject to limitations under the Code. Any such gain or loss that a U.S. Holder recognizes generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes.

Passive Foreign Investment Company Considerations

Based on certain estimates of our gross income and gross assets and the nature of our business, we believe that we were classified as a PFIC for the taxable year ending December 31, 2017. As a result, a U.S. Holder who held our ordinary shares at any time during 2017 would be subject to special rules generally intended to reduce or eliminate any benefits from the deferral of U.S. federal income tax that a U.S. Holder could derive from investing in a non-U.S. company that does not distribute all of its earnings on a current basis.

A non-U.S. corporation will be classified as a PFIC for federal income tax purposes in any taxable year in which, after applying certain look-through rules, either:

- at least 75% of its gross income is "passive income"; or
- at least 50% of the average quarterly value of its gross assets (which may be determined in part by the market value of our ordinary shares, which is subject to change) is attributable to assets that produce "passive income" or are held for the production of passive income.

Passive income for this purpose generally includes dividends, interest, royalties, rents, gains from commodities and securities transactions, the excess of gains over losses from the disposition of assets which produce passive income, and includes amounts derived by reason of the temporary investment of funds raised in offerings of our ordinary shares. If a non-U.S. corporation owns at least 25% by value of the stock of another corporation, the non-U.S. corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation and as receiving directly its proportionate share of the other corporation's income. For publicly traded corporations, the PFIC asset test described above is applied using the fair market value of the non-U.S. corporation's assets. For purposes of a the PFIC asset test, a publicly traded non-U.S. corporation may treat the aggregate fair market value of its assets as being equal to the sum of the aggregate value of its outstanding stock ("Market Capitalization") and the total amount of its liabilities. We intend to take the position that the excess of our Market Capitalization plus liabilities over the book value of all of our assets may generally be treated as attributable to non-passive asset. If we are classified as a PFIC in any year with respect to which a U.S. Holder owns our ordinary shares, we will continue to be treated as a PFIC with respect to such U.S. Holder in all succeeding years during which the U.S. Holder owns our ordinary shares, regardless of whether we continue to meet the tests described above.

Based on the book value of our assets and liabilities and our Market Capitalization in 2017, we believe that we met the PFIC asset test described above for 2017 and, as a result, we were classified as a PFIC in 2017. Furthermore, because we currently hold, and expect to continue to hold, a substantial amount of cash and cash equivalents and other passive assets used in our business, and because our Market Capitalization is currently below the level necessary to avoid PFIC status for 2018, there is substantial risk we will be classified as a PFIC for the 2018 taxable year as well. However, because PFIC status is based on our income, assets and activities for the entire taxable year, and our Market Capitalization, it is not possible to determine whether we will be characterized as a PFIC for the 2018 taxable year until after the close of the year. Moreover, we must determine our PFIC status annually after the close of each taxable year based on tests which are factual in nature, and our status in future years will depend on our income, assets, activities and Market Capitalization in those years. Thus, there can be no assurance that we will not be considered a PFIC for the current taxable year or any future taxable year.

If we are a PFIC for any taxable year during which a U.S. Holder owns ordinary shares, we will generally continue to be treated as a PFIC with respect to such U.S. Holder for all succeeding years during which such U.S. Holder owns such ordinary shares, unless we cease to be a PFIC and the U.S. Holder makes a "deemed sale" election with respect to such ordinary shares. If such election is made, the U.S. Holder will be deemed to have sold the ordinary shares it holds at their fair market value and any gain from the deemed sale would be subject to the rules described in the following paragraph. After the deemed sale election, so long as we do not become a PFIC in a subsequent taxable year, the ordinary shares with respect to which such election was made will not be treated as shares in a PFIC and will not be subject to the rules described below with respect to any "excess distribution" the U.S. Holder receives from us or any gain from an actual sale or other disposition of such ordinary shares. U.S. Holders are strongly urged to consult their tax advisors as to the possibility and consequences of making a deemed sale election if we were to become and then cease to be a PFIC, and such election becomes available.

If you are a U.S. Holder that owns our ordinary shares during 2017 or any other taxable year for which we are a PFIC, then unless you make one of the elections described below, a special tax regime will apply to both (a) any "excess distribution" by us to you (generally, your ratable portion of distributions in any year which are greater than 125% of the average annual distribution received by you in the shorter of the three preceding years or your holding period for our ordinary shares) and (b) any gain realized on the sale or other disposition of the ordinary shares. Under this regime, any excess distribution and realized gain will be treated as ordinary income (even if you hold the ordinary shares as capital assets) and will be subject to tax as if (a) the excess distribution or gain had been realized ratably over your holding period, (b) the amount deemed realized in each year had been subject to tax in each year of that holding period at the highest marginal rate for such year (other than income allocated to the current period or any taxable period before we became a PFIC, which would be subject to tax at the U.S. Holder's regular ordinary income rate for the current year and would not be subject to the interest change discussed below), and (c) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in those years. The tax liability for amounts allocated to years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ordinary shares, then in lieu of being subject to the tax and interest charge rules discussed above, a U.S. Holder may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that such ordinary shares are "regularly traded" on a "qualified exchange." In general, our ordinary shares will be treated as "regularly traded" for a given calendar year if more than a *de minimis* quantity of our ordinary shares are traded on a qualified exchange on at least 15 days during each calendar quarter of such calendar year. Our ordinary shares are listed, and we expect them to continue to be listed for the foreseeable future, on the New York Stock Exchange, which is a qualifying exchange for this purpose. However, no assurance can be given that our ordinary shares will continue to be regularly traded on a "qualified exchange" for purposes of the mark-to-market election. In addition, because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules discussed above with respect to such holder's indirect interest in any investments we hold that are treated as an equity interest in a PFIC for United States federal income tax purposes.

If a U.S. Holder makes an effective mark-to-market election, in each year that we are a PFIC, such U.S. Holder will include in each year that we are a PFIC as ordinary income the excess of the fair market value of such U.S. Holder's ordinary shares at the end of the year over such U.S. Holder's adjusted tax basis in the shares. Such U.S. Holder will be entitled to deduct as an ordinary loss in each such year the excess of such U.S. Holder's adjusted tax basis in the ordinary shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If a U.S. Holder makes an effective mark-to-market election, in each year that we are a PFIC, any gain such U.S. Holder recognizes upon the sale or other disposition of such U.S. Holder's ordinary shares will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount of previously included income as a result of the mark-to-market election.

A U.S. Holder's adjusted tax basis in the ordinary shares will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules discussed above. If a U.S. Holder makes an effective mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ordinary shares are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. U.S. Holders are encouraged to consult their tax advisers about the availability of the mark-to-market election, and whether making the election would be advisable in their particular circumstances.

In certain circumstances, a U.S. equity holder in a PFIC may avoid the adverse tax and interest-charge regime described above by making a "qualified electing fund" election to include in income its share of the corporation's income on a current basis. However, a U.S. Holder may make a qualified electing fund election with respect to the ordinary shares only if we agree to furnish you annually with a PFIC annual information statement as specified in the applicable Treasury regulations.

We do not intend to provide the information necessary for U.S. Holders to make qualified electing fund elections if we are classified as a PFIC. U.S. Holders are encouraged to consult their tax advisors to determine whether any of these elections would be available and if so, what the consequences of the alternative treatments would be in their particular circumstances.

If we are determined to be a PFIC for any year in which a U.S. Holder holds our ordinary shares, the general tax treatment for the U.S. Holder described in this paragraph would apply to indirect distributions and gains deemed to be realized by the U.S. Holders in respect of any of our subsidiaries that also may be determined to be PFICs.

If a U.S. Holder owns ordinary shares during any year in which we are a PFIC and the U.S. Holder recognizes gain on a disposition of our ordinary shares or receives distributions with respect to our ordinary shares, the U.S. Holder generally will be required to file an IRS Form 8621 with respect to the company, generally with the U.S. Holder's federal income tax return for that year. If our company were a PFIC for a given taxable year, then you are encouraged to consult your tax advisor concerning your annual filing requirements.

U.S. Holders are strongly encouraged to consult their tax advisors regarding the consequences of our classification as a PFIC for our 2017 taxable year, our potential classification as a PFIC in 2018 and future taxable years, and the application of the PFIC rules on their investment.

Backup Withholding Tax and Information Reporting Requirements

United States backup withholding tax and information reporting requirements may apply to certain payments to certain holders of stock. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, our ordinary shares made within the United States, or by a United States payor or United States middleman, to a holder of our ordinary shares, other than an exempt recipient (including a payee that is not a United States person that provides an appropriate certification and certain other persons). A payor will be required to withhold backup withholding tax from any payments of dividends on, or the proceeds from the sale or redemption of, ordinary shares within the United States, or by a United States payor or United States middleman, to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. Any amounts withheld under the backup withholding rules will be allowed as a credit against the beneficial owner's United States federal income tax liability, if any, and any excess amounts withheld under the backup withholding rules may be refunded, provided that the required information is timely furnished to the Internal Revenue Service.

Foreign Asset Reporting

Certain U.S. Holders who are individuals are required to report information relating to an interest in our ordinary shares, subject to certain exceptions (including an exception for shares held in accounts maintained by financial institutions). U.S. Holders are encouraged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of our ordinary shares.

Medicare Tax

Certain U.S. Holders that are individuals, estates or trusts are subject to a 3.8% tax on all or a portion of their "net investment income," which may include all or a portion of their dividend income and net gains from the disposition of ordinary shares. Each U.S. Holder that is an individual, estate or trust is encouraged to consult its tax advisors regarding the applicability of the Medicare tax to its income and gains in respect of its investment in the ordinary shares.

The above description is not intended to constitute a complete analysis of all tax consequences relating to acquisition, ownership and disposition of our ordinary shares. You are encouraged to consult your tax advisor concerning the tax consequences of your particular situation.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are currently subject to the informational requirements of the Exchange Act applicable to foreign private issuers and fulfill the obligations of these requirements by filing reports with the SEC. As a foreign private issuer, we are exempt from the rules under the Exchange Act relating to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we intend to file with the SEC, within 120 days after the end of each subsequent fiscal year, an annual report on Form 20-F containing financial statements which will be examined and reported on, with an opinion expressed, by an independent public accounting firm. We also intend to furnish the SEC reports on Form 6-K containing unaudited quarterly financial information.

You may inspect and copy such material without charge at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of such material from the SEC at prescribed rates by writing to the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an Internet website at http://www.sec.gov that contains reports, proxy statements, information statements and other material that are filed through the SEC's Electronic Data Gathering, Analysis and Retrieval, or "EDGAR" system.

We also file annual and special reports and other information with the Israeli Securities Authority through its fair disclosure electronic system called MAGNA. You may review these filings on the website of the MAGNA system operated by the Israeli Securities Authority at www.magna.isa.gov.il or on the website of the TASE at www.tase.co.il.

Our ordinary shares are quoted on the TASE and, since December 2016, on Nasdaq (after being listed on the NYSE from November 2013 until December 2016). Information about us is also available on our website at http://www.evogene.com. Our website and the information contained therein or connected thereto will not be deemed to be incorporated into this annual report and you should not rely on any such information in making your decision whether to purchase our ordinary shares.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of risks, including foreign currency exchange fluctuations, changes in interest rates, inflation, and other risks. We regularly assess the risks to minimize any adverse effects on our business. For sensitivity analysis of our exposure to foreign currency exchange fluctuations and changes in market prices of listed securities, see Note 13d to our consolidated financial statements as of and for the year ended December 31, 2017 included elsewhere in this annual report.

Foreign Currency Risk

Most of our revenues are denominated in U.S. dollars. In contrast, we incur expenses primarily denominated in NIS. As a result, any appreciation of the NIS relative to the U.S. dollar adversely impacts our profitability due to the portion of our expenses that are incurred in NIS. As of December 31, 2017, we did not have an open forward currency contracts. In the future we may enter into hedging transactions in order to decrease our foreign currency risk, however these transactions may not fully protect us from such risk.

The following table presents information about the changes in the exchange rates of the NIS against the U.S. dollar:

Period	Depreciation (Appreciation) of the NIS against the U.S. dollar (%) Based on Average of Daily Exchange Rates Throughout Year Compared to Previous Year
2017	(6.3)
2016	(1.1)
2015	8.6
2014	(0.9)
2013	(6.4)

Our exposure related to exchange rate changes on our net asset position denominated in currencies other than USD varies with changes in our net asset position. Net asset position refers to financial assets, such as trade receivables and cash and cash deposits, less financial liabilities, such as trade payable and other payables. The impact of any such transaction gains or losses is reflected in finance expenses or income. Our most significant exposure relates to a potential change in the exchange rates of the U.S. dollar and the NIS. Assuming a 10% decrease in the U.S. dollar relative to the NIS, and assuming no other change, our finance expenses would have increased by $0.3 million in 2017, increased by $0.2 million in 2016, and increased by $0.4 million in 2015 due to our negative current net asset position denominated in NIS as of December 31, 2017, 2016 and 2015.

Commodity Price Risk

Operating in the agribusiness sector, changes in certain commodity prices may affect our reported operating results and cash flows. The budget for, and size of, research and development expenditures of our existing and potential collaborators may be reduced as a result of a decrease in commodity prices. For example, corn prices decreased from around US$7 per bushel in mid-2013 to less than US$4 per bushel in late 2014 and thereafter maintained that price level throughout 2015, 2016 and 2017. Such developments may, in turn, adversely impact the size of the research payments that we may receive from these collaborators, as well as our ability to extend existing collaborations or enter into new ones. Further, the royalties we may receive from our collaborators on the sales and transfers of seeds containing the traits we develop could be affected by fluctuations in seed commodity prices. As of December 31, 2017, we did not have any hedge arrangements in place to protect our exposure to commodity price fluctuations.

Interest rate risk

We have a considerable investment in marketable securities that consist of corporate bonds and government treasury notes denominated in U.S. dollars. These investments expose us to the risk of interest rate fluctuations. An increase in U.S. interest rates could cause the fair value of these investments to decrease. As of December 31, 2017 the fair value of these investments was $59.9 million. The potential loss in fair value from a hypothetical 0.5% increase in the interest rate would be approximately $0.7 million. As of December 31, 2017, we did not have any hedge arrangements in place to protect our exposure to interest rate fluctuations.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

The effective date of the registration statement, File No. 333-191315, for our U.S. initial public offering of ordinary shares, par value NIS 0.02 per share, was November 20, 2013. The offering commenced on November 21, 2013 and was closed on November 26, 2013. Credit Suisse Securities and Deutsche Bank Securities acted as joint book-running managers for the offering, and Oppenheimer & Co. and Piper Jaffray & Co. acted as co-managers. We registered and sold 5,750,000 of our ordinary shares in our U.S. initial public offering. The aggregate offering price of the shares registered was approximately $84.8 million, as was the aggregate price of the shares sold. The total expenses of the offering, including underwriting discounts and commissions, were approximately $8 million. The net proceeds that we received from the offering were approximately $76.8 million.

A portion of the net proceeds from our U.S. initial public offering has been used to enhance our seed traits operation, to develop and expand our ag-chemicals operations, to further develop and commercialize our Evofuel activities, to develop our ag-biologicals operations, to develop our human microbiome activities, and to fund our working capital and capital expenditures. The balance is held in cash, short term deposit and marketable securities.

None of the net proceeds of our U.S. initial public offering was paid directly or indirectly to any director, officer, general partner of ours or to their associates, persons owning ten percent or more of any class of our equity securities, or to any of our affiliates.

