

**Makhteshim-Agan Industries Ltd.**

**Condensed Consolidated Interim**

**Financial Statements**

**(Unaudited)**

**As at March 31, 2009**

**Financial Statements as at March 31, 2009 (Unaudited)**

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## **Review Report of the Independent Auditors to the Shareholders of Makhteshim–Agan Industries Ltd.**

### **Introduction**

We have reviewed the accompanying financial information of Makhteshim–Agan Industries Ltd. and its subsidiaries (hereinafter – “the Group”) comprising of the condensed consolidated interim statement of financial position as of March 31, 2009 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 “*Interim Financial Reporting*”, and are also responsible for the preparation of financial information for this interim period in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain consolidated subsidiaries whose assets constitute 7.8% of the total consolidated assets as at March 31, 2009, and whose revenues constitute 10.5% of the total consolidated revenues for the three month period then ended. The condensed interim financial information of those companies was reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial information of such companies, is based solely on the said review reports of the other auditors.

### **Scope of Review**

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

### **Conclusion**

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

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

Respectfully,  
Somekh Chaikin  
Certified Public Accountants (Isr.)  
May 12, 2009

**Condensed Consolidated Interim Statement of Financial Position as at**

In US dollars

	<b>March 31 2009</b>	<b>March 31 2008</b>	<b>December 31 2008</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>\$ thousands</b>	<b>\$ thousands</b>	<b>\$ thousands</b>
<b>Current assets</b>			
Cash and cash equivalents	361,031	321,655	214,920
Short-term investments	369	1,991	514
Trade receivables	697,792	612,117	519,439
Subordinated capital note in respect of the sale	143,514	173,487	95,365
Prepaid expenses	15,276	14,144	10,328
Financial assets, including derivatives	105,087	91,676	149,972
Advances less provision for income tax	11,620	14,665	13,532
Inventories	1,036,465	802,312	1,135,418
	<b>2,371,154</b>	<b>2,032,047</b>	<b>2,139,488</b>
<b>Long-term investments, loans and receivables</b>			
Financial investments and other receivables	47,492	90,364	54,190
Non-financial investments and other receivables	11,516	11,310	12,268
	<b>59,008</b>	<b>101,674</b>	<b>66,458</b>
<b>Property, plant and equipment</b>			
Cost	1,055,583	1,008,617	1,046,799
Less - accumulated depreciation	522,621	492,510	514,308
	<b>532,962</b>	<b>516,107</b>	<b>532,491</b>
<b>Deferred tax assets</b>	<b>70,598</b>	<b>74,756</b>	<b>62,412</b>
<b>Intangible assets</b>			
Cost	1,022,174	977,663	1,007,487
Less - accumulated amortization	446,104	406,927	434,925
	<b>576,070</b>	<b>570,736</b>	<b>572,562</b>
	<b>1,238,638</b>	<b>1,263,273</b>	<b>1,233,923</b>
	<b>3,609,792</b>	<b>3,295,320</b>	<b>3,373,411</b>

In US dollars

	March 31 2009	March 31 2008	December 31 2008
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
<b>Current liabilities</b>			
Credit from banks and others	368,706	128,655	413,857
Trade payables	431,349	490,089	482,618
Other payables and credit balances	342,374	360,388	320,318
Provision for income tax less advances	21,666	31,015	16,958
Dividend proposed for payment	-	119,053	-
Put options held by the minority interest	24,531	15,849	17,389
	<b>1,188,626</b>	<b>1,145,049</b>	<b>1,251,140</b>
<b>Long-term liabilities</b>			
Loans from banks	53,417	20,823	60,121
Debentures	851,789	677,873	634,801
Other long-term liabilities	16,779	12,855	12,343
Deferred taxes payable	76,244	43,071	63,375
Employee benefits	57,352	60,231	57,898
Put options held by the minority interest	-	19,469	7,056
	<b>1,055,581</b>	<b>834,322</b>	<b>835,594</b>
<b>Equity capital</b>			
Share capital	125,550	125,329	125,542
Share premium	623,874	624,095	623,882
Reserves	12,595	19,280	7,906
Retained earnings	835,448	673,820	759,544
Treasury shares	(245,548)	(144,196)	(245,548)
	<b>1,351,919</b>	<b>1,298,328</b>	<b>1,271,326</b>
<b>Total equity capital attributed to the Company's equity holders</b>	<b>1,351,919</b>	<b>1,298,328</b>	<b>1,271,326</b>
<b>Minority interest</b>	<b>13,666</b>	<b>17,621</b>	<b>15,351</b>
<b>Total equity</b>	<b>1,365,585</b>	<b>1,315,949</b>	<b>1,286,677</b>
	<b>3,609,792</b>	<b>3,295,320</b>	<b>3,373,411</b>

