



Makhteshim Agan Industries Ltd.

Management Discussion and Analysis for the period ended March 31, 2008

1. Brief description of the Company and its business environment

Makhteshim Agan Industries Ltd. engages in the primary field of activity involving the development, manufacture and marketing of crop protection products. In addition, the Company has activities in other markets, none of which, in a substantial scope for the Company. As at the date of the report, the Company is the world's leading generic manufacturer of crop protection products and sells its products in more than 100 countries worldwide. The Company's success factors are, mainly, goodwill, know-how, high-level technological-chemical abilities, expertise in product registration, observance of strict standards of environmental protection, stringent quality control and an international marketing and distribution structure. Investments in consistent and ongoing development facilitate the launching of new generic products at opportune times.

The Company's business strategy and goals in the crop protection products market focuses on: (1) strengthening and establishing its presence in markets in which it operates and expanding its market share in markets with a high growth potential; (2) continued growth, based on the composition of the Company's existing basket of products and the ability to launch new products; (3) continued improvement of the Company's operating capabilities, allowing for efficient production, at competitive costs; and (4) growth through the acquisition of companies and products registrations, affording the Company access to new customers and markets.

Note that as of this interim report, the Company is implementing Accounting Standard No. 29, "Adoption of International Financial Reporting Standards (IFRS)" (hereinafter: the "**IFRS Standard**") and the financial statements for March 31, 2008 are the first financial statements drafted in accordance with the above IFRS Standard. For further details regarding implementation of the IFRS Standard, see Notes 2, 3 and 7 to the Financial Statements for March 31, 2008.

Conditions of the business environment

Brief overview of changes in the sector

The first quarter of 2008 was affected by the following trends in the crop protection market and in the Company:

1. There was an increase in demand for the Company's products, stemming from an increase in prices of agricultural outputs. The increase in prices of agricultural outputs stemmed mainly from a continued rise in the standard of living worldwide, particularly in developing markets such as China and India as a result of dietary changes in these markets. In addition, the global increase in demand for alternative oil produced mainly from sugar cane and corn also contributed to increase in demand.
2. For the first time in many years, there was an increase in the average selling prices of the Company's products. This trend had a positive effect (together with the other trends mentioned above and below) both on the increase in the Company's revenues and on the Company's gross profit.
3. Relatively favorable weather conditions in most of the geographical regions in which the Company operates, led to extensive demand for crop protection products.
4. The Company reports its results in US (\$) and therefore, the strengthening of currencies (particularly the Euro) against the US Dollar contributed to the Company's revenues in Dollar terms, compared with the strengthening of the Shekel which increased local expenses in Israel.
5. On the other hand, the high level of oil prices caused a continued increase in costs of raw materials (which are distant derivatives of oil), and an increase in energy cost which offset some of the improvement in the Company's gross profit.

2. Results of Operations – Condensed Profit and Loss Statements

Statements of Profit and Loss for the First Quarter:

	%	1-3/2008	%	1-3/2007	Change	%
Revenues		722.2		553.1	169.0	30.6%
Gross profit	36.0%	260.2	34.8%	192.3	67.9	35.3%
R&D and SG&A expenses	17.5%	126.3	19.5%	107.8	18.6	17.2%
Operating profit (EBIT)	18.5%	133.8	15.3%	84.5	49.3	58.3%
Financing expenses	4.5%	32.4	0.5%	2.8	29.6	1041.7%
Pre-tax profit	14.0%	101.4	14.8%	81.7	19.7	24.1%
Net profit after minority share	12.6%	90.9	12.9%	71.1	19.8	27.8%
EBITDA	21.5%	155.4	19.7%	108.7	46.7	43.0%