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2017. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2017, our disclosure controls and procedures were effective such that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act). Our internal control system has been designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation and fair presentation of our published consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making our assessment, our management used the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013). Based on such assessment, our management has concluded that, as of December 31, 2017, our internal control over financial reporting is effective.

(c) Attestation Report of Registered Public Accounting Firm

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal controls over financial reporting because the JOBS Act provides us with an exemption from that requirement, as we qualify as an emerging growth company.

(d) Changes in internal control over financial reporting

During the period covered by this annual report, no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act), have occurred that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that each of Ms. Sarit Firon and Mr. Ziv Kop qualifies as an audit committee financial expert, as defined by the rules of the SEC, and has the requisite financial experience required by the Nasdaq Listing Rules. In addition, each of Ms. Firon and Mr. Kop is independent, as such term is defined in Rule 10A-3(b)(1) under the Exchange Act and under the Nasdaq Listing Rules.

ITEM 16B. CODE OF ETHICS

We have adopted a Code of Ethics and Proper Business Conduct applicable to our executive officers, directors and all other employees, which is a "code of ethics" as defined in this Item 16B of Form 20-F promulgated by the SEC. We have also implemented a training program for new and existing employees concerning our Code of Ethics and Proper Business Conduct. A copy of the code is delivered to every employee of Evogene Ltd. and all of its subsidiaries, and is available to investors and others, without charge, on our website at http://www.evogene.com/investor-relations/corporate-governance/ or by contacting our investor relations department. Information contained on, or that can be accessed through, our website does not constitute a part of this Form 20-F and is not incorporated by reference herein. Under Item 16B of Form 20-F, if a waiver or amendment of the Code of Business Conduct and Ethics applies to our principal executive officer, principal financial officer, principal accounting officer, controller or other persons performing similar functions and relates to standards promoting any of the values described in Item 16B(b) of Form 20-F, we will disclose such waiver or amendment (i) on our website within five business days following the date of amendment or waiver in accordance with the requirements of Instruction 4 to such Item 16B or (ii) through the filing of a Form 6-K. We granted no waivers under our Code of Ethics and Proper Business Conduct in 2017. We intend to disclose any amendments to, or waivers of, the Code of Ethics and Proper Business Conduct on our Web site.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Principal Accountant Fees and Services.

We paid or accrued the following fees for professional services rendered by Kost, Forer, Gabbay & Kasierer, a member of Ernst & Young Global and an independent registered public accounting firm, for the years ended December 31, 2017 and 2016:

	2017	2016
Audit Fees	$ 105,000	$ 105,000
Audit-Related Fees	-	-
Tax Fees	15,000	22,000
Total	$ 120,000	$ 127,000

"Audit fees" are the aggregate fees billed for the audit of our annual financial statements. This category also includes services that generally the independent accountant provides, such as consents and assistance with and review of documents filed with the SEC.

"Audit-related fees" include consultations in the regular course of business.

"Tax fees" include fees for professional services rendered by our auditors for tax compliance and tax consulting in connection with international transfer pricing.

Our audit committee has adopted a pre-approval policy for the engagement of our independent accountant to perform certain audit and non-audit services. Pursuant to this policy, which is designed to assure that such engagements do not impair the independence of our auditors, the audit committee pre-approves annually any specific audit and non-audit services, audit-related service and tax services that may be performed by our independent accountants. Pursuant to that policy, our audit committee pre-approved all fees paid to our auditors for the year ended December 31, 2017.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Except as otherwise indicated, we are in compliance with corporate governance standards as currently applicable to us under Israeli, U.S., SEC and Nasdaq laws, rules and/or regulations, as applicable. Under the Nasdaq Listing Rules, as a foreign private issuer, we may elect to follow certain corporate governance practices permitted under the Companies Law in lieu of compliance with corresponding corporate governance requirements otherwise imposed by the Nasdaq Listing Rules for U.S. domestic issuers. We currently follow the provisions of the Companies Law, rather than the Nasdaq Listing Rules, solely with respect to the following requirements:

§ *Quorum*. As permitted under the Companies Law pursuant to our articles of association, the quorum required for an ordinary meeting of shareholders will consist of at least two shareholders present in person, by proxy or by other voting instrument in accordance with the Companies Law, who hold at least 25% of the voting power of our shares (and in an adjourned meeting, with some exceptions, at least two shareholders), instead of 33 1/3% of the issued share capital required under the NASDAQ Listing rules.

§ *Executive sessions of independent directors*. Israeli law does not require executive sessions of independent directors. Although all of our current directors are "independent directors" under the applicable Nasdaq criteria, we do not intend to comply with this requirement if we have directors who are not independent.

§ *Shareholder approval*. We will seek shareholder approval for all corporate actions requiring such approval under the Companies Law, which include (i) transactions with directors concerning the terms of their service or indemnification, exemption and insurance for their service (or for any other position that they may hold at a company), (ii) transactions concerning the compensation, indemnification, exculpation and insurance of the chief executive officer; (iii) the compensation policy recommended by the compensation and nominating committee of our board of directors and approved by our board of directors (and any amendments thereto); (iv) extraordinary transactions with, and the terms of employment or other engagement of, a controlling shareholder (if and when this becomes relevant to our company), (v) amendments to our articles of association, and (vi) certain non-public issuances of securities. In addition, under the Companies Law, a merger requires approval of the shareholders of each of the merging companies. We will not be required to, however, seek shareholder approval for any of the following events described in the Nasdaq Listing Rules:

- certain issuances of shares in excess of 20% of the outstanding shares of the Company;
- an issuance that will result in a change of control of our company; and
- adoption of, or material changes to, our equity compensation plans.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

See pages F-2 through F-43 of this annual report.

ITEM 19. EXHIBITS

ANNUAL REPORT ON FORM 20-F
INDEX OF EXHIBITS

Exhibit No.	Description
1.1	Amended and Restated Articles of Association of the Registrant
4.1	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.9 to Evogene's Registration Statement on Form F-1, as amended (Registration No. 333-191315))
4.2	Evogene Share Option Plan (2002) (incorporated by reference to Exhibit 10.10 to Evogene's Registration Statement on Form F-1, as amended (Registration No. 333-191315))
4.3	Evogene Ltd. Key Employee Share Incentive Plan, 2003 (incorporated by reference to Exhibit 10.11 to Evogene's Registration Statement on Form F-1, as amended (Registration No. 333-191315))
4.4.1	Evogene Ltd. 2013 Share Option Plan (incorporated by reference to Exhibit 10.12 to Evogene's Registration Statement on Form F-1, as amended (Registration No. 333-191315))
4.4.2	2015 U.S. Addendum to Evogene Ltd. 2013 Share Option Plan (incorporated by reference to Exhibit A to the proxy statement for Evogene's special general meeting of shareholders held on March 15, 2016, annexed as Exhibit 99.1 to Evogene's Report of Foreign Private Issuer on Form 6-K, furnished to the SEC on February 4, 2016)
4.5	Second Amended and Restated Collaboration Agreement, dated October 27, 2013, by and between Monsanto Company and Evogene Ltd., (incorporated by reference to Exhibit 10.1 to Evogene's Registration Statement on Form F-1, as amended (Registration No. 333-191315)) †
4.6	Wheat Collaboration and License Agreement, dated December 10, 2010, by and between Bayer CropScience AG and Evogene Ltd., as amended on October 14, 2012 and on July 21, 2014 (incorporated by reference to Exhibits 10.6 and 10.7 to Evogene's Registration Statement on Form F-1, as amended (Registration No. 333-191315)) †
4.7.1	Evogene Ltd. Officers' Compensation Policy (incorporated by reference to Appendix A to Evogene's proxy statement for its special general meeting of shareholders held on March 11, 2014, annexed as Exhibit 99.1 to Evogene's Report of Foreign Private Issuer on Form 6-K, furnished to the SEC on February 10, 2014)
4.7.2	Amendments to Evogene Ltd. Officers' Compensation Policy (incorporated by reference to Appendix A to Evogene's proxy statement for its 2015 annual general meeting of shareholders held on May 5, 2015, annexed as Exhibit 99.2 to Evogene's Report of Foreign Private Issuer on Form 6-K, furnished to the SEC on March 31, 2015)
8.1	List of subsidiaries of the Registrant
12.1	Certificate of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002
12.2	Certificate of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002
13.1	Certificate of Chief Executive Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002
13.2	Certificate of Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of Kost Forer Gabbay and Kasierer, a member of Ernst & Young Global

† Confidential treatment has been requested for portions of this document. The omitted portions of this document have been filed with the SEC.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Evogene Ltd.

Date: March 29, 2018

By: /s/ Ofer Haviv
Name: Ofer Haviv
Title: President and Chief Executive Officer

EVOGENE LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

U.S. DOLLARS IN THOUSANDS

INDEX

Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of

EVOGENE LTD.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Evogene Ltd. and its subsidiaries (the "Company") as of December 31, 2017 and 2016 and the related consolidated statements of profit or loss and other comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2017 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

We have served as the Company's auditor since 2002.

Tel-Aviv, Israel
March 29, 2018

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands (except share and per share data)

	Note	December 31, 2017	December 31, 2016
CURRENT ASSETS:			
Cash and cash equivalents	7	$ 3,435	$ 3,236
Restricted cash		47	47
Marketable securities	8	59,940	71,738
Short-term bank deposits		8,380	13,137
Trade receivables		132	169
Other receivables	9	857	1,163
		72,791	89,490
LONG-TERM ASSETS:			
Long-term deposits		19	13
Property, plant and equipment, net	10	4,792	6,483
		4,811	6,496
		$ 77,602	$ 95,986
CURRENT LIABILITIES:			
Trade payables		$ 1,110	$ 1,330
Other payables	11	2,934	2,803
Liabilities in respect of government grants	12	104	125
Deferred revenues and other advances	5	516	967
		4,664	5,225
LONG-TERM LIABILITIES:			
Liabilities in respect of government grants	12	3,438	3,303
Deferred revenues and other advances	5	89	138
Severance pay liability, net	14	33	31
		3,560	3,472
SHAREHOLDERS' EQUITY:	17		
Ordinary shares of NIS 0.02 par value:			
Authorized − 150,000,000 ordinary shares; Issued and outstanding – 25,750,547 and 25,480,809 shares at December 31, 2017 and 2016, respectively		142	141
Share premium and other capital reserve		186,268	183,342
Accumulated deficit		(117,032)	(96,194)
		69,378	87,289
		$ 77,602	$ 95,986

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (LOSS)

U.S. dollars in thousands (except share and per share data)

	Note	Year ended December 31, 2017	2016	2015
Revenues		$ 3,381	$ 6,540	$ 11,129
Cost of revenues	19a	2,845	5,639	8,255
Gross profit		536	901	2,874
Operating expenses:				
Research and development, net	19b	16,987	16,405	14,449
Business development	19c	1,686	1,696	1,964
General and administrative	19d	3,810	3,889	4,382
Total operating expenses		22,483	21,990	20,795
Operating loss		(21,947)	(21,089)	(17,921)
Financing income	19e	2,125	2,424	2,571
Financing expenses	19e	(1,005)	(891)	(1,863)
Loss before taxes on income		(20,827)	(19,556)	(17,213)
Taxes on income		11	36	-
Net loss		$ (20,838)	$ (19,592)	$ (17,213)
Other comprehensive income (loss):				
Loss from cash flow hedges		$ -	$ -	$ (45)
Amounts transferred to the statement of profit or loss for cash flow hedges		-	-	267
Total comprehensive loss		$ (20,838)	$ (19,592)	$ (16,991)
Basic and diluted net loss per share	20	$ (0.81)	$ (0.77)	$ (0.68)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands

	Share capital	Share premium and other capital reserve	Accumulated other comprehensive loss	Accumulated deficit	Total
Balance as of January 1, 2015	$ 140	$ 175,553	$ (222)	$ (59,389)	$ 116,082
Net loss	-	-	-	(17,213)	(17,213)
Exercise of options	*) -	296	-	-	296
Other comprehensive income	-	-	222	-	222
Share-based compensation	-	4,365	-	-	4,365
Balance as of December 31, 2015	$ 140	$ 180,214	$ -	$ (76,602)	$ 103,752
Net loss	-	-	-	(19,592)	(19,592)
Exercise of options	1	185	-	-	186
Share-based compensation	-	2,943	-	-	2,943
Balance as of December 31, 2016	$ 141	$ 183,342	$ -	$ (96,194)	$ 87,289
Net loss	-	-	-	(20,838)	(20,838)
Exercise of options	1	682	-	-	683
Share-based compensation	-	2,244	-	-	2,244
Balance as of December 31, 2017	$ 142	$ 186,268	$ -	$ (117,032)	$ 69,378

*) Represents an amount lower than $1

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2017	**2016**	**2015**
Cash flows from operating activities:			
Net loss	$ (20,838)	$ (19,592)	$ (17,213)
Adjustments to reconcile net loss to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Depreciation	2,145	2,279	2,433
Share-based compensation	2,244	2,943	4,365
Net financing income	(1,454)	(1,688)	(845)
Loss from sale of property, plant and equipment	-	39	-
Taxes on income	11	36	-
	2,946	3,609	5,953
Changes in asset and liability items:			
Decrease (increase) in trade receivables	37	2,506	(1,492)
Decrease (increase) in other receivables	221	(100)	(293)
Decrease (increase) in long term deposits	(6)	9	(1)
Decrease in trade payables	(86)	(215)	(68)
Decrease (increase) in other payables	136	(303)	(640)
Increase (decrease) in severance pay liability, net	2	5	(3)
Decrease in deferred revenues and other advances	(500)	(81)	(1,055)
Increase (decrease) in liabilities in respect of government grants	-	115	(284)
	(196)	1,936	(3,836)
Cash received (paid) during the year for:			
Interest received	2,173	2,360	2,689
Taxes paid	(14)	(6)	-
Net cash used in operating activities	(15,929)	(11,693)	(12,407)
Cash flows from investing activities:			
Purchase of property, plant and equipment	(590)	(808)	(2,005)
Proceeds from sale of marketable securities	22,737	23,926	38,164
Purchase of marketable securities	(11,659)	(24,561)	(31,168)
Proceeds from bank deposits, net	4,757	5,466	11,443
Proceeds from sale of property, plant and equipment	-	5	-
Decrease in restricted cash	-	-	953
Net cash provided by investing activities	15,245	4,028	17,387

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2017	**2016**	**2015**
Cash flows from financing activities:			
Proceeds from exercise of options	683	186	296
Proceeds from government grants	339	802	167
Repayment of government grants	(208)	(333)	(418)
Net cash provided by financing activities	814	655	45
Exchange rate differences - cash and cash equivalent balances	69	25	(17)
Increase (decrease) in cash and cash equivalents	199	(6,985)	5,008
Cash and cash equivalents, beginning of the year	3,236	10,221	5,213
Cash and cash equivalents, end of the year	$ 3,435	$ 3,236	$ 10,221
Significant non-cash activities:			
Acquisition of property, plant and equipment	$ 39	$ 150	$ 349

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1: – GENERAL

a. Evogene Ltd. together with its subsidiaries ("the Company" or "Evogene") is a leading biotechnology company focused on the improvement of crop productivity and performance, addressing the world's increasing demand for food, feed and fuel. We have developed a proprietary innovative technology platform, leveraging scientific understanding and computational technologies to harness agriculture 'Big Data' in order to develop improved seed traits, innovative ag-chemical products and novel ag-biological products.

Furthermore, we operate a seed business under our wholly-owned subsidiary, Evofuel Ltd., or Evofuel, currently focusing on the development of improved castor bean seeds to serve as a feedstock source for biofuel and other industrial uses.