Avraham Bigger

Chief Executive Officer and  
Chairman of the Board of Directors

Raanan Cohen

Director

Ran Maidan

Chief Financial Officer

Date the financial statements were approved: May 12, 2009

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

**Condensed Consolidated Interim Statement of Income for the**

In US dollars

	Three month period ended March 31		Year ended December 31
	2009	2008	2008
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
<b>Statement of income</b>			
Revenues	722,268	722,168	2,535,504
Cost of sales	504,907	461,991	1,687,759
<b>Gross profit</b>	<b>217,361</b>	260,177	847,745
<b>Expenses</b>			
Selling and marketing	88,152	98,332	375,200
General and administrative	19,131	21,977	83,972
Research and development	4,667	5,965	22,374
Other expenses (income)	(215)	73	(1,051)
	111,735	126,347	480,495
<b>Operating income</b>	<b>105,626</b>	133,830	367,250
Financing expenses	67,793	71,883	180,645
Financing income	(57,450)	(39,458)	(84,038)
Financing expenses, net	10,343	32,425	96,607
<b>Income before tax</b>	<b>95,283</b>	101,405	270,643
Tax expenses	16,524	9,927	49,684
<b>Income for the period</b>	<b>78,759</b>	91,478	220,959
<b>Attributable to:</b>			
The Company's equity holders	78,230	90,925	219,041
Minority interest	529	553	1,918
<b>Income for the period</b>	<b>78,759</b>	91,478	220,959
<b>Earnings per share</b>			
Basic earnings per share	0.182	0.207	0.498
Diluted earnings per share	0.182	0.205	0.496

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

**Condensed Consolidated Interim Statement of Comprehensive Income for the**

In US dollars

	Three month period ended March 31		Year ended December 31
	2009	2008	2008
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
<b>Income for the period</b>	<b>78,759</b>	91,478	220,959
<b>Other elements of comprehensive income</b>			
Foreign currency translation differences in respect of foreign activities	<b>(5,978)</b>	7,324	(12,275)
Effective part of change in fair value of cash flow hedges	<b>13,652</b>	24,897	22,279
Net change in fair value of hedged cash flow transferred to statement of income	<b>(10)</b>	(22,526)	(16,279)
Actuarial losses from defined benefit plan	<b>(5,546)</b>	-	(312)
Taxes on elements of comprehensive income	<b>(3,160)</b>	(789)	1,073
<b>Total other comprehensive income for the period, net of tax</b>	<b>(1,042)</b>	8,906	(5,514)
<b>Comprehensive income for the period</b>	<b>77,717</b>	100,384	215,445
<b>Total comprehensive income attributable to:</b>			
Company's equity holders	<b>78,685</b>	98,574	214,940
Minority interest	<b>(968)</b>	1,810	505
<b>Total comprehensive income for the period</b>	<b>77,717</b>	100,384	215,445