3. Analysis of Results of Business Operations

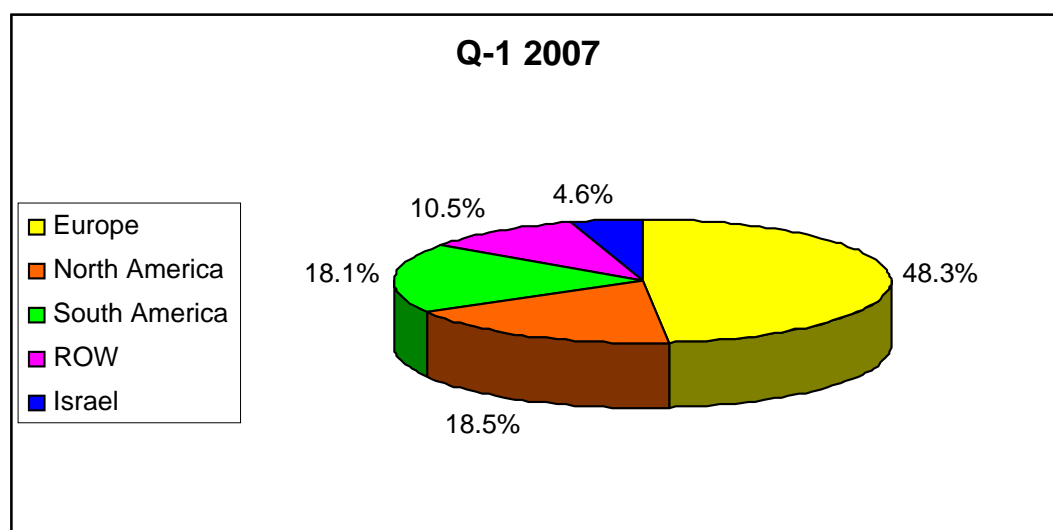
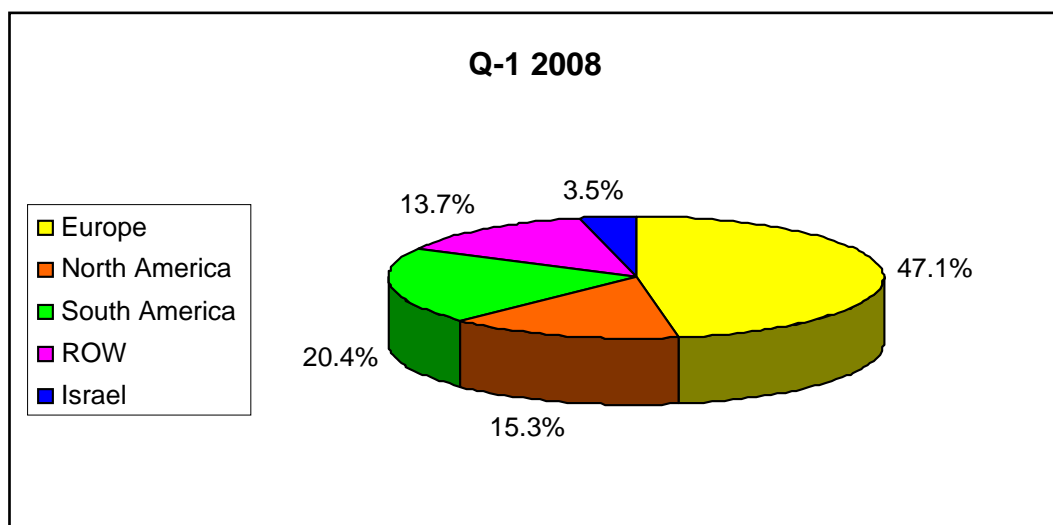
A. Revenues by Geographical Region

There was significant growth in first quarter of 2008, and the Company's sales amounted to \$722.2 million, compared with \$553.1 million in the corresponding quarter last year, an increase of 30.6%. The increase in the Company's sales stems mainly from an increase in the prices of agricultural outputs, which stemmed from a continued rise in the standard of living worldwide, particularly in developing markets such as China and India, and due to the increase in global demand for alternative oil produced from sugar cane and corn. In addition, an increase in the average selling price of the Company's products, for the first time in many years also contributed to the growth of the Company's sales.

This growth was recorded in all regions in which the Company operates, and particularly in Europe, Latin America and in the Asia Pacific Region, and mainly in Australia (the region defined in the chart below as "rest of the world").

The Company estimates that part of the sales' growth in the quarter might be ascribed to early demand on account of the following quarters, mainly as a result of favorable weather conditions and the early spring and from the high level of demand in the markets.