Evogene Ltd. was founded on October 10, 1999 as Agro Leads Ltd., a division of Compugen Ltd. In 2002, our company was spun-off as an independent corporation under the laws of the State of Israel, and changed its name to Evogene Ltd.

The Company's shares have been trading on the Tel Aviv Stock Exchange ("TASE") since 2007, on the New York Stock Exchange ("NYSE") from November 2013 until December 2016, and on the Nasdaq Stock Market ("NASDAQ") since December 2016.

b. The Company principally derives its revenues from collaboration arrangements, see note 5. As to major customers, see Note 21(c). In a case of termination of collaboration agreement with a major customer, the Company may not be able to make up the lost revenue and this may have a material adverse effect on its results of operations.

c. The Company has three fully owned active subsidiaries –Evofuel, Evogene Inc., and Biomica Ltd.

Evogene Inc. was incorporated in Delaware, United States. Since 2015, Evogene Inc. is engaged in research and development in the field of insect control and located in the Bio-Research and Development Growth (BRDG) Park, in St. Louis, Missouri, United States.

Biomica Ltd. was incorporated on March 2, 2017, whose mission is to discover and develop human microbiome-based therapeutics.

d. Definitions

In these Financial Statements –

Subsidiary - Company that is controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.

Related parties - As defined in IAS 24.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Company's financial statements have been prepared on a cost basis, except for financial assets and liabilities (including derivatives) which are presented at fair value through profit or loss.

The Company has elected to present profit or loss items using the function of expense method.

b. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

c. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

The presentation currency of the financial statements is the U.S. dollar.

The Company and its subsidiaries determine the functional currency of each entity, and this currency is used to separately measure each entity's financial position and operating results. The Company's functional currency is the U.S. dollar.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences, other than those capitalized to qualifying assets or accounted for as hedging transactions in equity, are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

d. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment or with a maturity of more than three months, but which are redeemable on demand without penalty.

e. Short-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months from the date of investment but less than one year and which do not meet the definition of cash equivalents. The deposits are presented according to their terms of deposit.

f. Government grants:

Government grants received from the Israel Innovation Authority (“IIA”, former “Office of the Chief Scientist in Israel” ("OCS")), the Israel-U.S. Binational Industrial Research and Development Foundation ("BIRD") and the Canada-Israel Industrial Research and Development Foundation ("CIIRDF") are recognized upon receipt as a liability if future economic benefits are expected from the research project that will result in royalty-bearing sales.

A liability for the loan is first measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grant received and the fair value of the liability is accounted for as a government grant and recognized as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. Royalty payments are treated as a reduction of the liability. If no economic benefits are expected from the research activity, the grant receipts are recognized as a reduction of the related research and development expenses. In that event, the royalty obligation is treated as a contingent liability in accordance with IAS 37.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In each reporting date, the Company evaluates whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid (since the Company will not be required to pay royalties) based on the best estimate of future sales and using the original effective interest method, and if so, the appropriate amount of the liability is derecognized against a corresponding reduction in research and development expenses.

Amounts paid as royalties are recognized as settlement of the liability.

Non-refundable grants from the IIA and the European Union Horizon 2020 ("EU") for funding research and development projects are recognized at the time the Company is entitled to such grants on the basis of the related costs incurred and recorded as a deduction from research and development expenses.

g. Leases:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17.

The Company is only involved in operating lease transaction as a lessee.

Leases in which substantially all the risks and rewards of ownership of the leased asset are not transferred to the Company are classified as operating leases. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

h. Property, plant and equipment:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%	Mainly %
Laboratory equipment	10-33.33	15
Computers and peripheral equipment	33.33	
Office equipment and furniture	6	
Motor vehicles	15	
Leasehold improvements	see below	

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Company and intended to be exercised) and the expected life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable.

If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

j. Revenue recognition:

Revenues are recognized in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenues are measured at the fair value of the consideration received.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following are the specific revenue recognition criteria which must be met before revenue is recognized:

- Revenues from agreements that do not contain a general right of return and are composed of multiple elements such as license, services, royalties and milestone events are allocated to the different elements and are recognized in respect of each element separately. An element constitutes a separate accounting unit if and only if it has a separate value to the customer. Revenue from each element is recognized when the criteria for revenue recognition have been met and only to the extent of the consideration that is not contingent upon completion or performance of future services in the contract.

- Revenues from research and development services as part of the Company's collaboration agreements are recognized as service revenues. Recognition of the service is throughout the services period and is determined based on the proportion of actual costs incurred for each reporting period to the estimated total costs, subject to the enforceable rights.

- Revenues from milestone events stipulated in the agreements are recognized upon the occurrence of a substantive element specified in the agreement.

Deferred revenues and other advances:

Deferred revenues and other advances are unearned amounts including up-front payments received from customers not yet recognized as revenues. Up-front payments received upon entering into the collaboration agreements are initially deferred when received and then recognized as service revenues over the duration of the relevant contract based on the proportion of actual costs incurred for each reporting period to the estimated total costs of the collaboration.

k. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income (loss) or equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

l. Financial instruments:

1. Financial assets:

Financial assets within the scope of IAS 39 are initially recognized at fair value plus directly attributable transaction costs, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

After initial recognition, the accounting treatment of financial assets is based on their classification as follows:

a) Financial assets at fair value through profit or loss:

This category includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

b) Loans and receivables:

Loans and receivables are investments with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans are measured based on their terms at amortized cost plus directly attributable transaction costs using the effective interest method and less any impairment losses. Short-term borrowings are measured based on their terms, normally at face value.

2. Financial liabilities at amortized cost:

Financial liabilities at amortized cost are initially recognized at fair value. Loans and other liabilities measured at amortized cost are presented less direct transaction costs.

After initial recognition, these loans and other liabilities are measured based on their terms at amortized cost less directly attributable transaction costs using the effective interest method.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. Derecognition of financial instruments:

a) Financial assets:

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Company has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

b) Financial liabilities:

A financial liability is derecognized when it is extinguished, that is when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the debtor (the Company) discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

When an existing financial liability is exchanged with another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above liabilities is recognized in profit or loss. If the exchange or modification is not substantial, it is accounted for as a change in the terms of the original liability and no gain or loss is recognized on the exchange. When evaluating whether the change in the terms of an existing liability is substantial, the Company takes into account both quantitative and qualitative considerations.

m. Derivative financial instruments designated as hedges:

The Company entered into contracts for derivative financial instruments such as forward currency contracts to hedge risks associated with foreign exchange rate fluctuations.

Any gains or losses arising from changes in the fair values of derivatives that do not qualify for hedge accounting are recorded immediately in profit or loss.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Hedges qualify for hedge accounting, among others, when at inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and of the Company's risk management objective and strategy for undertaking the hedge. Hedges are assessed on an ongoing basis to determine whether they are highly effective during the reporting period for which the hedge is designated. Hedges that meet the criteria for hedge accounting are accounted for as follows:

Cash flow hedges:

The effective portion of the change in the fair value of the hedging instrument is recognized in other comprehensive income (loss) while any ineffective portion is recognized immediately in profit or loss.

Amounts recognized as other comprehensive income (loss) are reclassified to profit or loss when the hedged transaction affects profit or loss, such as when the hedged income or expense is recognized or when a forecasted transaction occurs.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in other comprehensive income (loss) are reclassified to profit or loss. If the hedging instrument expires or is sold, terminated or exercised, or if its designation as a hedge is revoked, amounts previously recognized in other comprehensive income (loss) remain in other comprehensive income (loss) until the forecast transaction or firm commitment occurs.

n. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable directly or indirectly.

Level 3 - Inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

o. Provisions:

A provision in accordance with IAS 37 is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

p. Employee benefit liabilities:

The Company has several employee benefit plans:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Company has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

The Company has defined contribution plans pursuant to section 14 to the Severance Pay Law under which the Company pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

NOTE 2: – SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

In respect of its severance pay obligation to certain of its employees, the Company makes current deposits in pension funds and insurance companies ("the plan assets"). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Company's own creditors and cannot be returned directly to the Company.

q. Share-based payment transactions:

The Company's employees and consultants are entitled to remuneration in the form of equity-settled share-based payment transactions.

Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.

As for consultants, the cost of the transactions is measured at the fair value of the services received as consideration for equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. No expense is recognized for awards that do not ultimately vest.

If the Company modifies the conditions on which equity-instruments were granted, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee or other service provider at the modification date.

r. Loss per share:

Loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted number of ordinary shares outstanding during the period.

Potential ordinary shares are included in the computation of diluted earnings per share when their conversion decreases earnings per share from continuing operations.

NOTE 3: - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUPMTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

In the process of applying the significant accounting policies, the Company has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

a. Judgments:

Revenues:

The Company assesses the criteria for recognition of revenue related to up-front payments and multiple components as outlined by IAS 18, "Revenues". Judgment is necessary to determine over which period the Company will satisfy its obligations related to up-front payments and when components can be recognized separately and the allocation of the related consideration to each component.

b. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Company that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Government grants:

  Government grants received from the IIA, BIRD and CIIRDF are recognized as a liability if future economic benefits are expected from the research and development activity that will result in royalty-bearing sales. There is uncertainty regarding the estimated future cash flows used to measure the amount of the liability.

- Legal claims:

  In estimating the likelihood of outcome of legal claims filed against the Company, the companies relies on the opinion of its legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

NOTE 3: - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUPMTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

- Determining the fair value of share-based payment transactions:

  The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model. The inputs to the model include share price and exercise price and assumptions regarding expected volatility, expected life of share option and expected dividend yield.

NOTE 4: - DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

a. IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the modified retrospective method. During 2016, the Company performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis completed in 2017.

(i) Sale of goods

For contracts with customers in which the sale of goods is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Company's revenue and profit or loss.

The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(ii) Rendering of services

The Company recognizes service revenue by reference to the stage of completion. Under IFRS 15, allocation will be made based on relative stand-alone selling prices. Hence, the allocation of the consideration and, consequently, the timing of the amount of revenue recognized in relation to these sales would be affected.

The Company examined that when IFRS 15 is adopted, the financial statements would not be impacted.

(iii) Advances received from customers

Short-term advances from customers are presented as part of Trade and other payables. However, from time to time, the Company may receive from customers long-term advances.

Under the current accounting policy, the Company presents such advances as deferred revenue under the noncurrent liabilities heading in the statement of financial position. No interest was accrued on the long-term advances received under the current accounting policy.

NOTE 4: - DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Cont.)

Under IFRS 15, the Company must determine whether there is a significant financing component in its contracts. However, the Company decided to use the practical expedient provided in IFRS 15, and will not adjust the promised amount of the consideration for the effects of a significant financing components in the contracts, where the Company expects, at contract inception, that the period between the Company transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Therefore, for short-term advances, the Company will not account for a financing component even if it is significant.

Based on the nature of the goods and services offered and the purpose of payment terms, the Company determined that for the vast majority of the contracts that require customers to pay long-term advances, the payment terms were structured primarily for reason other than the provision of finance to the Company. In addition, the length of time between when the customer pays for the goods and services and the Company transfers goods and services to the customer is relatively short. Therefore, the Company has concluded that there is not a significant financing component in these contracts.

(iv) Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Company's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Company expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made.

b. IFRS 9, "Financial Instruments":

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date and will not restate comparative information.

During 2017, the Company has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company will adopt IFRS 9. Overall, the Company expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9.

The Company expects an immaterial increase in the loss allowance resulting in a negative impact on equity.

NOTE 4: - DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Cont.)

(i) Classification and measurement

The Company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

(ii) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company will apply the simplified approach and record lifetime expected losses on all trade receivables. The Company's trade receivable balance as of 2017 financial report date is less than 0.2% of its total assets therefore no material impact is expected for 2017 results.

(iii) Hedge accounting

Currently The Company is not engaged in hedge relationships.

c. IFRS 16, "Leases":

IFRS 16 was issued in January 2016, and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

NOTE 4: - DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Cont.)

The Company has completed an initial assessment of the potential impact on its consolidated financial but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Company's borrowing rate at 1 January, 2019 and the composition of the Company's lease portfolio at that date.

So far, the most significant impact identified is that the Company will recognize new assets and liabilities for its operating lease of principal facility is located in Rehovot, "Evogene Farm", research and development facility in St. Louis, Missouri and car leases. As at 31 December, 2017, the Company's future minimum lease payments under non-cancelable operating leases amounted to $1,548, on an undiscounted basis (see note 16(a)).

In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

NOTE 5: - COLLABORATION AGREEMENTS-

Below is information regarding collaboration agreements which each amounts to 10% or more of our total revenues in 2017:

a. Our most significant collaboration in the seed traits activity is with Monsanto, addressing yield, drought tolerance and fertilizer utilization (Yield and Abiotic Stress) in corn, soybean, cotton and canola through biotechnology. The collaboration, initiated in 2008, originally focused on gene discovery, and a 2011 expansion of the agreement added new research activities for increasing trait efficacy. The collaboration was extended and expanded for a second time in October 2013, including to address corn resistance to Fusarium, a fungus responsible for Stalk Rot disease in corn. In July 2017, we announced the successful completion of the gene discovery stage of the Yield and Abiotic Stress seed traits activities under the collaboration, which now focus on progressing selected gene candidates through additional testing in Monsanto's product development pipeline. Our Fusarium-related activities under the extended agreement are scheduled to expire in August 2019.

b. We have a collaboration with a multinational consumer goods company, addressing yield improvement in a certain field crop through non-GM methods. In this collaboration, initiated in 2014, we generate new varieties of the target crop using a molecular biology method known as TILLING with the goal that our partner includes such new varieties in its breeding pipeline. Our activities under this agreement are scheduled to expire in 2018.

NOTE 6: - LONG-TERM INVESTMENT

On February 4, 2013, the Company signed an agreement with a private Israeli company, according to which the Company undertook to provide the private Israeli company with rights to use its greenhouses and facilities, including support for the private Israeli company's development process, for the consideration of total value amounting to $365, which was determined based on a third party valuation.

In April 2015, the private Israeli company began a dissolution process as result of its insolvency and inability to pay back its debtors. Subsequently the Company recorded a full impairment of the investment in the amount of $382.