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

**Condensed Consolidated Interim Statement of Changes in Equity**

	<u>Share capital</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Premium on</u> <u>shares</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Capital</u> <u>reserves</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Retained</u> <u>earnings</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Company</u> <u>shares held</u> <u>by Company</u> <u>and subsidiary</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Total equity</u> <u>attributed to</u> <u>Company's</u> <u>equity holders</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Minority</u> <u>interest</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Total equity</u> <u>(Unaudited)</u> <u>\$ thousands</u>
<b>For the three-month period ended March 31, 2009</b>								
Balance at January 1, 2009	125,542	623,882	7,906	759,544	(245,548)	1,271,326	15,351	1,286,677
Comprehensive income for period	-	-	4,665	74,020	-	78,685	(968)	77,717
Exercise of employee options	8	(8)	-	-	-	-	-	-
Expenses for employee options	-	-	-	1,884	-	1,884	-	1,884
Tax benefits from employee options	-	-	24	-	-	24	-	24
Dividend to minority shareholders	-	-	-	-	-	-	(717)	(717)
Balance at March 31, 2009	<u>125,550</u>	<u>623,874</u>	<u>12,595</u>	<u>835,448</u>	<u>(245,548)</u>	<u>1,351,919</u>	<u>13,666</u>	<u>1,365,585</u>
<b>For the three-month period ended March 31, 2008</b>								
Balance at January 1, 2008	125,274	624,150	11,575	699,019	(144,196)	1,315,822	21,245	1,337,067
Comprehensive income for period	-	-	7,649	90,925	-	98,574	1,810	100,384
Exercise of employee options	55	(55)	-	-	-	-	-	-
Expenses for employee options	-	-	-	2,927	-	2,927	-	2,927
Dividend to equity holders	-	-	-	(119,051)	-	(119,051)	-	(119,051)
Tax benefits from employee options	-	-	56	-	-	56	-	56
Acquisition of minority interest in subsidiary	-	-	-	-	-	-	(476)	(476)
Issuance of equity to minority shareholders	-	-	-	-	-	-	11	11
Dividend to minority shareholders	-	-	-	-	-	-	(1,405)	(1,405)
Put options to minority shareholders	-	-	-	-	-	-	(3,564)	(3,564)
Balance at March 31, 2008	<u>125,329</u>	<u>624,095</u>	<u>19,280</u>	<u>673,820</u>	<u>(144,196)</u>	<u>1,298,328</u>	<u>17,621</u>	<u>1,315,949</u>

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

**Condensed Consolidated Interim Statement of Changes in Equity**

	<u>Share capital</u>	<u>Premium on shares</u>	<u>Capital reserves</u>	<u>Retained earnings</u>	<u>Company shares held by Company and subsidiary</u>	<u>Total equity attributed to Company's equity holders</u>	<u>Minority interest</u>	<u>Total equity</u>
	<u>(Audited)</u>	<u>(Audited)</u>	<u>(Audited)</u>	<u>(Audited)</u>	<u>(Audited)</u>	<u>(Audited)</u>	<u>(Audited)</u>	<u>(Audited)</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>
<b>For the year ended December 31, 2008</b>								
Balance at January 1, 2008	125,274	624,150	11,575	699,019	(144,196)	1,315,822	21,245	1,337,067
Comprehensive income for year 2008	-	-	(3,844)	218,784	-	214,940	505	215,445
Exercise of employee options	268	(268)	-	-	-	-	-	-
Buy-back of Company's shares	-	-	-	-	(101,352)	(101,352)	-	(101,352)
Expenses for employee options	-	-	-	10,350	-	10,350	-	10,350
Tax benefits from employee options	-	-	175	-	-	175	-	175
Dividend to equity holders	-	-	-	(168,609)	-	(168,609)	-	(168,609)
Dividend to minority shareholders	-	-	-	-	-	-	(1,405)	(1,405)
Acquisition of minority interest	-	-	-	-	-	-	(1,430)	(1,430)
Exercise of put option by Company	-	-	-	-	-	-	(3,564)	(3,564)
Balance at December 31, 2008	<u>125,542</u>	<u>623,882</u>	<u>7,906</u>	<u>759,544</u>	<u>(245,548)</u>	<u>1,271,326</u>	<u>15,351</u>	<u>1,286,677</u>