Breakdown of Quarterly Sales:



Breakdown of Quarterly Sales (\$ millions)

	%	2008	%	2007	Change	%
Europe	47.1%	340.0	48.3%	267.4	72.5	27.1%
South America	20.4%	147.4	18.1%	100.0	47.4	47.4%
North America	15.3%	110.7	18.5%	102.3	8.5	8.3%
Rest of the world	13.7%	98.7	10.5%	58.0	40.7	70.1%
Israel	3.5%	25.4	4.6%	25.4	0.0	0.1%
Total	100.0%	722.2	100.0%	553.1b	169.0	30.6%

In Europe, sales in the quarter amounted to \$340.0 million compared with \$267.4 million in the corresponding quarter of the previous year, an increase of \$72.6 million, constituting growth of 27.1%. The increase in sales stemmed mainly from: (1) high demand for Company's products; and (2) significant strengthening of the Euro which increased the dollar value of the sales.

In South America, sales in the quarter amounted to \$147.4 million compared with \$100.0 million in the corresponding quarter of the previous year, an increase of \$47.4 million, constituting growth of 47.4%. Most of the increase in sales was related to Brazil.

In North America, sales in the quarter amounted to \$110.7 million compared with \$102.3 million in the corresponding quarter of the previous year, an increase of \$8.5 million, constituting growth of 8.3%.

In the rest of the world, sales in the quarter amounted to \$98.7 million compared with \$58.0 million in the corresponding quarter of the previous year, an increase of \$40.7 million, constituting growth of 70.1%. The sharp rise in sales stems from an increase in sales of the Company's products in the Asia Pacific region, and particularly in Australia, which was positively affected by a good agricultural season following several years of drought.

In Israel, sales in the quarter amounted to \$25.4 million compared with an identical sum in the corresponding quarter in the previous year, despite the divestment of the Company's holdings in Prizma Industries Ltd. during the course of 2007, which is not part of the Company's core businesses.

B. Additional areas of activity:

During the quarter, the Company's sales from other areas of activity amounted to \$49.1 million compared with a similar amount of sales in the sum of \$48.2 million in the corresponding quarter last year.

C. Gross Profit:

Gross profit in the quarter amounted to \$260.2 million compared with \$192.3 million in the corresponding quarter of the previous year, an increase of \$67.9 million, constituting growth of 35.3%. On top of the increase in gross profit, The Company's gross margin increased to 36% compared with 34.8% in the corresponding quarter last year.

The significant increase in gross profit and margin stemmed mainly from the following factors:

- (1) An increase in Company's sales due to the trends described above;
- (2) An increase in the average selling prices of the Company's products;
- (3) Strengthening of the Euro compared with the corresponding quarter last year;
- (4) Part of the increase (about \$4 million) relates to a decrease in gross profit in the corresponding quarter last year, due to a one-time expense for employee retirement, in the sum of approximately \$4 million.
- (5) The increase in gross profit was partially offset by an increase in costs stemming from the sharp increase in oil prices, resulting in an increase of raw material prices (which are distant derivatives of oil) and energy costs, and appreciation of currencies which increased production costs.

D. Operating Profit:

The operating profit in the quarter amounted to \$133.8 million (18.5% of sales) compared with \$84.5 million (15.3% of sales) in the corresponding quarter last year, an increase of \$49.3 million, constituting sharp growth of 58.3%. The increase in operating profit and operating margin stemmed from an increase in gross profit and continued containment of operating expenses.

Operating expenses this quarter amounted to \$126.3 million (17.5% of sales), compared with \$107.8 million (19.5% of sales) in the corresponding quarter last year. This trend of continued decrease in percentage of sales of operating expenses stems mainly from continued sales growth as well as the effects of the change and efficiency plan.

R&D expenses in the quarter amounted to \$6.0 million compared with \$5.1 million last year – an increase of \$0.8 million.

Sales expenses in the quarter amounted to \$98.3 million compared with \$81.4 million in the corresponding quarter last year. The increase of \$16.9 million (20.8%) stemmed mainly from an increase in variable expenses. Sales expenses as a percentage of sales dropped to 13.6%, compared with 14.7% last year, mainly from sales' growth as well as continued effects of the Company's change and efficiency plan.

General and administrative expenses during the quarter amounted to \$22.0 million compared with \$21.3 million during the corresponding quarter last year, an increase of \$0.7 million. G&A expenses as a percentage of sales dropped from 3.9% to 3.0%. The slight increase in G&A expenses stemmed mainly from the strengthening of the Shekel.