U.S. dollars in thousands (except share and per share data)

NOTE 7: - CASH AND CASH EQUIVALENTS

	December 31,	
	2017	2016
Cash for immediate withdrawal in USD	$ 2,609	$ 1,741
Cash equivalents in NIS bank deposit	-	1,170
Cash for immediate withdrawal in NIS	748	281
Cash for immediate withdrawal in Euro and other currencies	78	44
	$ 3,435	$ 3,236

NOTE 8: - MARKETABLE SECURITIES

	December 31,	
	2017	2016
Financial assets measured at fair value through profit or loss:		
Corporate bonds and government treasury notes	$ 59,940	$ 71,738

NOTE 9: - OTHER RECEIVABLES

	December 31,	
	2017	2016
Government authorities	$ 134	$ 354
Patent cost reimbursement	337	283
Accrued bank interests	62	110
Prepaid expenses	223	157
Other receivables	101	259
	$ 857	$ 1,163

U.S. dollars in thousands (except share and per share data)

NOTE 10: - PROPERTY, PLANT AND EQUIPMENT, NET

Balance at December 31, 2017:

	Laboratory equipment	Computers and peripheral equipment	Office equipment and furniture	Leasehold improvements	Total
Cost:					
Balance at January 1, 2017	$ 4,559	$ 3,550	$ 224	$ 12,608	$ 20,941
Additions	197	199	-	58	454
Balance at December 31, 2017	4,756	3,749	224	12,666	21,395
Accumulated Depreciation:					
Balance at January 1, 2017	3,160	2,856	114	8,328	14,458
Additions	354	419	15	1,357	2,145
Balance at December 31, 2017	3,514	3,275	129	9,685	16,603
Depreciated cost at December 31, 2017	$ 1,242	$ 474	$ 95	$ 2,981	$ 4,792

Balance at December 31, 2016:

	Laboratory equipment	Computers and peripheral equipment	Office equipment and furniture	Leasehold improvements	Vehicles	Total
Cost:						
Balance at January 1, 2016	$ 4,340	$ 3,194	$ 216	$ 12,582	$ 98	$ 20,430
Additions	219	356	8	26	-	609
Disposals	-	-	-	-	(98)	(98)
Balance at December 31, 2016	4,559	3,550	224	12,608	-	20,941
Accumulated Depreciation:						
Balance at January 1, 2016	2,751	2,376	100	6,962	44	12,233
Additions	409	480	14	1,366	10	2,279
Disposals	-	-	-	-	(54)	(54)
Balance at December 31, 2016	3,160	2,856	114	8,328	-	14,458
Depreciated cost at December 31, 2016	$ 1,399	$ 694	$ 110	$ 4,280	$ -	$ 6,483

U.S. dollars in thousands (except share and per share data)

NOTE 11: - OTHER PAYABLES

	December 31,	
	2017	2016
Employees and payroll accruals	$ 1,881	$ 1,953
Accrued expenses	717	471
Government authorities	336	379
	$ 2,934	$ 2,803

NOTE 12: - LIABILITIES IN RESPECT OF GOVERNMENT GRANTS

	2017	2016
Balance at January 1,	$ 3,428	$ 3,139
Grants received	302	474
Royalties paid	(158)	(333)
BIRD repayment	(50)	-
Amounts recorded in profit or loss	20	148
Balance at December 31,	$ 3,542	$ 3,428

The Company received research and development grants from the IIA, and undertook to pay royalties of 3% of revenues derived from research and development projects that were financed by the IIA, of up to 100% of the grants received. As of December 31, 2017, the Company received grants amounting to $6,401, (including accrued interest), while total royalties paid as of that date amounted to $3,332.

The Company received research and development grants from BIRD, and undertook to pay royalties of 5% of revenues derived from research and the development projects that were financed by BIRD, of up to 150% of all grants received. As of December 31, 2017, the Company received grants in the amount of $937. No royalties have yet been paid through December 31, 2017 as no revenues were derived from products developed using these grants.

The Company received research and development grants from CIIRDF, and undertook to pay royalties of 2.5% of revenues derived from research and the development projects that were financed by CIIRDF, of up to 100% of all grants received. As of December 31, 2017, the Company received grants amounting to $334. No royalties have yet been paid through December 31, 2017 as no revenues were derived from products developed using these grants.

NOTE 13: - FINANCIAL INSTRUMENTS

a. Classification of financial instruments by fair value hierarchy:

	December 31,	
	2017	2016
	Level 2	
Financial assets:		
Marketable securities	$ 59,940	$ 71,738

During 2017, there were no transfers due to the fair value measurement of any financial instrument to or from Levels 1, 2 and 3.

b. Financial risk factors:

The Company's operations are exposed to various financial risks, such as market risk (foreign currency risk, price risk), credit risk, and liquidity risk. The Company's comprehensive risk management plan focuses on measures to minimize possible negative effects on the financial performance of the Company.

The Company's Board of Directors has provided guidelines for risk management, and specific policies for various risk exposures, such as foreign currency risk, interest-rate risk, credit risk, and the use of derivative financial instruments, non-derivative financial instruments, and excess-liquidity investments.

1. Market Risk:

a) Foreign currency risk:

The Company operates primarily in Israel, and has an exchange rate risk as it incurs fixed expenses in New Israel Shekels, which differs from its functional currency.

b) Price risk:

The Company has investments in bonds, classified as financial instruments, which are measured at fair value through profit and loss. Accordingly, the Company is exposed to a risk from changes in the fair value of these investments.

U.S. dollars in thousands (except share and per share data)

NOTE 13: - FINANCIAL INSTRUMENTS (Cont.)

2. Credit Risk:

The Company holds cash and cash equivalents, short-term investments and other financial instruments with various financial institutions. Its policy is to spread its investments among various institutions. In accordance with this policy, the Company invests its funds with stable financial institutions.

The Company has no trade receivables balances past due, and accordingly has not recognized any provision for doubtful accounts.

3. Liquidity Risk:

The following table presents the repayment dates of the Company's financial liabilities, by contractual terms, in nominal amounts (including interest payments):

Balance at December 31, 2017:

	Up to 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years	Total
Trade payables	$ 1,110	$ -	$ -	$ -	$ -	$ -	$ 1,110
Other payables	2,934	-	-	-	-	-	2,934
Liabilities in respect of government grants	106	1,100	208	372	501	1,941	4,228
	$ 4,150	$ 1,100	$ 208	$ 372	$ 501	$ 1,941	$ 8,272

Balance at December 31, 2016:

	Up to 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years	Total
Trade payables	$ 1,330	$ -	$ -	$ -	$ -	$ -	$ 1,330
Other payables	2,803	-	-	-	-	-	2,803
Liabilities in respect of government grants	179	712	513	481	598	1,576	4,059
	$ 4,312	$ 712	$ 513	$ 481	$ 598	$ 1,576	$ 8,192

c. Fair Value:

The carrying amounts of cash and cash equivalents, short-term investments, other receivables, trade payables and other payables approximate their fair values due to the short-term maturities of such instruments.

The fair value of the liabilities in respect of government grants is measured using a discount rate that reflects the applicable market rate of interest at the date the grants are received which approximates the fair value at the respective balance sheet date. The fair value measurement is categorized into Level 3.

U.S. dollars in thousands (except share and per share data)

NOTE 13: - FINANCIAL INSTRUMENTS (Cont.)

d. Sensitivity tests relating to changes in market factors:

	December 31,	
	2017	2016
Sensitivity test to changes in the USD/NIS exchange rate:		
Gain (loss) from the change:		
Increase of 5% in exchange rate	$ 133	$ 84
Decrease of 5% in exchange rate	$ (133)	$ (84)
Sensitivity test to changes in the market price of listed securities:		
Gain (loss) from the change:		
Increase of 5% in market price	$ 2,997	$ 3,587
Decrease of 5% in market price	$ (2,997)	$ (3,587)

Sensitivity tests and principal work assumptions:

The selected changes in the relevant risk variables were determined based on management's estimate as to reasonable possible changes in these risk variables.

e. Hedging activities and derivatives:

Cash flow hedges:

As of December 31, 2014, the Company held NIS/USD forward contracts designated as hedges of expected future employee wages, for expected future payments to government authorities and to Israeli suppliers, and for rent payments. The main terms of these positions were set to match the terms of the hedged items.

Cash flow hedges of the expected employee wages, government authorities payments and rent payments in January-April 2015 were estimated as highly effective, and as result on December 31, 2014 other comprehensive loss in the amount of about $222, was recorded in equity in Accumulated other comprehensive loss.

As of December 31, 2015 there were no hedging contracts held by the Company.

As of December 31, 2016, the Company held NIS/USD forward contracts designated as hedges of expected future employee wages and for expected future payments to government authorities. The main terms of these positions were set to match the terms of the hedged items.

Cash flow hedges of the expected employee wages and government authorities payments in January-March 2017 were not estimated as highly effective, and as result on December 31, 2016 financing income in the amount of $7, was recorded in profit or loss.

As of December 31, 2017 there were no hedging contracts held by the Company.

U.S. dollars in thousands (except share and per share data)

NOTE 14: - SEVERANCE PAY LIABILITY, NET

Labor laws and the Severance Pay Law in Israel (the "Severance Law") require the Company to pay compensation to employees upon dismissal or retirement, or to make routine contributions in defined contribution plans pursuant to Section 14 of the Severance Pay Law, as described below. The Company's liability is accounted for as a post-employment benefit. The Company's employee benefit liability is based on a valid labor agreement, the employee's salary, and the applicable terms of employment, which together generate a right to severance compensation.

Post-employment employee benefits are financed by deposits with defined deposit plans, as detailed below.

Contributions in accordance with Section 14 to the Severance Law release the Company from any additional liability to employees for whom said contributions were made. These contributions represent defined contribution plans.

	Year ended December 31,		
	2017	2016	2015
Expenses - defined contribution plan	$ 759	$ 769	$ 782

NOTE 15: - TAXES ON INCOME

a. Tax rates applicable to the Company:

1. The Israeli corporate income tax rate was 24% in 2017, 25% in 2016 and 26.5% in 2015.

   On January 4, 2016 the Israeli Parliament's Plenum approved by a second and third reading the Bill for Amending the Income Tax Ordinance (No. 217) (Reduction of Corporate Tax Rate), 2015, which includes a reduction of the corporate tax rate from 26.5% to 25%.

   In December 2016, the Israeli Parliament approved the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which reduces the corporate income tax rate to 24% (instead of 25%) effective from January 1, 2017 and to 23% effective from January 1, 2018.

2. Evogene Inc, a company incorporated in the U.S., is subject to U.S. income taxes. In 2017 the weighted tax rate applicable to Evogene Inc. was approximately 20% (Federal tax and state tax where the company operates).

3. We are subject to taxation in the United States, as well as a number of foreign jurisdictions. On December 22, 2017, the U.S. President signed into law federal tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act provides for significant and wide-ranging changes to the U.S. Internal Revenue Code. The reforms are complex, and it will take some time to assess the implications thoroughly.

   Broadly, the implications most relevant to the company include: a) a reduction in the U.S. federal corporate income tax rate from 35% to 21%, with various “base erosion” rules that may effectively limit the tax deductibility of certain payments made by U.S. entities to non-U.S. affiliates and additional limitations on deductions attributable to interest expense; and b) adopting elements of a territorial tax system.

b. Tax assessments:

   The Company received assessments that are considered final, up to and including the 2012 tax year.

c. Carryforward losses for tax purposes and other temporary differences:

   As of December 31, 2017, the Evogene Ltd. and its Israeli subsidiaries have carryforward operating tax losses amounting to approximately $79 million, which can be carried forward for an indefinite period.

U.S. dollars in thousands (except share and per share data)

NOTE 15: - TAXES ON INCOME (Cont.)

d. Deferred taxes:

The Company did not recognize deferred tax assets for carry-forward losses and other temporary differences, because their utilization in the foreseeable future is not probable.

e. Theoretical tax:

The reconciliation between the tax expense, assuming that all the income and expenses, gains and losses in the statement of income were taxed at the statutory tax rate and the taxes on income recorded in profit or loss, does not provide significant information and therefore is not presented.

NOTE 16: - COMMITMENTS AND CONTINGENT LIABILITIES

a. The Company leases facilities for its offices and research and development activities, as well as motor vehicles under operating leases. Future minimum lease payments under non-cancelable operating leases for the years ended December 31, are as follows:

2018	$ 742
2019	278
2020	285
2021	243
	$ 1,548

The Company has provided bank guarantees in the amount of $304 to secure compliance with its facilities rental payment requirements.

b. Claims

As of December 31, 2017, the Company is not involved in any claims.

c. Government grants

The Company received research and development grants from the IIA, BIRD and CIIRDF, see note 12. If no economic benefits are expected from the research activity, the royalty obligation is not recorded as a liability and instead is treated as a contingent liability in accordance with IAS 37. The grants from the IIA impose certain restrictions on the transfer outside of Israel of the underlying know-how and the manufacturing or manufacturing rights of the underlying products and technologies.

U.S. dollars in thousands (except share and per share data)

NOTE 17: - SHAREHOLDERS' EQUITY

a. General:

All ordinary shares, options, per share data and exercise prices included in these financial statements for all periods presented have been adjusted to reflect the 1-for-2 reverse share split effected on November 19, 2013.

b. Share capital:

	December 31,			
	2017		2016	
	Authorized	Issued and Outstanding	Authorized	Issued and Outstanding
	Number of shares			
Ordinary shares of NIS 0.02 par value each	150,000,000	25,750,547	150,000,000	25,480,809

c. Changes in share capital:

Share capital issued and outstanding:

	Number of shares	NIS par value
Outstanding at January 1, 2016	25,404,362	508,087
Exercise of options	76,447	1,529
Outstanding at December 31, 2016	25,480,809	509,616
Exercise of options	269,738	5,395
Outstanding at December 31, 2017	25,750,547	515,011

d. Rights attached to shares:

Voting rights at the general meeting, rights to dividends, rights upon liquidation of the Company and the right to appoint directors of the Company.

e. Capital management in the Company:

The Company's objectives in managing capital are as follows:

To maintain its ability to ensure the continuity of the business, and thus to generate a return to equity holders, investors and other parties.

The Company manages its capital structure and makes adjustments following changes in economic conditions and the risk-nature of its operations. In order to maintain or to adjust the necessary capital structure, the Company takes various steps, such as raising funds by capital issues.

U.S. dollars in thousands (except share and per share data)

NOTE 18: - SHARE- BASED COMPENSATION

a. Expenses recognized in the financial statements:

The expense recognized in the Company's financial statements for services provided by employees and service-providers is as follows:

	Year ended December 31,		
	2017	2016	2015
Share-based compensation	$ 2,244	$ 2,943	$ 4,365

The Company maintains three share option and incentive plans: the Evogene Share Option Plan (2002), the Evogene Ltd. Key Employee Share Incentive Plan, 2003, and the Evogene Ltd. 2013 Share Option Plan. All such option and incentive plans provide for the grant of options to purchase the Company's ordinary shares and generally expire 10 years from the grant date.

b. Share-based payment plan for employees and consultants:

During 2017, 2016 and 2015 the board of directors of the Company approved an issuance to its employees and consultants of 775,750, 200,000 and 692,750 options, respectively. The fair value of the options determined at their grant date using binomial model was approximately $1,102, $524 and $2,287, respectively.

NOTE 18: - SHARE- BASED COMPENSATION (Cont.)

c. Option grants to key officers and directors:

Date of grant	Grantee	Options granted	Par Value (NIS)	Exercise prices (NIS)	Exercise prices ($)	Total fair value $ in thousands
March 22, 2015	President and CEO	170,000	0.02	39.62	9.78	$ 663
March 22, 2015	Key officers	285,000	0.02	39.62	9.78	$ 1,016
March 22, 2015	Director	2,500	0.02	38.77	9.57	$ 20
	Director	2,500	0.02	40.77	10.06	
July 2, 2015	Directors	12,500	0.02	39.53	10.46	$ 44
November 17, 2015	Key officers	160,000	0.02	31.77	8.14	$ 382
December 16, 2015	Key officer	130,000	0.02	27.73	7.15	$ 298
February 29, 2016	Director	2,500	0.02	28.28	7.23	$ 14
	Director	2,500	0.02	32.72	8.37	
May 18, 2016	Directors	12,500	0.02	27.79	7.25	$ 41
August 10, 2016	Director	10,000	0.02	26.89	7.06	$ 27
September 26, 2016	Key officer	150,000	0.02	26.21	6.96	$ 318
January 12, 2017	Director	2,500	0.02	21.18	5.54	$ 6
April 2, 2017	Key officer	179,000	0.02	20.12	5.54	$ 318
May 16, 2017	Directors	10,000	0.02	19.59	5.43	$ 21
August 9, 2017	Key officers	550,000	0.02	18.71	5.20	$ 705
August 10, 2017	Director	2,500	0.02	18.67	5.19	$ 4
September 17, 2017	Director	2,500	0.02	17.34	4.92	$ 4
October 1, 2017	Key officer	15,000	0.02	16.92	4.79	$ 22

d. Options exercised:

During 2017, 2016, and 2015 employees, directors and consultants exercised 269,738, 76,447 and 53,408 options, respectively, into a total of 399,593 Ordinary shares, NIS 0.02 par value each of the Company, for a total consideration of $683, $186 and $296, respectively.