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

**Condensed Consolidated Interim Statement of Changes in Cash Flows for the****In US dollars**

	Three month period ended March 31		Year ended December 31
	2009	2008	2008
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
<b>Cash flows from operating activities</b>			
Income for the period	<b>78,759</b>	91,478	220,959
<b>Adjustments:</b>			
Interest paid in cash	<b>(6,326)</b>	(6,280)	(68,354)
Interest received in cash	<b>1,595</b>	1,307	5,593
Taxes paid in cash, net	<b>(7,287)</b>	(13,559)	(32,078)
Depreciation and amortization	<b>23,289</b>	22,160	91,191
Gain from buy-back of Company's debentures	-	-	(5,692)
Depreciation (appreciation) of long-term investments	<b>382</b>	(295)	103
Capital loss (gain) from sale of property, plant and equipment and other assets, net	<b>(31)</b>	266	153
Amortization of discount/premium and issue costs	<b>21</b>	23	92
Expenses for employee options	<b>1,884</b>	2,938	10,350
Revaluation of put options	<b>86</b>	351	1,702
Adjustment of long-term liabilities	<b>(68,782)</b>	53,953	32,649
SWAP transaction	<b>27,540</b>	(22,416)	(16,279)
Change in provision for tax and income tax prepayments, net	<b>6,620</b>	11,480	(2,501)
Interest paid in cash	<b>6,326</b>	6,280	68,354
Interest received in cash	<b>(1,595)</b>	(1,307)	(5,593)
Taxes paid in cash, net	<b>7,287</b>	13,559	32,078
Change in deferred taxes, net	<b>206</b>	(15,112)	26,911
<b>Changes in items of assets and liabilities</b>			
Increase in trade receivables and debit balances	<b>(193,916)</b>	(201,966)	(66,237)
Decrease (increase) in inventories	<b>100,001</b>	(17,432)	(355,094)
Increase (decrease) in trade payables and other payables and credit balances	<b>(34,843)</b>	123,557	76,276
Change in provisions and benefits for employees	<b>(3,921)</b>	4,833	232
<b>Net cash provided by (used in) operating activities</b>	<b>(62,705)</b>	53,818	14,815
<b>Cash flows for investing activities</b>			
Acquisition of property, plant and equipment	<b>(12,678)</b>	(18,504)	(70,430)
Additions to intangible assets	<b>(12,866)</b>	(14,190)	(60,686)
Short-term investments, net	<b>145</b>	93,868	95,345
Repayment of long-term investment	-	-	541
Proceeds from realization of property, plant and equipment and intangible assets	<b>340</b>	247	6,882
Payment for companies consolidated for the first time	-	(2,520)	(2,520)
Cash added as a result of first-time consolidation (Appendix A)	<b>74</b>	-	-
Acquisition of minority interest	-	(511)	(16,419)
<b>Net cash provided by (used in) investment activities</b>	<b>(24,985)</b>	58,390	(47,287)

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

**Condensed Consolidated Interim Statement of Changes in Cash Flows for the****In US dollars**

	<b>Three month-period ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>\$ thousands</b>	<b>\$ thousands</b>	<b>\$ thousands</b>
<b>Cash flows from financing activities</b>			
Receipt of long-term loans from banks	171	-	55,101
Repayment of long-term loans and liabilities from banks and others, net	(6,047)	(744)	(5,085)
Increase (decrease) in short-term liabilities to banks	(46,072)	12,312	285,934
Dividend to minority shareholders in subsidiaries	-	(275)	(326)
Buy-back of Company's shares	-	-	(101,352)
Dividend to shareholders	-	-	(168,609)
Issuance of debentures net of issue costs	285,749	-	-
Buy-back of Company's debentures	-	-	(16,425)
<b>Net cash provided by financing activities</b>	<b>233,801</b>	<b>11,293</b>	<b>49,238</b>
<b>Increase in cash and cash equivalents</b>	<b>146,111</b>	<b>123,501</b>	<b>16,766</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>214,920</b>	<b>198,154</b>	<b>198,154</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>361,031</b>	<b>321,655</b>	<b>214,920</b>
<b>A. Investments in newly consolidated companies</b>			
Working capital (excluding cash and cash equivalents)	115	208	208
Property, plant and equipment, net	(90)	(22)	(22)
Other assets, net	(75)	(8,836)	(8,836)
Goodwill created on acquisition	(3,797)	-	-
Excess cost attributable to intangible assets	(3,328)	-	-
Short-time liabilities	3,376	-	-
Long-term liabilities	3,873	-	-
Consideration paid in cash	-	2,520	2,520
Put options granted to the minority interest	-	6,130	6,130
	<b>74</b>	<b>-</b>	<b>-</b>

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

**Notes to the Financial Statements as at March 31, 2009 (Unaudited)**

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**Note 1 - Reporting Principles and Accounting Policies****A. The reporting entity**

- (1) The Company is an Israel-resident company that was incorporated in Israel, and its official address is the Arava Building in Airport City Park. The consolidated financial statements of the Company as at March 31, 2009 include those of the Company and its subsidiaries (together – "the Group"). The Group operates in Israel and abroad and is engaged in the development, manufacture and marketing of agrochemicals, intermediate materials for other industries, food additives and synthetic aromatic products, mainly for export. The Company is held by Koor Industries Ltd. (hereinafter, "Koor"). The Company's securities are listed for trading on the Tel Aviv Stock Exchange.
- (2) Sales of agrochemical products are directly dependent on the agricultural seasons and the cyclical pattern of the growing seasons and, therefore, the Company's income is not spread evenly throughout the year. Countries located in the northern hemisphere are characterized by the same timing of the agricultural seasons and, as a result, sales to these countries are usually highest in the first half of the year. In the southern hemisphere, the seasonal trends are the opposite and most of the local sales are made in the second half of the year, except for Australia where most of the sales are made in April through July.  
The Company's worldwide operations act to balance out the seasonal impacts, even though the Company's sales are higher in the northern hemisphere.