E. Financing Expenses:

Financing expenses in the quarter amounted to \$32.4 million compared with \$2.8 million in the corresponding quarter last year. The increase in financing expenses did not stem from the increase in the Company's ordinary financing expenses but rather, mainly from the exceptional factors set out below: (1) one time financing gain of \$11 million in Brazil during the corresponding quarter last year which, in accordance with the IFRS (that was implemented for the first time this quarter), was recorded this quarter as financing whereas in the corresponding quarter last year it was classified as other income; (2) the Company's financial obligations to its employees (such as severance pay, holiday pay, sick pay, etc.) are presented in the financial statements in dollar values. Following the strengthening of the Shekel during the quarter, a non-cash expense of \$8 million was recorded stemming from adjustment of the value of the Shekel financial obligations to the dollar value on the balance sheet; and (3) an expense of \$8 million for valuation of future transactions for the second, third and fourth quarters of 2008. This expense results from a timing difference as the

expense was recorded this quarter while revenues from operational activities related to such future transactions will be recorded in the coming quarters.

F. Taxes on Income:

The tax expenses for the quarter amounted to \$9.9 million (constituting 9.8% of pre-tax profits) compared with \$9.3 million (constituting 11.4% of pre-tax profit) during the corresponding quarter last year. The low tax rate this quarter stemmed mainly from the strengthening of the Shekel, which reduced the dollar value of the Company's tax reserves.

G. Net Profit:

Net profit in the quarter amounted to \$90.9 million (12.6% of sales) compared with \$71.1 million (12.9% of sales) in the corresponding quarter last year, an increase of \$19.8 million, constituting growth of 27.8%.

H. EBITDA:

EBITDA in the first quarter amounted to \$155.4 million (21.5% of sales) compared with \$108.7 million (19.7% of sales) in the corresponding quarter last year an increase of \$46.7 million, constituting growth of 43.0%. The improvement in EBITDA stems mainly from the sharp increase in the Company's operating profit.

4. Financial Condition and Liquidity

A. Operating cash flow:

Operating cash flow during the first quarter amounted to \$53.8 million compared with a negative cash flow of \$64.9 million in the corresponding quarter in the previous year. Had the affect of securitization of sale of customers' receivables (which was neutralized in the corresponding quarter last year in accordance with the IFRS requirements) been added, there would have been negative cash flow of \$5.1 million in the corresponding quarter last year. The increase in operating cash flow was attained despite the significant growth in the quarter.

B. Cash flows used in investment activities:

The Company's investments (less short term investments) in the quarter amounted to \$35.5 million compared with \$50.5 million in the corresponding quarter last year. These investments mostly include product registrations, intangible assets and investments in fixed assets. Investments in fixed assets mostly included investments in plant and equipment for upgrade and improvement of environmental standards and amounted, less investment grants, to \$18.5 million, compared with \$19.3 million in the corresponding quarter last year.

C. Free cash flow:

Free cash flow (less short term investments) in the quarter amounted \$18.3 million compared with a negative cash flow of 114.5 million in the corresponding quarter last year (Had the affect of securitization of sale of customers' receivables, which was neutralized in the corresponding quarter last year in accordance with the IFRS requirements, been added the free cash flow would have been negative cash flow of \$54.8 million in the corresponding quarter last year). The increase in the free cash flow stemmed from an improvement in operating cash flow.

D. Current Assets:

Total current assets as at March 31, 2008 amounted to \$2,032.0 million, compared with \$1,891.5 million on March 31, 2007 and 1,771.1 million on December 31, 2007.

E. Investments in Fixed Assets:

See Cash Flow chapter above.

F. Cash, Current liabilities and Long-Term Loans:

The Company's credit (bank credit and bonds) amounted, as at March 31, 2008, to \$827.3 million (of which 15.5% was short-term credit) compared with \$982.9 million as at March 31, 2007 (of which 38.2% was short-term credit).

Cash and short-term investments balances as at March 31, 2008 amounted to \$323.6 million compared with \$273.7 million as at March 31, 2007, and \$294.0 million as at December 31, 2007.

The Company's net debt (loans to banks and debentures less cash and short-term investments) amounted, as at March 31, 2008, to the sum of \$503.6 million compared with \$709.2 million as at March 31, 2007 and \$467.0 million as at December 31, 2007.