U.S. dollars in thousands (except share and per share data)

NOTE 18: - SHARE- BASED COMPENSATION (Cont.)

e. Share options activity:

The following table summarizes the number of share options, the weighted average exercise price, and the changes that were made in the option plans to employees, consultants and directors:

	2017		2016		2015	
	Number of options	Weighted average exercise prices ($)	Number of options	Weighted average exercise prices ($)	Number of options	Weighted average exercise prices ($)
Outstanding at January 1,	4,439,884	9.50	4,970,028	9.65	3,770,762	9.75
Grants	1,537,250	5.08	377,500	6.94	1,455,250	8.90
Exercised	(269,738)	2.18	(76,447)	2.45	(53,408)	5.58
Forfeited	(601,096)	10.22	(831,197)	9.87	(202,576)	7.15
Outstanding at December 31,	5,106,300	8.47	4,439,884	9.50	4,970,028	9.65
Exercisable at December 31,	3,146,823	10.73	3,203,850	9.18	2,794,672	8.79

The following table summarizes information about share options outstanding at December 31, 2017:

	Options outstanding		
Range of exercise prices ($)	Number outstanding	Average remaining contractual life	Weighted average exercise price
2.64 – 4.95	724,437	9.36	4.81
5.19 – 6.65	1,068,000	7.71	5.60
6.81 – 7.85	1,059,270	4.72	7.33
8.09 – 9.78	951,365	6.69	9.19
10.03 – 13.70	1,142,728	5.90	12.50
17.65 – 20.39	160,500	6.36	18.75
Total	5,106,300	6.69	8.47

f. The weighted average outstanding remaining contractual term of the options as of December 31, 2017 is 6.69 years (as of December 31, 2016, it was 6.17 years).

g. The weighted average fair value of options granted during 2017 was $1.72 (for options granted during 2016, the fair value was $2.93).

U.S. dollars in thousands (except share and per share data)

NOTE 18: - SHARE-BASED COMPENSATION (Cont.)

h. The fair value of the Company's share options granted to employees, directors and consultants for the years ended December 31, 2017, 2016 and 2015 was estimated using the binomial model with the following assumptions:

	2017	2016	2015
Dividend yield (%)	-	-	-
Expected volatility of the share prices (%)	42-43	45-54	48-51
Risk-free interest rate (%)	1.89-2.42	1.87-2.35	1.8-2.7
Suboptimal factor	1.8-2	1.8-2	1.8-2
Post-vesting forfeiture rate (%)	5-10	5-10	5-10

The expected volatility of the share prices reflects the assumption that the historical volatility of the share prices is reasonably indicative of expected future trends.

i. Modifications to the conditions of the options:

On December 29, 2015 the board of directors of the Company approved for one of its key officers and several of its employees scheduled to cease their employment with the Company through January 31, 2016 an extension to the originally awarded 3 month period post-employment allowing for exercise of fully vested options to periods ranging between 6 months and 2 years from their unemployment date. The weighted average incremental fair value measured using the Black & Scholes method was approximately $0.63 per option.

On August 10, 2016 the board of directors of the Company approved for one of its key officers scheduled to cease his employment with the Company through August 31, 2016 an extension to the originally awarded 3 month period post-employment allowing for exercise of fully vested options to period of 2 years from his unemployment date. The weighted average incremental fair value measured using the binomial model was approximately $0.67 per option.

On December 28, 2016 the board of directors of the Company approved for one of its key officers scheduled to cease his employment with the Company through December 31, 2016 an extension to the originally awarded 3 month period post-employment allowing for exercise of fully vested options to period of 2 years from his unemployment date. The weighted average incremental fair value measured using the binomial model was approximately $0.05 per option.

On October 1, 2017 the board of directors of the Company approved for one of its key officers and several of its employees scheduled to cease their employment with the Company through December 31, 2017 an extension to the originally awarded 3 month period post-employment allowing for exercise of fully vested options to period of 1 year from their unemployment date. The weighted average incremental fair value measured using the Black & Scholes method was less than $0.01 per option.

U.S. dollars in thousands (except share and per share data)

NOTE 19: - STATEMENTS OF COMPREHENSIVE LOSS - ADDITIONAL INFORMATION

a. Cost of revenues:

	Year ended December 31,		
	2017	2016	2015
Salaries and benefits	$ 1,668	$ 3,520	$ 4,381
Share-based compensation	53	231	831
Materials and sub-contractors	572	756	1,082
Depreciation	309	599	960
Rentals and maintenance	233	448	689
Other	10	85	312
	$ 2,845	$ 5,639	$ 8,255

b. Research and development, net:

	Year ended December 31,		
	2017	2016	2015
Salaries and benefits	$ 10,205	$ 9,207	$ 7,930
Share-based compensation	1,200	1,369	1,531
Materials and sub-contractors	1,636	2,120	1,508
Plant growth and greenhouse maintenance	405	473	730
Rentals and office maintenance	1,430	1,081	761
Depreciation	1,836	1,679	1,475
Other	437	656	819
Participation in respect of government grants	(162)	(180)	(305)
	$ 16,987	$ 16,405	$ 14,449

c. Business development:

	Year ended December 31,		
	2017	2016	2015
Salaries and benefits	$ 1,038	$ 947	$ 1,010
Share-based compensation	363	508	685
Travel	109	136	160
Legal	37	16	56
Other	139	89	53
	$ 1,686	$ 1,696	$ 1,964

d. General and administrative:

	Year ended December 31,		
	2017	2016	2015
Salaries and benefits	$ 1,737	$ 1,551	$ 1,608
Share-based compensation	628	835	1,317
Professional fees	1,065	1,228	1,200
Other	380	275	257
	$ 3,810	$ 3,889	$ 4,382

U.S. dollars in thousands (except share and per share data)

NOTE 19: - STATEMENTS OF COMPREHENSIVE LOSS - ADDITIONAL INFORMATION (Cont.)

e. Financing income and expenses

Financing income:

	Year ended December 31,		
	2017	2016	2015
Exchange differences, net	$ -	$ 17	$ 41
Interest income	2,125	2,400	2,530
Hedging instruments	-	7	-
	$ 2,125	$ 2,424	$ 2,571

Financing expenses:

	Year ended December 31,		
	2017	2016	2015
Bank expenses and commissions	$ 129	$ 155	$ 195
Exchange differences, net	82	-	-
Change in the fair value of marketable securities	720	703	1,237
Hedging instruments	7	-	99
Devaluation of investment	-	-	332
Revaluation of liabilities in respect of government grants	67	33	-
	$ 1,005	$ 891	$ 1,863

NOTE 20: - NET LOSS PER SHARE

Details of the number of shares and loss used in the computation of net loss per share:

	Year ended December 31,					
	2017		2016		2015	
	Weighted number of shares *)	Loss	Weighted number of shares *)	Loss	Weighted number of shares *)	Loss
Number of shares and net loss for the computation of basic and diluted net loss per share	25,673,276	(20,838)	25,444,733	(19,592)	25,378,325	(17,213)

*) To compute diluted net loss per share, potential ordinary shares, detailed below, have not been taken into account due to their anti-dilutive effect.

U.S. dollars in thousands (except share and per share data)

NOTE 21: - OPERATING SEGMENTS

a. General:

Commencing January 1, 2012, the Company operates in three segments. The segments were determined on the basis of information considered by the Chief Operating Decision-Maker ("CODM") for purposes of decision-making on the allocation of resources and evaluation of performance. The following Company's segments are engaged in business activities for which they earn revenues and incur expenses, their results are reviewed by the CODM and discrete financial information is available:

Evogene segment - Develops seed traits, ag-chemical products, and ag-biological products to improve plant performance.

Evofuel segment - Develops improved castor bean seeds to serve as a feedstock source for biofuel and other industrial uses.

Biomica - Discovery and development of human microbiome-based therapeutics

Segments performance is determined based on operating loss reported in the financial statements. The results of a segment reported to the CODM include items attributed directly to a segment, as well as other items, which are indirectly attributed using reasonable assumptions.

b. The following table presents our revenues and operating loss by segments:

	Evogene	Evofuel	Biomica	Adjustments	Total
For the Year Ended December 31, 2017					
Revenues	$ 3,247	$ 134	$ -	$ -	$ 3,381
Operating loss	$ (21,430)	$ (313)	$ (204)	$ -	$ (21,947)
Net financing income					$ 1,120
Loss before taxes on income					$ (20,827)

U.S. dollars in thousands (except share and per share data)

NOTE 21: - OPERATING SEGMENTS (Cont.)

	Evogene	Evofuel	Adjustments	Total
For the Year Ended December 31, 2016				
Revenues	$ 6,540	$ -	$ -	$ 6,540
Operating loss	$ (20,168)	$ (921)	$ -	$ (21,089)
Net financing income				1,533
Loss before taxes on income				$ (19,556)

	Evogene	Evofuel	Adjustments	Total
For the Year Ended December 31, 2015				
Revenues	$ 11,129	$ -	$ -	$ 11,129
Operating loss	$ (16,146)	$ (1,775)	$ -	$ (17,921)
Net financing income				708
Loss before taxes on income				$ (17,213)

c. Major customers:

Revenues from major customers each of whom amounts to 10% or more, of total revenues:

	Year ended December 31,		
	2017	2016	2015
Customer A (shareholder)	66%	77%	77%
Customer B	10%	12%	-
Customer C	*) -	11%	14%

*) Represents an amount lower than 10%.

See also Note 22 (a).

d. Geographical information:

Revenues based on the location of the customers, are as follows:

	Year ended December 31,		
	2017	2016	2015
United States	76%	89%	86%
Germany	10%	11%	14%
Other	14%	-	-
	100%	100%	100%

U.S. dollars in thousands (except share and per share data)

NOTE 22: - BALANCES AND TRANSACTIONS WITH KEY OFFICERS AND CERTAIN SHAREHOLDERS

a. 2017 shareholders information refers to Monsanto which, to the best of the Company's knowledge, hold approximately 6.4% of the Company's ordinary shares and is also a major customer (see also Notes 5, 21(c)).

b. Balances:

Balance at December 31, 2017:

	Key officers	Certain shareholder
Receivables	$ -	$ 337
Other payables	$ 468	$ -

Balance at December 31, 2016:

	Key officers	Certain shareholder
Receivables	$ -	$ 283
Other payables	$ 285	$ -

c. Benefits to directors:

	Year ended December 31,		
	2017	2016	2015
Compensation to directors not employed by the Company or on its behalf	$ 329	$ 322	$ 371
Number of directors received the above compensation by the Company	6	9	8

d. Salary and Benefits to key officers:

	Year ended December 31,		
	2017	2016	2015
Salary and related benefits	$ 1,673	$ 1,714	$ 1,849
Share-based compensation	959	1,467	2,254
	$ 2,632	$ 3,181	$ 4,103
Number of people that received salary and benefits	7	10	8

U.S. dollars in thousands (except share and per share data)

NOTE 22: - BALANCES AND TRANSACTIONS WITH KEY OFFICERS AND CERTAIN SHAREHOLDERS (Cont.)

e. Transactions:

For the year ended December 31, 2017

	Key officers	Certain shareholder
Revenues	$ -	$ (2,247)
Cost of revenues	141	(948)
Research and development expenses	1,061	-
Business development expenses	547	-
General and administrative expenses	883	-
	$ 2,632	$ (3,195)

For the year ended December 31, 2016

	Key officers	Certain shareholders
Revenues	$ -	$ (5,058)
Cost of revenues	104	(782)
Research and development expenses	1,286	-
Business development expenses	710	-
General and administrative expenses	1,081	-
	$ 3,181	$ (5,840)

For the year ended December 31, 2015

	Key officers	Certain shareholders
Revenues	$ -	$ (10,095)
Cost of revenues	544	(656)
Research and development expenses	1,194	-
Business development expenses	874	-
General and administrative expenses	1,491	-
	$ 4,103	$ (10,751)

EXHIBIT 1.1

AMENDED AND RESTATED

ARTICLES OF ASSOCIATION

OF

EVOGENE LTD.

(the "Company")

TABLE OF CONTENT

CHAPTER ONE – GENERAL

1. INTRODUCTION

1.1. Each of the words set out below will, in these Articles, bear the meaning appearing opposite it:

Articles	The Articles of Association of the Company as in effect or as may be amended from time to time.
Board	The Board of Directors of the Company
Business Day	A day on which banks in Israel are open for transacting business.
Companies Law	The Companies Law, 5759-1999, or any other enactment replacing the same.
Companies Ordinance	The Companies Ordinance (New Version), 5743-1983, or any other enactment replacing the same.
Companies Regulations	Regulations promulgated under the Companies Law and/or the Companies Ordinance.
Director(s)	The member(s) of the Board constituted in accordance with these Articles holding office at any given time.
In writing or written	Printing and any other form of printing words, including documents that have been sent in writing by fax, telegram, telex, e-mail, by computer or any other form of electronic communication, that creates or enables the creation of a copy or printout of a document.
Incompetent	A person who has been declared to be Incompetent pursuant to the Legal Capacity and Guardianship Law, 5722-1962.
Law	The provisions of any law ("din") applicable in the State of Israel.
Related Company	A body that, directly or indirectly, controls the Company or any other body that is, directly or indirectly, controlled by such body and/or a body that is controlled, directly or indirectly, by the Company.
Securities	As defined in section 1 of the Securities Law.
Securities Law	The Securities Law, 5728-1968, or any other enactment replacing the same
Securities Regulations	Regulations promulgated under the Securities Law

Shareholder	Anyone registered as a Shareholder in the Register of Shareholders of the Company.
Simple Majority	A majority of more than fifty percent (50%) of the votes of the Shareholders entitled to vote and who have, personally or by proxy, voted at a general meeting, excluding abstentions.
Special Majority	A majority of at least seventy-five percent (75%) of the votes of the Shareholders entitled to vote and who have voted personally or by proxy excluding for abstention votes.

1.2. In these Articles, any reference to an organ or officeholder refers to an organ or officeholder of the Company.

1.3. In the absence of any other provision on the subject and save where the subject matter or the context is inconsistent with such application, the provisions of sections 3 – 10 of the Interpretation Law, 5741-1981, will, *mutatis mutandis*, similarly apply to the interpretation of the Articles.

Unless otherwise provided in this clause, words and expressions contained in the Articles bear the meaning ascribed thereto in the Companies Law, the Companies Regulations, the Securities Law, or the Securities Regulations, and in the absence thereof, the meaning ascribed thereto in any other Law, save where such meaning is inconsistent with the context in which such word or expression appears, or with the thrust of the relevant provision contained in the Articles.

Any reference in these Articles to a provision of Law that is subsequently amended or repealed, will be deemed to be in force and form part of the Articles unless, as a result of such amendment or repeal such provision is of no effect.

The provisions of these Articles are in addition to and, to the extent permissible, override those prescribed by the Companies Law. Wherever any provision herein contained is in contradiction to that permitted by Law, the provisions of these Articles will, so far as possible, be construed pursuant to the provisions of Law.

2. PUBLIC COMPANY

The Company is a public company.