**Note 2 - Basis for Financial Statement Preparation****A. Declaration of compliance with International Financial Reporting Standards (IFRS)**

The condensed consolidated financial statements were prepared in accordance with IAS 34 – *Financial Reporting for Interim Periods* and do not include all the information required for full annual financial statements. They should be read in conjunction with the annual financial statements at and for the year ended December 31, 2008 ("annual financial statements"). Additionally, these financial statements were prepared in accordance with the provisions of Chapter IV of the Securities Regulations (Periodic and Immediate Reports, 1970).

The condensed financial statements were approved for publication by the Group's Board of Directors on May 12, 2009.

**B. Use of estimates and judgment**

When preparing condensed financial statements in conformance with IFRS, Company management is required to use judgment when making assessments, estimates and assumptions that affect the implementation of the policies and amounts of assets and liabilities, revenues and expenses. It is clarified that the actual results are likely to be different from these estimates. Management's judgment when applying the Group's accounting policies and key assumption used in estimates that involve uncertainty are consistent with those used in the annual financial statements.

**Notes to the Financial Statements as at March 31, 2009 (Unaudited)**

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**Note 3 - Significant Accounting Policies**

Except as provided in Par. (1) below, the Group's accounting policies in its condensed consolidated interim financial statements are the policies that it applied in its annual financial statements.

Presented below is a description of the changes in accounting policies instituted in the condensed consolidated interim financial statements and their effect:

**(1) First-time application of new standards****A. Financial statement presentation**

Commencing January 1, 2009, the Group applies IAS 1, *Financial Statement Presentation*, Amended (the Standard"). The standard allows for the presentation of a single statement of comprehensive income (a statement that combines a statement of income and other comprehensive income), or alternatively, to present two separate statements (a separate statement of income and a separate statement of comprehensive income). The Group has elected to present income and expense items and other comprehensive income items in two separate statements – a statement of income followed by a statement of comprehensive income. Additionally, the Group presents a statement of equity capital, instead of footnote disclosure, immediately after the statement of comprehensive income.

The statement includes changes in capital also deriving from transactions with shareholders of the Company, by virtue of their being shareholders (such as dividends, transaction with controlling shareholders, issuance of shares and/or options, etc). The standard is applied retroactively.

**B. Segment reporting**

Commencing January 1, 2009, the Group applies IFRS 8, *Operating Segments* ("the Standard"). The Standard provides that segment reporting will conform to the "management approach", i.e. based on the reporting format for the Group's primary decision making.

An operating segment is an element of the Group that meets the following three conditions:

1. Engages in business activity from which it could generate revenues and for which it could incur expenses.
2. Its operating results are reviewed regularly by the Group's chief operational decision maker, in order to reach decisions on the resources to be allocated to it and in order to assess its performance.
3. There is separate, available financial information about it.

First-time application of the Standard did not have an effect on the composition of the Group's reportable segments.

**C. Employee benefits**

Commencing January 1, 2009, the Group applies the Amendment to IAS 19, *Employee Benefits* ("the Amendment"), instituted as part of the improvement project for 2008, whereby the employee benefits were classified as short-term or other long-term benefits, will be done based on the date on which the liability is to be settled. According to the aforesaid, certain benefits were classified as short-term benefits. The Amendment was adopted retroactively.

The application of the Amendment did not have a material effect on the Company.

**Notes to the Financial Statements as at March 31, 2009 (Unaudited)**

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**Note 3 - Significant Accounting Policies (cont'd)****(2) New standards and interpretations not yet adopted****A. Business combinations and consolidated and separate financial statements**

IFRS 3 (Revised 2008) *Business Combinations* and amendment to IAS 27 from 2008, *Consolidated and Separate Financial Statements* (hereinafter – "the standards"). The main relevant changes in the standards are:

1. The definition of a business was expanded, which will cause more acquisitions to be treated as business combinations.
2. Treatment according to fair value in transactions leading to discontinuing the consolidation, so that the remaining holdings after discontinuing the consolidation is revalued on the date consolidation was discontinued, at fair value, in the statement of income.
3. Treatment according to full fair value in transactions that lead to a consolidation of financial statements (that were not consolidated previously), so that the original investment before the consolidation will be revalued on the first date of consolidation, at fair value, to the statement of income.
4. Rights do not confer control (minority interest) will be measured at fair value or according to the proportionate share of the identified assets and liabilities of the acquired party, on the basis of each transaction separately.
5. The treatment of acquisitions of additional shares or sales of some of the existing shares, without the Company stopping to consolidate the financial statements of the companies in which transactions were effected, will be done in a manner whereby all differences deriving from the transactions will be recognized directly in equity (including differences that were recognized in the past in the statement of income or in goodwill).
6. Immediately recognizing the transaction costs in the statement of income.
7. Measurement of contingent proceeds in business combinations at fair value, and charging the changes in estimates related to the contingent proceeds, which is a financial obligation, to the statement of income.
8. No updating goodwill for utilization of tax loss carryforwards that existed on the acquisition date of the business.
9. Allocation of comprehensive income among the equity holders, also in the event that the subsidiary has a capital deficiency.

These standards will apply to annual financial reporting periods commencing on or after July 1, 2009. These standards can be applied early (only both together). The main changes in these standards will be applied prospectively, for transactions after the date of first-time application.

**Notes to the Financial Statements as at March 31, 2009 (Unaudited)**

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**Note 3 - Significant Accounting Policies (cont'd)****(2) New standards and interpretations not yet adopted (cont'd)****B. Improvement project for international standards**

Within the scope of the improvement project for international standards, from 2009, (Improvements to IFRSs), the IASB published and approved in April 2009, 15 amendments to International Financial Reporting Standards on a wide range of accounting issues. These amendments will apply to periods commencing on or after January 1, 2010, with the possibility of early adoption, subject to the conditions provided for each amendment. Provided below are the amendments that could be relevant for the Group and which could impact the financial statements:

- Amendment to IAS 17 – Leases, classification of land and building leases ("the Amendment") – According to the Amendment there is no longer a requirement to classify land leases as operational leases whenever ownership is not expected to pass to the lessee at the end of the lease period. According to the Amended Standard, the requirement is to evaluate the land lease based on the ordinary criteria for classification as a financing or operating lease.

Likewise, it was provided that the elements of land and building in a land and building lease are examined separately for the purpose of classifying the leases, based on the Standard's criteria, with considerable weight in classifying the land element given to the fact that the land generally has an indefinite useful life.

The Amendment applies to financial statements for annual periods commencing on or after January 1, 2010. Early application of the Amendment is possible, upon giving disclosure. The Amendment will be applied retroactively, i.e. the classification of land leases should be evaluated based on the information that existed at the time of the lease commitment, and if changes occurred in the lease classification, the provisions of IAS 17 should be applied retroactively, from the date of the lease commitment. However, if the entity does not have the information necessary for retroactive application of the Amendment, it must use the information existing on the adoption date of the Amendment, and recognize the asset and liability related to the land lease, which was classified in the wake of the Amendment as a financing lease, at their fair value on such date. Any difference between the property's fair value and the fair value of the liability will be recognized in retained earnings.

- Amendment to IAS 36, *Impairment of Assets*, Allotment of Goodwill to Cash-Producing Units ("the Amendment") – According to the Amendment, for the purpose of examining for impairment, the cash-producing unit to which goodwill will be allotted, will not be larger than the operating segment as defined in IFRS 8, before application of the grouping criteria in Section 12 of IFRS 8. The Amendment will apply to annual periods commencing on or after January 1, 2010. Early application is possible, upon providing disclosure.

- Amendment to IAS 39, *Financial Instruments: Recognition and Measurement*, is no longer applicable to contracts for business combinations ("the Amendment") – the Amendment clarifies that only forward contracts between a buyer and seller regarding the sale or purchase of a controlled entity, within the scope of a business combination on a future purchase date, is not covered by IAS 39, when the forward contract's period does not exceed the normal period required to obtain the requisite approvals for the transaction.

The Amendment will be applied prospectively to all contracts that have not yet lapsed, for annual periods commencing January 1, 2010. Early application is possible, upon providing disclosure.

## Note 4 - Information on Business Segments

### A. Products and services

The Company presents its segment reporting according to a format based on a breakdown into the following business segments:

- Activity in the agrochemicals (Agro) market  
The main area of the Company's operation includes the manufacture and marketing of conventional agrochemical products.
- Non-Agro activity  
This area of activity includes a large number of sub-fields, including: Lycopene (an oxidization retardant), aromatic products, and other chemicals. It combines all the Company's activities not included in the agro-products segment.