CPI-linked Shekel debentures are converted at thee exchange rate on the balance-sheet date, where the fair value on future transactions, in the sum of approximately \$57 million, ascribed to such debentures, was recorded under trade payables and long-term investments. Neutralizing the future transactions, net debt amounted as at March 31, 2008 to approximately \$446 million.

The Company has undertaken to certain banks to meet certain covenants. As at the date of the balance the Company is in fulfillment of these covenants.

G. Shareholders' Equity:

Shareholders' equity as at March 31, 2008 amounted to 1,315.9 million compared with 1,227.8 million as at March 31, 2007 and 1,337.1 million as at December 31, 2007. Shareholder's equity out of total balance sheet as at March 31, 2008 amounted to 39.9%, as at March 31, 2007 to 39.8% and as at December 31, 2007 to 44.9%.

H. Financial ratios:

	As at March 31,		As at
	2008	2007	December 31, 2007
Ratio of current assets to current liabilities (current ratio)	1.80	1.71	2.08
Ratio of current assets excluding inventory, to current liabilities (acid-test ratio)	1.09	1.17	1.16
Financial liabilities out of total balance sheet	25.11%	31.9%	25.6%
Financial liabilities out of total equity	62.9%	80.1%	56.9%

I. Sources of financing:

The Company finances its operations using independent means, debentures and bonds, securitization and sale of customers' receivables, suppliers' credit and bank credit.

5. Summary of Main Developments

On 9 January 2008, following the receipt of prior approval of the audit committee, the board of directors of the Company resolved:

- a. to revise and clarify the terms of some of the option warrants that were given to directors, officers and employees of the Company. For details, see the Immediate Report in this respect of 9 January 2008 (reference no. 2008-01-010239), the information contained in which is referred herein by way of reference.
- b. to approve the renewal of directors' and officers' liability insurance policies, including directors who might be regarded as controlling shareholders of the Company. For details see the Immediate Report in this respect of 9 January 2008 (reference no. 2008-01-010245), the information contained in which is referred herein by way of reference.

On 17 February 2008, following the receipt of prior approval of the audit committee and the board of directors of the Company, the general meeting of the Company approved:

- a. to approve amendment of the terms of the management services agreement between the Company and the company which provides management services to the Company, including services in the position of chairman of the board of directors and/or CEO to the Company, through Mr. Avraham Bigger.
 - b. to approve amendment of the terms of the option allotment agreement between the Company and the chairman of the board of directors and CEO of the Company, Mr. Avraham Bigger.
 - c. to approve amendment of the terms of the option allotment agreement between the Company and an external director of the Company, Mr. Gideon Chitayat.
 - d. to approve execution of the allotment of 900,000 options, respectively convertible into one ordinary share of par value NIS 1 of the Company, to the chairman of the board of directors and CEO of the Company, Mr. Avraham Bigger.
 - e. to approve execution of the allotment of 51,500 options, respectively convertible into one ordinary share of par value NIS 1 of the Company, to an external director of the Company, Prof. Ilan Chet. For additional details see the immediate report by the Company regarding convening of a special general meeting dated January 9, 2008 (Reference No. 2008-01-010269).
- ◆ On February 4, 2008, employees of Makhteshim Chemical Works Ltd. declared a labor dispute. For details regarding labor disputes see immediate reports dated February 4, 2008 (Reference No. 2008-01-035742) and dated April 22, 2008, (Ref. No. 2008-01-115479).
 - ◆ On March 11, 2008, the Company's board of directors approved a share buy-back plan in the amount of up to \$100 million. As at the date of this report, the buyback has not yet commenced.
 - ◆ On March 11, 2008, the Company's board of directors approved a dividend of \$120 million. The dividend was paid out on April 10, 2008.
 - ◆ On March 11, 2008, the Company's board of directors approved filing of a draft prospectus with the Securities Authority for listing for trading of bonds (series B, C and D), which were issued by the Company in a private allotment to institutional investors, and the filing of a draft shelf prospectus.