3. DONATIONS

The Company may make donations even if such donations do not relate to the Company's business.

4. OBJECTS OF THE COMPANY

The Company will engage in any lawful business.

5. LIMITATION ON LIABILITY

The liability of each of the Shareholders in the Company is limited to the full amount that such Shareholders undertook to pay at the time of the allotment, in respect of the Shares allotted to such Shareholders.

6. ALTERATION OF THE ARTICLES

The Company may, unless otherwise prescribed in relation to any particular provision of these Articles, vary or substitute any of the provisions herein contained by resolution to be adopted by the general meeting, by Simple Majority.

CHAPTER TWO – SHARE CAPITAL OF THE COMPANY

7. SHARE CAPITAL

7.1. The registered share capital of the Company is NIS 3,000,000 divided into 150,000,000 Ordinary Shares of NIS 0.02 nominal value each (hereinafter: "**Share**", "**Ordinary Share**", "**Shares**" or "**Ordinary Shares**", as appropriate). Each Share confers the right to receive invitations to, attend and vote at all general meetings. Each Shareholder, on casting a vote, will have such number of votes as corresponds to the number of Shares that it holds. All Shares have equal rights in relation to the amounts of capital that have been paid or have been credited as paid-up on the nominal value thereof in all matters relating to dividend, the distribution of bonus Shares and other distribution, a return of capital and participation in a distribution of surplus assets of the Company upon winding-up of the Company.

7.2. The provisions of these Articles with respect to Shares will similarly apply to other Securities that will be issued by the Company, *mutatis mutandis*.

8. ISSUE OF SHARES AND OTHER SECURITIES

8.1. No right of Preemption

The existing Shareholders of the Company will have no right of preemption, preferential or other right whatsoever to acquire Securities of the Company. The Directors may, at their absolute discretion, first offer or distribute Securities of the Company to the existing Shareholders.

8.2. Redeemable Securities

The Company may issue redeemable Securities with such rights and subject to such conditions as will be determined by the Board.

8.3. Commissions

The Company may pay to any person a commission (including underwriting fees) in consideration of the underwriting, marketing or distribution of the Company's Securities, unconditionally or on such conditions as will be determined by the Board. The payments mentioned in this Article may be paid in cash or Securities of the Company, or partly by one method and partly in the other, all in the Company's discretion.

8.4. The Board may apply different arrangements among the holders of Securities of the Company in relation to the terms of allotment of the Company's Securities and the rights attaching to those Securities, and may vary such conditions, including waiving any part thereof. The Board may further issue to the holders of Securities, calls in respect of monies that have yet to be paid as consideration for the Securities that they hold.

8.5. Any payment on account of a Share will be first credited to the nominal value and only thereafter on account of the premium in respect of any Share, unless otherwise prescribed by the terms of thereof.

8.6. No Shareholder shall be entitled to exercise any right of a Shareholder nor will such Shareholder be entitled to any dividend prior to having paid all sums outstanding pursuant to the terms of issuance together with interest, linkage differentials and expenses, if any, unless otherwise prescribed by the terms of issuance.

8.7. The Board may forfeit and sell, re-allot or otherwise dispose of any security for which the total consideration has not been paid, as it determines in its discretion, including without any consideration.

8.8. The forfeiture of a security shall lead to the cancellation of any right or claim or demand in or against the Company in relation to such security, save for such rights and obligations as are excepted by these Articles or which by Law are granted to or imposed upon a former holder of Securities.

9. REGISTER OF SHAREHOLDERS OF THE COMPANY AND ISSUANCE OF SHARE CERTIFICATES

9.1. The secretary of the Company or the person who has been appointed for that purpose by the Board will be responsible for managing the Register of Shareholders. Every Shareholder shall be entitled to receive from the Company one Share certificate, or a number of certificates, as decided by the Company, without charge, within two months of the allotment or registration of the transfer (or within such other shorter period as will be otherwise prescribed by the terms of issuance) in respect of all the Shares of a certain class that are registered in his name and such certificate will specify the number and class of the Shares (if any) and such other information as will, in the discretion of the Directors, be significant. In the case of a Share jointly held, the Company will not be bound to issue more than one certificate to all the joint holders and delivery of such certificate to one of the joint holders will be deemed to be delivery to all such joint holders.

9.2. The Board may close the Register of Shareholders up to an aggregate period of 30 days in any year.

9.3. Shares shall be represented by Share certificates unless the Directors adopt a resolution permitting Shares to be uncertificated. Share certificates will be issued under the seal or stamp of the Company or in its printed name, and under the hand of a single Director and the secretary of the Company or of two Directors, or of such other person as the Directors shall have appointed for such purpose.

9.4. The Company may issue a new certificate in lieu of an issued certificate that has been lost or defaced or become worn, against such evidence and indemnity as the Company will require and after payment of such sum as will be determined by the Directors, and the Company may replace existing certificates with new ones without payment, subject to the terms prescribed by the Directors.

9.5. Where two or more persons are registered as joint holders of a Share, a written notification of the payment of a dividend or other payments in respect of the said Share which is sent to one of them will be binding upon the other holder of the Share.

9.6. The Company may recognize a trustee as holder of a Share and issue a Share certificate in the trustee's name, provided the trustee has given notice of the identity of the beneficiary under the trust. The Company shall not be bound or required to recognize any claim based on any equitable or contingent right or a future right or partial right to a Share or to any other right whatsoever in respect of any such Share, other than the absolute right of the registered Shareholder of each Share unless on the basis of a judicial order or pursuant to the requirements of any Law.

10. TRANSFER OF SHARES OF THE COMPANY

10.1. Shares of the Company are transferable.

10.2. Unless otherwise prescribed by the Directors, no transfer of registered Shares will be registered unless an original signed instrument of transfer of the Shares (hereinafter: "**Share Transfer**") will have been submitted to the Company or its transfer agent. The Share Transfer will be in the following or like form so far as possible, or in such other form as will be approved by the Board. Subject to the terms of these Articles, the effectiveness of such transfer of Shares shall not require the prior approval of the Board.

Instrument of Share Transfer

I, I.D./Corporate no. from (hereinafter: **the** "**Transferor**") transfer to I.D./Corporate no. from (hereinafter **the** "**Transferee**") in consideration of the sum of [ ] paid to me, Ordinary Shares NIS [ ] par value each, marked numbered to , (inclusive) Evogene Ltd., (hereinafter: **the** "**Company")** to be held by the Transferee, the administrators of his estate and by his successors on the conditions on which I/we held the same at the time of the execution hereof and I/we, the Transferee/s agree to take the said Shares on such conditions appearing in the Articles, from time to time.

IN WITNESS WHEREOF we have set our hands this day of .

The Transferor	**The Transferee**
Name:	Name:
I.D./Corp. no.:	I.D./Corp. no.:
Signature:	Signature:
Witness to the signature of the Transferor:	Witness to the signature of the Transferee:
Name:	Name:
I.D./Corp. no.:	I.D./Corp. no.:
Signature:	Signature:

10.3. The Transferor will continue to be regarded as the holder of the Shares so transferred until the Transferee's name has been entered in the Register of Shareholders.

10.4. A Share transfer will be presented to the Company or its transfer agent for registration, together, in the case of certificated shares, with the certificates constituting the registered Shares that are to be transferred (if issued), payment of all transfer taxes, and any other evidence as the Company will require concerning the Transferor's title to or right to transfer the Shares, subject to Article 9.3

10.5. A joint Shareholder wishing to transfer his right in a jointly owned Share but who holds no certificate representing such Share will not be bound to attach the Share certificate to the Share Transfer provided that the Share transfer specifies that the Transferor holds no Share certificate in respect of the Share the right in which is being transferred and the transferred Share is jointly held with others.

10.6. The Company may demand payment of a fee for registering the transfer in such sum or at such rate as will be determined by the Board from time to time.

10.7. Only the personal representatives and administrator or executors of the estate of a deceased Shareholder, and in the absence thereof, his heirs, shall be recognized as the holder thereof after proving their entitlement thereto as determined by the Board.

10.8. The Company may recognize the surviving Shareholder of a jointly held Share upon the death of one of the holders unless all the joint holders of the Share have notified the Company in writing prior to the death of any of them of their wish that the provisions of this Article will not apply, but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any Share jointly held by him.

10.9. A person acquiring a right to a Share in his capacity as a personal representative, administrator, heir, receiver, liquidator or trustee in bankruptcy of a Shareholder or otherwise by Law, may, when proving his right – as required by the Board – be registered as Shareholder of such Share or transfer the same to another, subject to the provisions regarding transfers pursuant to these Articles.

10.10. The person acquiring a right to a Share in consequence of the transfer thereof by operation of Law, will be entitled to dividends and all other rights in respect of the Share and further be entitled to receive and give receipts for dividend or other payments payable in connection with such Share but will not be entitled to receive notices in connection with the general meetings of the Company (to the extent such right exist) and participate or vote thereat in connection with such Share or exercise any right of a Shareholder, save as stated above, until after he is registered as Shareholder in relation to such Share.

11. SHARE WARRANTS TO BEARER

The Company may not issue Share warrants to bearer from which it derives that the holders thereof have the rights to the Shares therein specified.

12. CHARGE OVER SHARES

12.1. The Company shall have a first charge and right of lien on all Shares that are not fully paid up and on the proceeds of sale thereof whether or not they have matured for payment, which payments have been called or which shall become payable on the date determined for such Share. The Company shall have a lien on all the Shares (other than fully paid up Shares) registered in the name of a Shareholder as security for the monies due from him, or his assets, whether solely or jointly with others. Such lien shall also apply to dividends paid from time to time in respect of these Shares.

12.2. The Board is entitled, in order to exercise any such charge or lien, to sell the Shares or any of them that are subject to the lien in any manner it may deem fit, but no sale shall be made until after a notice in writing has been delivered to the Shareholder concerning the Company's intention to sell the Shares, in default of payment of such sum, fourteen days from the date of the notice. The net proceeds of any such sale, after payment of costs of the sale, shall be used to pay the debts or the liabilities of the Shareholder and the remainder (if any) shall be paid to him.

12.3. If a sale of Shares is made after forfeiture or in order to enforce a charge or lien by the apparent exercise of the powers conferred above, the Board is entitled to register them in the register in the name of the purchaser, and the purchaser shall not be obliged to examine the regularity of the proceedings or the manner in which the proceeds of the sale have been applied. After they have been entered in the register in his name, no person shall challenge the validity of the sale.

13. ALTERATION TO SHARE CAPITAL

The general meeting of Shareholders may, at any time, resolve to effect any of the following, provided that such a resolution of the general meeting will be adopted by Simple Majority:

13.1. Increase of capital:

To increase its registered share capital whether or not all the Shares registered at that time were issued or not. The increased capital shall be divided into Shares having ordinary, preferred or deferred rights or with any other special rights (subject to any special rights of any existing class of Shares) or subject to terms and restrictions in respect of dividend, repayment of capital, voting or other terms as the general meeting shall provide in its resolution regarding the increase of the registered capital.

13.2. Alteration of rights:

At any time at which the share capital is divided into different classes, by resolution passed by a meeting of the Shareholders by a Simple Majority (unless otherwise prescribed in the terms of issuance of the Shares of that class), vary the rights of a class of the Company's Shares after receiving the consent in writing of all of the holders of the Shares of that class, or with the approval of a resolution duly passed at a general meeting of the holders of that class of Shares, by Simple Majority or in the event of it being stipulated otherwise by the terms of issuance of the particular class of the Shares of the Company as stipulated by the terms of issuance of that class of Shares.

The rights conferred on the holders of the Shares or the holders of a class of Shares that have been issued with either ordinary or preferential rights or other special rights shall not be deemed, by the creation or issue of other Shares having identical rights, or a change in the rights of existing Shares, to have changed unless otherwise provided in the terms of issuance of those Shares.

13.3. Consolidation:

To consolidate and re-divide all or any of its share capital into Shares of larger denomination than those specified in these Articles. In the event that as a result of such consolidation, the holders of Shares whose Shares have been consolidated are left with fractions, the Board may, with the sanction of the general meeting in the resolution deciding on such consolidation, take such action as is determined by the Board to be appropriate to settle such fraction and such determination shall be final and binding on all holders of Company's Shares. Among other actions, the Board of Directors may take the following:

13.3.1. Sell all the fractions and for such purpose appoint a trustee in whose name the certificates comprising the fractions will be issued and who will sell the same and apply the proceeds received, less commissions and expenses, among those entitled. The Board may decide that Shareholders entitled to proceeds that are in a sum that is less than that prescribed, will not receive the proceeds of such fractions and their portion of the proceeds will be divided among the Shareholders entitled to the proceeds that exceed the amount prescribed in proportion to the proceeds to which they are entitled;

13.3.2. Allot to each Shareholder who, as a result of such consolidation and re-distribution, is left with fractional Shares, fully paid-up Shares of the class existing prior to the consolidation in such number as will, when consolidated with the fraction, be sufficient for a single complete consolidated Share and such allotment will be deemed to have taken effect immediately prior to the consolidation;

13.3.3. Determine that Shareholders will not be entitled to receive consolidated Shares in respect of fractional consolidated Shares resulting from the consolidation of one half or less of the number of Shares whose consolidation creates a single consolidated Share, but will be entitled to receive a consolidated Share in respect of a consolidated fractional Share resulting from the consolidation of more than one half of the number of the Shares whose consolidation creates a single consolidated Share.

In the event of any of the actions specified in sub Articles 13.3.2 or 13.3.3 above, necessitating the issuance of additional Shares, the payment thereof will be effected in the manner in which bonus Shares are paid. Such consolidation and distribution will not be deemed to be an alteration of the rights of the Shares to which the consolidation and distribution relate.

13.4. Cancellation of unissued Share capital:

To cancel registered Share capital that has yet to be allotted, provided that no undertaking of the Company exists to allot such Shares.

13.5. Split of Share capital:

To split all or any of the Company's Share capital into Shares of smaller denomination than that prescribed in these Articles by distributing all or any of the Company's Shares for the time being.

CHAPTER THREE – GENERAL MEETINGS

14. POWER OF THE GENERAL MEETING

14.1. Matters within the authority of the general meeting

Resolutions on the following matters will be passed by the Company at a general meeting:

14.1.1. Any amendment of the Articles.

14.1.2. Exercising the powers of the Board, if the general meeting has determined, by a Simple Majority of the votes of the Shareholders entitled to vote and who have voted in person or by proxy, that the Board is constrained from exercising its powers and also that exercising any of the powers is essential for the proper management of the Company.

14.1.3. Approval of acts and transactions requiring the approval of the general meeting, pursuant to the provisions of sections 255 and 267 to 284 of the Companies Law.

14.1.4. Any resolution which by Law or these Articles is required to be passed by way of decision of the general meeting.

14.1.5. Any power that is conferred upon the general meeting by Law.

14.2. Power of the general meeting to remove powers among the organs

The general meeting may, by a Simple Majority of the votes of the Shareholders entitled to vote and who have voted personally or by proxy, assume powers vested in any other organ of the Company and may further transfer powers conferred upon the general manager to the Board, all for a specific matter or for a specific period.

15. ANNUAL AND SPECIAL GENERAL MEETINGS AND CLASS MEETINGS

Notice of general meetings

The Company is not bound to give the Shareholders notice of a general meeting, except to the extent required by Law.

Notice of the general meeting will set out the place and time at which the meeting will convene, the agenda, a description of the proposed resolutions, and such other detail as will be required by Law.