	<u>Agro</u>	<u>Non-Agro</u>	<u>Adjustments</u>	<u>Consolidated</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>
<b>Three-month period ended</b>				
<b>March 31, 2009</b>				
Total revenues from outside the Group	680,815	41,453	-	722,268
Revenues from inter-segment sales	-	2,158	(2,158)	-
Income from operating segments	100,473	5,477	(324)	105,626
Financing expenses, net				10,343
Income before tax				95,283
<b>Three-month period ended</b>				
<b>March 31, 2008</b>				
Total revenues from outside the Group	673,056	49,112	-	722,168
Revenues from inter-segment sales	-	1,494	(1,494)	-
Income from operating segments	126,455	7,509	(134)	133,830
Financing expenses, net				32,425
Income before tax				101,405
<b>Year ended December 31, 2008</b>				
Total revenues from outside the Group	2,334,517	200,987	-	2,535,504
Revenues from inter-segment sales	-	8,849	(8,849)	-
Income from operating segments	339,082	29,229	(1,061)	367,250
Financing expenses, net				96,607
Income before tax				270,643

### B. Sales distribution by geographic regions

	<b>Three month period ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>
Israel	20,860	25,405	113,214
Latin America	143,841	147,362	675,006
Europe	367,615	339,964	1,010,894
North America	124,353	110,749	443,969
Others	65,599	98,688	292,421
	<u>722,268</u>	<u>722,168</u>	<u>2,535,504</u>

## Note 5 – Supplementary Information

- A. In the ordinary course of business, legal claims were lodged against the Company, including motions for class action recognition. In the estimation of the Company's management, based, inter alia, on legal opinions of its legal advisors on the prospects of the claims, including the motions for class action recognition, appropriate provisions were included in the financial statements, where provisions were required, to cover the exposure resulting from the said claims.

A detailed description of contingent liabilities outstanding against the Company appears in Note 20 to the annual financial statements for the year 2008.

Presented below is information on the material changes that occurred in contingent liabilities since December 31, 2008:

On January 14, 2009, a fire broke out in the materials warehouse of the Agan plant in Ashdod ("fire in Ashdod plant"). The event did not have a material effect on the operations of the company and/or its profitability.

On January 18, 2009, a financial claim had been lodged against Agan in Beer Sheva District Court, as well as a motion for recognition as a class action under the Class Action Law, by a resident of Ashdod, asserting that damages were allegedly sustained due to the suffering that the plaintiff asserted was caused as a result of the fire in the Ashdod plant. If recognized as a class action, the plaintiff estimates that the amount claimed from Agan is NIS 100 million. At this juncture, Agan is unable to estimate the prospects of the claim and the motion for class action recognition.

- B. On March 10, 2009, the Company's board of directors approved the Company's undertaking for a property and loss of profits insurance policy with Clal Insurance Company Ltd. ("Clal"), a company controlled by I.D.B. Development Company Ltd., as a non-exceptional transaction. Within the scope of the undertaking, the Company will bear an annual premium for the purchase of the said policy, of \$6.6 million. I.D.B. Development Company, which could be deemed a controlling shareholder (indirectly) in the Company, could be deemed a personal interested party in the transaction due to the fact that it is a controlling shareholder at all. Moreover, the individuals that could be deemed controlling shareholders (indirect) in the Company could be deemed having a personal interest in the transaction due to their tenure and/or the tenure of their relatives (as the term "relative" is defined in the Companies Law) as directors in Clal.
- C. On March 25, 2009, the Company issued debentures, through the expansion of Series C and D, by virtue of a shelf prospectus published on May 27, 2008, in the total amount of NIS 1,133 million par value of debentures, in consideration for 101.56% and 98.95% of their par value, respectively. The debentures are divided into two series, as follows:
1. Series C totaling NIS 661 million par value, debentures are linked to the CPI for October 2006, bears annual interest of 4.45%. The principal will be repaid in four equal installments in the years 2010 through 2013. The issue costs for this series totaled \$1,297 thousand.
  2. Series D totaling NIS 472 million par value, debentures bear basic annual interest of 6.5% and is unlinked. The principal will be repaid in 6 equal installments in the years 2011 through 2016. The issue costs for this series totaled \$1,090 thousand.