- ◆ On April 21, 2008, the Company notified that its shareholder Koor Industries Ltd. ("Koor") made release in connection with a draft prospectus it filed with the Securities Authority stating that it was approached by international parties with respect to acquiring Koor's holdings in the Company. Koor stated that it declined these approaches yet maintained contact regarding a party sharing in up to half of Koor's holdings in the Company. On May 12 Koor reported that it decided to cease the abovementioned contact.
- ◆ New Registrations – during the quarter, the Company received 34 registrations for active ingredients, formulations and mixtures of which 24 were new registrations.

6. Exposure to market risks and methods of managing such risks

The Company conducts its business in a number of different currencies. Due to its activities, the Company is exposed to market risks, which mainly involve exchange rate fluctuations, partial adjustment of the prices of products to reflect changes in the cost of raw materials, changes in the rates of increase of the CPI and changes in interest rates. The board of directors of the Company approved a policy of using financial derivatives to reduce the exposure to changes in exchange rates and CPI increases. The Company only effects such transactions via banking corporations and stock exchanges, which are obligated to meet capital adequacy requirements or to maintain a scenario-based level of collateral.

Risk Management Officer

The Company's Market Risk Manager is the CFO, Ran Maidan.

Description of Market Risks

Company's Policy regarding Market Risk Management

The Company's policy is to maintain high degree of correlation between the currency in which it sells its products and the currency in which it purchases its raw materials. The Company is continually examining its balance-sheet and economic exposures 12 months in advance, in accordance with its revenue and expenditure forecasts. The Company hedges most of its balance-sheet exposure and some of its economic exposure in respect of its principal currencies.

The following are details of the policies implemented for each risk. There were no significant changes in the Company's risk management policy during the first quarter of 2008.

Currency Risks:

The Group's most substantial exposure is to the Euro, the Shekel and the Brazilian Real. In addition, there are lesser exposures to other currencies such as the UK Pound, Polish Zloty, Australian Dollar and South African Rand. Currency exposure deriving from foreign currency exchange rate fluctuations is constantly checked against the assets (including inventory of

finished products in countries of sale), liabilities and cash flows denominated in non-US Dollar currencies. The Company tends to use financial derivatives (options and forward contracts) to hedge against such exposure only when the net exposure to a certain currency is material.

During the first quarter of 2008, the Company hedged most of its exposure to the euro, real and shekel.

Crop protection product sales depend directly on agricultural seasons and on the cyclical nature of crop growth, and therefore, the Company's revenues and its exposure to various currencies are not evenly distributed over the year. Countries in the northern hemisphere have similar agricultural seasons and therefore, in those countries, the highest sales are usually in the first half of the calendar year. During this period, the Company has substantial exposures to the Euro, the Polish Zloty and the UK Pound. In the southern hemisphere, the seasons are opposite, and most of the local sales (except in Australia) are made in the second half of the year. In these months, most of the Company's exposure is in the Brazilian real. The Company has more sales in the markets in the northern hemisphere and therefore the Company's sales in the first half of the year are higher than its sales in the second half of the year.

In November 2006, the Company completed a bond issue in the sum of NIS 2.35 billion. The main portion of the bonds is linked to the consumer price index, and therefore, an increase in the consumer price index as well as fluctuations in Shekel rates may bring about a significant increase in the Company's financing expenses. The Company hedges most of its exposure to these risks in this regard by way of swap transactions and forward contracts.

Exposure to CPI linkage:

The main portion of the above Debentures is linked to the consumer price index, and therefore, an increase in the consumer price index might bring about a significant increase in the Company's financing expenses. The Company hedges most of its exposure to this risk on an ongoing basis in CPI hedging transactions.

Risks in raw material prices (in source currency):

Approx. 70% of the Company's sale costs stem from raw materials costs. Most of the Company's raw materials are distant derivatives of oil prices. Hence, an increase in oil prices can cause an increase in the price of raw materials.

In order to reduce exposure to fluctuations in the prices of raw materials, the Company typically enters into long-term purchase agreements for the purchase of principal raw materials, wherever possible. Equally, the Company tries to adjust the selling prices, as far as possible, in order to reflect changes in the prices of raw materials.

During the period of the report, the Company has not entered into any transactions to hedge against oil or the prices of raw materials.

Interest risks

The Company is exposed to changes in the LIBOR interest rate on the US dollar, since the Company has liabilities in that currency which bear a variable LIBOR rate. The Company prepares a quarterly summary of its exposure to changes in the LIBOR rate. As at the date of this Report, the Company has not hedged against this exposure.