16. PROCEEDING AT GENERAL MEETINGS

16.1. Quorum

No business will be transacted at a general meeting unless a quorum is present at the time the meeting proceeds to business. Two Shareholders present personally or by proxy and holding or representing at least 25% (twenty-five percent) of the voting rights in the Company, will constitute a quorum. For the purpose of a quorum, a Shareholder or his proxy, acting also as proxy of other Shareholders, will be deemed to be two or more Shareholders, pursuant to the number of Shareholders that he represents.

16.2. Adjournment of the general meeting in the absence of a quorum

If no quorum is present within half an hour from the time appointed for the meeting, the meeting will stand adjourned for one week following the date of the meeting, at the same day, time and place or to such other date, time and place as will be determined by the Board by notice to the Shareholders. The Company will, by immediate report, give notice of the adjournment of the meeting and the date of the adjourned meeting. If no quorum is present at such adjourned meeting, one Shareholder at least, present personally or by proxy, will constitute a quorum, except where the meeting has been convened upon the requisition of Shareholders.

16.3. Chairperson of the general meeting

The chairperson of the Board (if any) will preside over every general meeting and in his absence the general meeting will be presided by such person who will be appointed for such purpose by the Directors. In the absence of a chairperson or if he is not present at the meeting within fifteen minutes of the time appointed, the Shareholders present at the meeting will elect one of the Directors of the Company to be chairperson or, if no Director is present, one of the Shareholders present will be elected to preside as chairperson of the meeting.

The chairperson of the meeting will have no additional or casting vote.

17. VOTES OF SHAREHOLDERS

17.1. Voting Power

Subject to any provision hereof conferring special rights as to voting, or restricting the right to vote, every Shareholder shall have one vote for each Share held by him of record, on every resolution, without regard to whether the vote thereon is conducted by a show of hands, by written ballot or by any other means.

17.2. Majority

Resolutions of the general meeting will be passed by Simple Majority, unless another majority is required by Law.

17.3. Certification of title

A Shareholder must furnish to the Company a certificate of title to the Shares at least two business days prior to the date of the general meeting. The Company may waive such requirement.

17.4. Vote by an incompetent person

A legally incompetent person may vote only by trustee, natural guardian or other legal guardian. Such persons may vote personally or by proxy.

17.5. Vote of joint Shareholders

In the case of two or more holders of a Share, only one of them, either personally or by proxy, may vote. If more than one joint holder of a Share is required to participate in the vote, only the senior of them will vote. For such purpose, the senior of them will be deemed to be the person whose name first appears in the Register of Shareholders.

17.6. Defect

No immaterial defect in the convening or conduct of the general meeting, including a defect resulting from the non-performance of any term or condition prescribed by the Companies Law or by these Articles, including with respect to the manner of convening or conducting the general meeting, will disqualify any resolution passed at the general meeting nor affect the proceedings which took place thereat.

A resolution of the general meeting will be passed if it has earned the majority required for it by Law or according to the provisions of these Articles.

18. APPOINTMENTS OF PROXIES

18.1. Voting by means of proxy

A Shareholder may appoint a proxy to participate in and vote in his stead, either for a particular general meeting or at all general meetings of the Company, provided that the instrument appointing the proxy has been delivered to the Company at least two business days prior to the date scheduled for the general meeting, unless the Company has waived this requirement. A proxy is not required to be a Shareholder of the Company.

Insofar as the instrument of appointment is not for a particular general meeting, then such an instrument of appointment deposited prior to one general meeting will also have effect for all subsequent general meetings unless and until a written instrument cancelling such instrument of appointment is delivered to the company by the relevant Shareholder.

The foregoing will similarly apply to a Shareholder being a body corporate, who appoints a person to participate in and vote in its stead at the general meeting.

18.2. Form of the instrument of appointment

The instrument appointing a proxy will be signed by the Shareholder or by a person authorized on his behalf in writing, and if the appointer is a body corporate, will be signed in the manner binding that body corporate. The Company may require delivery of confirmation in writing to its satisfaction regarding the power of the signatories to bind the body corporate. The instrument of appointment will be made in the form set out below. The secretary of the Company or the Board will, at their discretion, accept an instrument of appointment in different form provided the changes are not material. The Company will only accept an original instrument of appointment or copy thereof, provided that such copy will be certified by a qualified Israeli lawyer or a notary.

Instrument of appointment

(Proxy Form)

Date:

Evogene Ltd.

[address]

Dear Sir/Madam,

RE: Annual General/Special General Meeting of Evogene Ltd. (the "Company") that will take place on [ ] (the "Meeting")

I, the undersigned, I.D./Corporate no. of being the registered holder of (*) Ordinary Shares of NIS nominal value each of Evogene Ltd., hereby appoint , I.D. (**) and/or , I.D. and/or , I.D. to participate and vote for me and on my behalf at the above mentioned meeting and at every adjournment thereof/ any general meeting of the Company, until I notify you to the contrary.

Signature

(*) A registered Shareholder may grant a number of instruments of appointment (proxies), each to relate to a different quantity of Shares of the Company that he holds, provided that he will not grant instruments of appointment for a number larger than that which he holds.

(**) In the event of the attorney not being the holder of an Israeli I.D., his passport number and the country of issue may also be inserted.

18.3. Validity of instrument of appointment (proxy)

A vote cast in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death, incompetence or bankruptcy of the appointer, or if the appointment was made by a corporation the liquidation of or revocation by the appointer of the instrument of appointment or transfer of the Share in respect of which it was given, unless notice in writing is received at the Office of the Company before the meeting to the effect that such event has occurred.

18.4. Disqualification of proxies

Subject to the provisions of any law, the secretary of the Company may, at his discretion, disqualify proxies, if a reasonable suspicion exists that they have been forged or were granted by virtue of Shares for which other proxies were granted.

18.5 Voting by means of a voting warrant

Pursuant to these Articles, and the provisions of the Companies Law and the Regulations that have been issued thereunder, the shareholders of the Company are afforded the possibility of voting at general meetings of the Company by means of voting warrant, on all the matters that are required by law, as well as on such matters as the Directors of the Company will, from time to time, decide to enable voting to be carried out by means of voting warrants.

CHAPTER FOUR – THE BOARD OF DIRECTORS

19. DIRECTORS – APPOINTMENT AND TERMINATION OF OFFICE

19.1 Number of Directors – the number of Directors of the Company shall be no less than three (3) and no more than seven (7), excluding External Directors (as such term is defined in the Companies Law), unless otherwise resolved by the general meeting by a Special Majority of the votes of the shareholders entitled to vote and who have voted in person, or by way of a proxy or by way of a voting paper, with the exception of abstention votes.

19.2 Subject to the number of Directors of the Company not exceeding the maximum number of Directors prescribed in Article 19.1 above, each Director shall be subject to election (or re-election) at every annual general meeting of shareholders by a Simple Majority, and shall serve until the next annual general meeting of shareholders and until his or her successor is duly qualified. A Director may also be elected for his or her initial term at a special general meeting of shareholders, by a Simple Majority, in which case such Director shall serve until the next annual general meeting of shareholders, at which meeting he or she will be subject to re-election (if nominated) by a Simple Majority, along with all other nominees for service on the Board, for a term that expires at the following annual general meeting of shareholders.

19.3 The provisions of this Article 19 (in their entirety) will not apply to the appointment and duration of service of External Directors, to whom the provisions of the Companies Law will apply.

19.4 The Company may, by a Simple Majority, at a special meeting, remove any Director from office before his term of office has expired.

19.5 Subject to the provisions of the Companies Law regarding the termination of a Director's office, but notwithstanding that stated in section 230 of the Companies Law, the office of a Director will not be terminated except as stated in this Article 19, in its entirety.

19.6 Appointment of Directors by the Board – the Board may appoint a Director to the Board either to fill a position that has become vacant for any reason whatsoever or as an additional Director, provided that the number of Directors will not exceed the maximum number of members of the Board as a result of such appointment. Any Director so appointed will remain in office until the earlier of the first annual or special general meeting of shareholders following his or her appointment and until his or her successor is duly qualified. At such annual or special general meeting, such Director (if nominated for re-election) shall be subject to re-election for a term that expires at the next annual general meeting of shareholders and until his or her successor is duly qualified.

19.7 Simple Majority – The majority required to alter the provisions of Articles 19.1 - 19.6 above will be a Simple Majority.

19.8 Date of commencement of the service of a Director – a Director who is elected will take up office from the end of the general meeting at which he or she is elected or on the date of his or her appointment by the Board as stated in Article 19.6 above, as the case may be, unless a later date is specified in the resolution appointing him or her.

19.9 Except for a Director whose term of office expires on the date of the annual general meeting of shareholders, no Director will be elected at an annual general meeting unless the Board has recommended his or her election, or a Shareholder of the Company holding at least one percent (1%) of the voting rights in the Company has submitted to the officers of the Company, at least fourteen (14) days before the annual general meeting convenes, a written document signed by the Shareholder giving notice of the intention of such Shareholder to nominate such candidate for election as a Director, attaching to such notice the written consent of the candidate to be so elected, together with a biography of the candidate that includes all information required to be publicly disclosed with respect to such candidate's experience, education and all other relevant information requested by the Company.

19.10 Alternate Director – subject to the provisions of law, a Director may from time to time appoint an alternate for himself or herself (hereinafter: "Alternate Director"), dismiss such Alternate Director and appoint another instead of any Alternate Director whose office has been vacated for any reason, either for a particular meeting or permanently.

19.11 Termination of the Office of a Director – in the event of the office of a Director being vacated, the remaining Directors may continue to act as long as their number is not reduced below the minimum number of Directors prescribed by these Articles. In the event that the number of Directors is reduced below such minimum number, the remaining Directors may act solely in order to convene a general meeting of shareholders of the Company for the purpose of electing such number of additional Directors as shall result in the number of Directors being at least the minimum number set forth in these Articles.

20. CHAIRPERSON OF THE BOARD

20.1. Appointment – the Board will appoint one of its members as chairperson of the Board and also determine in the resolution of the appointment the period for which he will hold office. Unless otherwise prescribed in the resolution of his appointment, the chairperson of the Board will hold office until another is appointed in his stead or until he ceases to serve as Director whichever is the earlier. Upon the chairperson of the Board ceasing to be Director of the Company, a new chairperson will be appointed at the first meeting of the Board that takes place thereafter.

20.2. Absence of casting vote – in the event of an equality of votes on a resolution of the Board, the chairperson of the Board or the person who has been appointed to conduct the meeting, will have no additional vote.

21. ACTS OF THE DIRECTORS

21.1. Convening meetings of the Board of Directors

The notice regarding convening Board meetings shall be delivered a reasonable time prior to the applicable meeting. Notwithstanding the above, the Board may convene without a prior notice in urgent cases only, if the majority of the Board has approved to do so.

Such notice will be delivered in writing, by fax, e-mail or other means of communication to the address or fax number or e-mail address or address to which notices may be sent by other means of communication as appropriate, as given by each Director to the Company upon his appointment, or by written notice to the Company, thereafter. The notice will detail the schedule and location of the meeting, and reasonable information about the matters on the agenda.

If an alternate Director has been appointed, notice will be given to the alternate Director unless the Director appointing the alternate Director has given notice that he wishes the notice to be supplied to him.

21.2. Quorum – a quorum for meetings will be a majority of the members of the Board who are not by Law prevented from participating in the meeting, or such other quorum as will be fixed by a majority of the members of the Board, from time to time.

21.3. Validity of acts of the Directors in the case of a disqualified Director – all acts effected in good faith at a meeting of the Board or by a committee of Board or by any person acting as a Director will be effective even if it is thereafter discovered that there was a defect in the appointment of such Director or person so acting or that all or any one of them were disqualified, as if every such person had been lawfully appointed and was qualified to be a Director.

21.4. Committees of the Board

Subject to the provisions of the Companies Law, the Board may appoint committees of the Board.

Resolutions or recommendations of any committee of the Board which require the Board's approval shall be brought to the Board's attention a reasonable time prior to the discussion of such resolution or recommendation by the Board.

21.5 Meetings held by means of communication without convening – at a meeting held by means of any form of communication, it will be sufficient that all of the Directors who are entitled to participate in the discussion and the vote, are able to hear one another.

21.6 The Board may pass a resolution without actually convening, provided that all of the Directors who are entitled to participate in the discussion and vote on the business that has been proposed for the resolution have agreed not to convene to discuss the matter. In the case of resolutions so passed, minutes of the resolutions will be taken, including the resolution not to convene, and be signed by the chairperson of the Board. The provisions of Article 21.2 above will apply to such a resolution, *mutatis mutandis*. A resolution passed pursuant to this Article will be valid for all purposes as if passed at a meeting of the Board duly convened and held.

22. VALIDITY OF ACTS AND APPROVAL OF TRANSACTIONS

22.1. All acts effected by the Board or by a committee of the Board or by a person acting as a Director or as a member of a committee of the Board, or by the General Manager of the Company, will be effective even if it is thereafter discovered that there was a defect in the appointment of the Board, committee of the Board, Director being a member of the committee or the General Manager, or that any of such officeholders was disqualified from holding office.

22.2. Subject to the provisions of the Companies Law:

22.2.1. The holding of Shares of the Company and the fact that a person is an officeholder or interested party in the Company, or officeholder of another body corporate, including a body corporate of which the Company is an interested party or which is a Shareholder of the Company, will not disqualify the officeholder from holding the position of officeholder in the Company. In addition, no officeholder will be disqualified by virtue of his office on account of any engagement or engagement of any such body corporate under an agreement with the Company on any matter whatsoever and in any manner whatsoever.

22.2.2. The office of officeholder of the Company will not disqualify such person and/or his relative and/or other body corporate in which he is an interested party from entering into transactions with the Company in which the officeholder has a personal interest in any manner whatsoever.

22.2.3. An officeholder will be entitled to participate in and vote on the discussions regarding the approval of transactions or acts in which he has a personal interest.

22.3. Subject to the provisions of the Companies Law, transactions of the Company with an officeholder thereof or transaction of the Company with any other person, in which an officeholder of the Company has a personal interest, but not being extraordinary transactions, will be approved as follows:

22.3.1. The entering into such a transaction that is not extraordinary will be approved by the Board or by the Audit Committee, or by another party who will be empowered in that behalf by the Board, by a specific resolution or by the procedures of the Board, or by general agreement or by agreement with respect to a certain class of transactions or for a particular transaction.

22.3.2. Approval of transactions that are not extraordinary as stated may be given by general approval to a certain class of transactions or by approving a particular transaction.

22.4. A general notice given to the Board by an officeholder or controlling party of the Company regarding his personal interest in a particular matter setting out details of his personal interest will constitute disclosure by the officeholder or the controlling party to the Company regarding that personal interest for the purpose of any engagement with such body in a transaction not being extraordinary.

22A. Directors Training Programs

The Company may take care to prepare a program to train new directors in the Company's business fields and in relevant laws, and may take care to prepare a follow-up program for serving directors, with the intent to update their knowledge in said fields. The training programs will be adjusted, inter alia, to the position in the Company held by the director.

22B. Composition of the Company's Board of Directors

The composition of the board of directors will be determined, inter alia, considering gender variation.

CHAPTER FIVE – SECRETARY AND AUDITOR

23. SECRETARY

The Board may appoint a secretary for the Company on such conditions as it deems fit and determine the fields of his or her duties and powers. In the absence of an appointment of a secretary for the Company, the General Manager or in the absence of a General Manager, any other person designated by the Board, fulfill the duties of a secretary prescribed by the Law, these Articles and any decision of the Board. The secretary of the Company will be responsible for all the documents being kept at the registered office of the Company and maintain the registers that the Company is required to maintain by Law.

24. AUDITOR

24.1. The general meeting may appoint an auditor for a period exceeding one year, as determined by the general meeting.

24.2. The Directors will determine the remuneration of the auditor of the Company for audit-related services as well as his remuneration for other, non-audit-related services, unless otherwise determined by the general meeting.

CHAPTER SIX – THE COMPANY'S CAPITAL AND DISTRIBUTION THEREOF

25. DISTRIBUTION AND ALLOTMENT OF BONUS SHARES

The resolution of the Company to distribute dividend, bonus Shares and any other distribution and the conditions thereof will be passed by the Board of the Company.

26. DIVIDEND AND BONUS SHARES

26.1. Right to dividend or bonus Shares

26.1.1. Dividends or bonus Shares will be distributed to persons who are registered as Shareholders of the Company on the date of the resolution of the Board regarding the distribution or on such other date as will be determined in such resolution.

26.2. Retention of Dividends

The Board may retain any dividend or other moneys payable or property distributable in respect of a Share in respect of which any person is, under these Articles, entitled to become a Shareholder, or which any person is, under these Articles, entitled to transfer, until such person shall become a Shareholder of record in respect of such Share.

26.3. Payment of dividend

26.3.1. Method of payment

In the absence of directions to the contrary in the resolution regarding the distribution of a dividend, a dividend may be paid subject to withholding as may be required by applicable law, by cheque payable to the payee only, that will be sent by registered mail to the registered address of the Shareholder entitled thereto and registered with the Company, or by bank transfer. Any such cheque will be drawn to the order of the person to whom it is sent. A dividend *in specie* will be distributed as determined in the resolution of the Board approving of the distribution.

In the case of joint registered owners, the cheque will be sent to such Shareholder first named in the Register of Shareholders in relation to the joint ownership.

The dispatch of the cheque to the person who, on the record date, is registered in the Register of Shareholders as holder of a Share, or in the case of joint owners, of any of the joint owners, will constitute a discharge of all payments that have been made in connection with such Share.

The Company may resolve not to send a cheque below a certain sum, and the dividend amounts which ought to have been so paid will be regarded as an unclaimed dividend.

The Company may set off against the dividend amount to which a Shareholder is entitled any debt of that Shareholder to the Company, whether overdue or not.

26.3.2. Unclaimed dividend

The Board may invest any unclaimed dividend for a period of seven years after the declaration thereof or otherwise apply the same for the benefit of the Company until claimed. The Company will not be bound to pay interest or linkage for unclaimed dividend.

The Company may, after one year has elapsed from the date of the payment of any unclaimed dividend, apply such unpaid dividend to any purpose whatsoever and the Shareholder entitled to such unpaid dividend will have no claim or demand in connection therewith.

26.4. Method of Capitalizing Profits and Distribution of Bonus Shares

26.4.1. Reserves

The Board may, at its discretion, set aside to special reserves any amount whatsoever out of the profits of the Company, or from a re-evaluation of its assets or the relative part thereof in re-evaluating the assets of companies associated with it, and determine the designation of such reserves. The Directors may further cancel such reserves.

26.4.2. Distribution of Bonus Shares

To give effect to a distribution of bonus Shares, the Board may settle any difficulty arising and make adjustments, including deciding that fractional Shares will not be distributed except for certificates in respect of a cumulative number of fractional Shares, sell the fractions and pay the proceeds thereof to those entitled to receive the fractional bonus Shares and decide that payment in cash will be paid to the Shareholders or that fractions having a value of less than the amount that will be determined (and, if not determined, an amount being less than NIS 50) will not be brought into account for the purpose of making those adjustments.

27. PURCHASE OF THE COMPANY'S SHARES

Subject to Companies Law, the Company may purchase its own Securities, and Securities so purchased by the Company may be cancelled.

CHAPTER SEVEN – EXEMPTION, INDEMNIFICATION AND INSURANCE OF OFFICEHOLDERS

28. DEFINITION

For purpose of Articles 28, 30, 31 and 30 below, the term "officeholder" shall have the meaning ascribed to such term in the Companies Law.

29. EXEMPTION OF OFFICEHOLDERS

The Company may exempt in advance and retroactively any officeholder thereof from all or any of his responsibilities by reason of damage following a breach of the duty of caution towards it to the maximum extent permitted by Law.

30. INDEMNIFICATION OF OFFICEHOLDERS

30.1. The Company may indemnify an officeholder thereof, in an amount that shall not exceed twenty-five percent (25%) of the Company's Shareholder Equity, as determined based on the financial statements of the Company last published prior to the date of actual payment of the indemnity (the "**Indemnity Cap**"). Without prejudice to the generality of the foregoing, the following provisions will apply:

30.2. The Company may indemnify an officeholder thereof in respect of any liability or expense that has been imposed upon him and which he committed in his capacity of officeholder, as set out below:

30.2.1. Financial liability that has been imposed upon him in favor of any other person by judgment, including a judgment made in a compromise or arbitrator's award that has been approved by a court.

30.2.2. Reasonable litigation expenses, including legal fees, expended by the officeholder on account of any investigation or proceedings which have been conducted against him by an authority competent to do so, and which has concluded without the laying of any information against him and without any financial liability having been imposed upon him as an alternative to a criminal proceeding or which is concluded without the laying of an information against him but with the imposition of financial liability as an alternative to a criminal proceeding in an offence which does not require proof of criminal intent or with respect to a monetary penalty.

30.2.3. Reasonable litigation expenses, including legal fees, expended by an officeholder or for which he has been made liable by any court in any proceeding that has been brought against him by or in the name of the Company or any other person or in any criminal proceedings from which he has been acquitted, or criminal charge of which he has been convicted for an offence that does not require proof of criminal intent.

30.2.4. A payment to any party injured by a violation, as detailed in Section 52(54)(a)(1)(a) of the Securities Law, as will be amended from time to time.

30.2.5. Expenses, including reasonable litigation expenses, including attorney fees, incurred by the officeholder with respect to any procedure conducted in his respect, under Chapters H3, H4, or I1, of the Securities Law, as will be amended from time to time, or under Article D of the Fourth Chapter, Ninth Part of the Companies Law, as will be amended from time to time.

30.2.6. Any liability or other expense by reason of which it is or will be permitted by Law to indemnify an officeholder.

30.3. Indemnification in advance

The Company may grant an undertaking in advance to indemnify an officeholder thereof by reason of any liability or expense mentioned in Article 30.2 above, provided the undertaking to indemnify in advance will be limited to the events which, in the opinion of the Board, may be expected in light of the Company's activity in practice at the time of the granting of the undertaking to indemnify, and for a sum or at a standard that the Board has determined to be reasonable in the circumstances and subject to the indemnity amount not exceeding the Indemnity Cap set forth in Section 30.1 above, there being specified in the undertaking to indemnify the events which, in the Board's opinion, may be expected in light of the Company's activity in practice at the time of granting the undertaking and sum or standard that the Board has determined to be reasonable in the circumstances. The Company may further grant an undertaking in advance to indemnify an officeholder thereof by reason of liabilities or expenses detailed in Articles 30.2.2, 30.2.3, 30.2.4, 30.2.5 and 30.2.6 above.

30.4. Retroactive indemnification

The Company may indemnify an officeholder thereof retroactively, provided that the indemnity amount shall not exceed the Indemnity Cap set forth in Section 30.1 above.

31. INSURANCE OF OFFICEHOLDERS

31.1. The Company may, to the maximum extent permitted by the Companies Law, insure officeholders thereof to the maximum extent permitted by Law. Without derogating from the generality of the foregoing, the Company may enter into a contract to insure the liability of an officeholder of the Company by reason of any liability that will be imposed upon him by reason of any act which he has committed in his capacity of officeholder, on account of any of the following:

31.1.1. Breach of the duty of care towards the Company or any other person;

31.1.2. The breach of any fiduciary duty he has towards the Company, provided the officeholder acted in good faith and had reasonable grounds to assume that the act would not harm the interests of the Company;

31.1.3. Financial liability that will be imposed upon him in favor of any other person;

31.1.4. A payment to any party injured by a violation, as detailed in Section 52(54)(a)(1)(a) of the Securities Law, as will be amended from time to time;

31.1.5. Expenses, including reasonable litigation expenses, including attorney fees, incurred by the officeholder with respect to any procedure conducted in his respect, under Chapters H3, H4, or I1, of the Securities Law, as will be amended from time to time, or under Article D of the Fourth Chapter, Ninth Part of the Companies Law, as will be amended from time to time;

31.1.6. Any other event by reason of which it is or will be permitted by Law to insure the liability of an officeholder.

32. EXEMPTION, INDEMNIFICATION AND INSURANCE - GENERALLY

32.1. The provisions of the above Articles regarding exemption, indemnity and insurance, are not intended nor will they be construed as limiting the Company in any manner whatsoever with respect to entering into a contract regarding exemption, insurance and/or indemnity in relation to the persons set out below:

32.1.1. Persons who are not officeholders of the Company, including employees, consultants or contractors of the Company not being officeholders thereof.

32.1.2. Officeholders in other companies. The Company may enter into a contract to exempt, indemnify and insure officeholders of companies that are in its control, or of affiliated or other companies in which it has an interest, subject to the Indemnity Cap set forth in Section 30.1 above, and the above provisions regarding exemption, indemnity and insurance of officeholders in the Company will, *mutatis mutandis*, apply in this respect.

32.2. It is to be clarified that in this Chapter, such an undertaking relating to exemption, indemnity and insurance for an officeholder may be in effect also after the officeholder has ceased to serve in the Company.

CHAPTER EIGHT – AMALGAMATION, WINDING-UP AND RE-ORGANIZATION OF THE COMPANY

33. AMALGAMATION

The majority required to approve an amalgamation by the general meeting or class meeting will be a Simple Majority.

34. WINDING-UP

34.1. If the Company is wound up, voluntarily or otherwise, the liquidator may, with the approval of the general meeting, distribute *in specie* among the Shareholders parts of the property of the Company and may, with like sanction, vest any part of the property of the Company with trustees in favor of the Shareholders, as the liquidator, with such approval, as it deems fit.

34.2. The Shares of the Company will have equal rights among them in relation to the capital amounts that have been paid or have been credited as paid-up on the nominal value of the Shares, in relation to the repayment of the capital and participation in a distribution of surplus assets of the Company on a winding up, subject to the special rights of the Shares if Shares with special rights have been issued.

35. RE-ORGANIZATION

35.1. On the sale of property of the Company, the directors or the liquidators on a winding up may, if authorized by resolution passed by the general meeting of the

Company by Simple Majority, accept fully paid or partly paid up Shares, debenture or Securities of any other company, Israeli or foreign, whether then existing or to be formed for the purchase in whole or in part of the property of the Company, and the Directors (if the profits of the Company permit), or the liquidators (on a winding up), may distribute such Shares, or Securities, or any other property of the Company without realization, or vest the same in trustees for the Shareholders.

35.2. The general meeting may, by resolution adopted by the general meeting of the Company by a Simple Majority, resolve on the valuation of any such Securities or property at such price and in such manner as the general meeting may decide, and all holders of Shares will be bound to accept any valuation or distribution so authorized, and waive all rights in relation thereto, save only in case the Company is proposed to be or is in the course of being wound-up, to such statutory rights (if any) under the provisions of the Companies Law as are incapable of being varied or excluded.

CHAPTER NINE – NOTICES

36. NOTICES

36.1. Notices or any other document may be given by the Company to any Shareholder appearing in the Shareholder Register or sent to him by registered mail (airmail if sent to a place outside Israel) addressed to such Shareholder according to the address registered in the Shareholders Register, or according to such other address as the Shareholder will serve in writing to the Company's secretary or the General Manager of the Company at the principal office of the Company as being an address for services of notices or by publication of notices in two newspapers in Israel.

36.2. All notices that are required to be given to Shareholders will be given, in relation to Shares having joint owners, to such person whose name first appears in the Shareholders Register, and notice given in this manner will be sufficient notice to all the joint Shareholders.

36.3. Any notice or other document that has been given or sent to the Shareholder pursuant to these Articles will be deemed to have been duly given and sent with respect to the Shares that are held by him whether the Shares are held by him alone or by him jointly with others (notwithstanding the death or bankruptcy of such Shareholder or grant of a winding-up order, appointment of a trustee or liquidator or receiver over his Shares, at such time and regardless of whether the Company knew of his death or bankruptcy or otherwise, or not) until another person will be registered in his stead as holder thereof, and such delivery or dispatch will be deemed to be sufficient if made to any person having a right in the Shares.

36.4. Any notice or other document that has been sent by the Company by mail according to an address in Israel will be deemed to have been delivered within 48 hours of the date on which the letter containing the notice or the document has been posted, or within 96 hours in the case of an address abroad, and in proving delivery it will be sufficient to prove that the letter containing the notice or the document was properly addressed and posted.

36.5. The Company is not bound to deliver any notice regarding a general meeting to the Shareholders except to the extent that this is required by law. Notice of a general meeting will set out the place and time at which the meeting will be convened, the agenda thereof and a synopsis of the resolutions that are proposed and such other detail as is required by law.

36.6. The accidental omission to give notice regarding a general meeting or non-receipt of any notice by a Shareholder of any meeting or other notice will not cause the disqualification of a resolution adopted at such meeting or of any proceedings based on such notice.

36.7. Any Shareholder and any member of the Board may waive his right to receive a notice or to receive a notice at any particular time and may agree that a general meeting of the Company or meeting of the Board, as the case may be, will convene and be held notwithstanding the fact that he has not received any notice thereof or despite the notice not having been received in the time required.

EXHIBIT 8.1

List of Subsidiaries

Name of Subsidiary	Jurisdiction	Ownership Interest
Biomica Ltd.	Israel	100% (1)
Evofuel Ltd.	Israel	100%
Evogene Inc.	Delaware	100%
Leviev-Evogene Namibia (PTY) Ltd.	Namibia	100%

(1) The Company has undertaken to grant Biomica's CTO shares and options constituting up to 9.90% of Biomica's share capital.

EXHIBIT 12.1

CERTIFICATION

I, Ofer Haviv, certify that:

1. I have reviewed this annual report on Form 20-F of Evogene Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary 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 this report;

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

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

/s/ Ofer Haviv
Ofer Haviv
President and Chief Executive Officer

Date: March 29, 2018

EXHIBIT 12.2

CERTIFICATION

I, Alex Taskar, certify that:

1. I have reviewed this annual report on Form 20-F of Evogene Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary 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 this report;

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

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

/s/ Alex Taskar
Alex Taskar
Chief Financial Officer

Date: March 29, 2018

EXHIBIT 13.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Evogene Ltd. (the "Company") on Form 20-F for the fiscal year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ofer Haviv, do certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ofer Haviv
Ofer Haviv
President and Chief Executive Officer

Date: March 29, 2018

EXHIBIT 13.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Evogene Ltd. (the "Company") on Form 20-F for the fiscal year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alex Taskar, do certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Alex Taskar
Alex Taskar
Chief Financial Officer

Date: March 29, 2018

EXHIBIT 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-193788, 333-201443 and 333-203856) of Evogene Ltd. of our report dated March 29, 2018, with respect to the consolidated financial statements of Evogene Ltd. and subsidiaries included in its Annual Report (Form 20-F) for the year ended December 31, 2017, filed with the Securities and Exchange Commission.

/s/ Kost, Forer, Gabbay & Kasierer
KOST, FORER, GABBAY & KASIERER
A Member of Ernst & Young Global

Tel Aviv, Israel
March 29, 2018