Means of supervision of market risk management policy and method of implementation thereof

The Company keeps internal documentation regarding the designation of financial instruments for exposures which indicate the link between the instruments and the exposure. The board of directors and the finance committee discuss the Company's exposure to market risks and the acts done by management of the Company in respect thereof, at least once every quarter. The Company's management examines the control procedures on an ongoing basis, and updates them in accordance with the scope of operations and the risk derived from the operations.

7. **Critical Accounting Estimates**

There have been no substantive changes during the first quarter of 2008 with respect to the critical accounting estimates used by the Company for the purposes of the financial statements.

8. **International Financial Reporting Standards (IFRS)**

In July 2006, the Israel Accounting Standards Institute published Accounting Standard No. 29 - "Adoption of International Financial Reporting Standards (IFRS)" (hereinafter: the "Standard"). The Standard provides that entities subject to the Securities Law, 5728 – 1968 and which are required to submit reports in accordance with the regulations promulgated under that Law, are to draw up their financial statements in accordance with the IFRS standards, for periods commencing 1 January 2008. Initial adoption of IFRS standards is to be implemented for the first time on 1 January 2007 (hereinafter: the "Transitional Period").

For the purpose of the transition, the Company implemented the provisions of International Financial Reporting Standard 1 (IFRS1) in its financial statements for the first quarter of 2008, and presented an opening balance for January 1, 2007, a balance for December 31, 2007 and a statement of profit and loss for the year ending on that date, drafted in accordance with IFRS standards. The Company presented adjustments in the financial statements for March 31, 2008 between reporting in accordance with the acceptable accounting rules employed in Israel and reporting in accordance with IFRS standards as at the Date of Transition, December 31, 2007 and the year ending on that date, such adjustments being retroactive (forever) (subject to exceptions).

Due to the Company's being an industrial company, the effects of implementation of IFRS standards on its results, and particularly on the balance sheet and statement of profit and loss for 2007, are not material.

For further details regarding the effect of the transition to IFRS standards on the Company, see Notes 2, 3 and 7 to the financial statements.

9. **Process of Approval of Financial Statements**

The Company has a finance committee which receives a detailed presentation each quarter of the financial results from the CFO. Each quarter, the committee discusses the financial results before presenting them to the board of directors and recommends that it approves the financial statements. The financial statements are approved by the board of directors, which is the organ responsible for the overall control of the Company.

In addition to these regular quarterly discussions, the finance committee holds additional meetings at its discretion, at which it discusses various matters arising from the Company's financial statements, in greater detail and depth. The Company's finance committee is made up of 6 directors, of which one is an external director. All the committee members have accounting and financial qualifications.

The members of the committee and members of the board of directors receive the draft financial statements a few days before convening the meetings.

Representatives of the Company's auditors are invited to meetings of the finance committee, as well as to those meetings of the board of directors at which the financial statements are discussed and approved and they refer to and respond to questions directed to them by members of the board of directors, relating to substantial issues deriving from the data presented in the relevant financial statements. When presenting the financial statements to the board of directors, the CEO of the Company, who is also the chairman of the board of directors, Mr. Avraham Bigger, sets out the main results of the Company's operations during the period under review and refers to substantial events that may have taken place during the period.

Thereafter, Mr. Ran Maidan, CFO, gives a detailed presentation of the Company's financial results during the period under review and compares it with previous periods, with the emphasis being placed on the substantial issues that arise from such. During the course of these reviews, management responds to questions addressed to it by members of the board of

directors. At the end of the discussion by the board of directors, a vote is held, during which the financial statements are approved.

10. **Matters referred to by the Company's auditors in their opinion on the financial statements**

In October 2007, a monetary claim was filed with the District Court at Beer Sheva against Makhteshim Chemical Plants Ltd., a subsidiary of the Company, together with an application to approve the claim as a class action under the Class Actions Law, 5766-2006, by three residents of the town of Wadi El Na'im, claiming damage to their health caused, allegedly, by Makhteshim's factory at Ramat Hovav, based on various grounds relating to air pollution. For additional details in this regard see Note 6 to the financial statements.

Avraham Bigger
Chairman of the Board
of Directors and CEO

Raanan Cohen
Director

Ran Maidan
CFO

May 13, 2008, Tel Aviv