

Makhteshim-Agan Industries Ltd.

Condensed Consolidated Interim

Financial Statements

(Unaudited)

As at September 30, 2009

Financial Statements as at September 30, 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 September 30, 2009 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine and three-month period then ended on those date. 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 7.3% of the total consolidated assets as at September 30, 2009, and whose revenues constitute 13.6% and 14.5% of the total consolidated revenues for the nine and three month period then ended on those dates, respectively. The condensed interim financial information of those companies was reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial information of such companies, is based solely on the said review reports of the other auditors.

Scope of Review

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

Conclusion

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

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

Respectfully,
Somekh Chaikin
Certified Public Accountants (Isr.)
November 11, 2009

Condensed Consolidated Interim Statement of Financial Position as at

In US dollars

	September 30 2009	September 30 2008	December 31 2008
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Current assets			
Cash and cash equivalents	443,914	167,574	214,920
Short-term investments	433	2,130	514
Trade receivables	620,432	562,434	519,439
Subordinated debenture	17,408	133,989	95,365
Prepaid expenses	14,754	15,624	10,328
Financial assets, including derivatives	142,674	171,020	149,972
Advances less provision for income tax	21,423	22,675	13,532
Inventories	1,001,651	976,179	1,135,418
	2,262,689	2,051,625	2,139,488
Long-term investments, loans and receivables			
Financial investments and other receivables	92,657	94,139	54,190
Non-financial investments and other receivables	13,421	12,682	12,268
	106,078	106,821	66,458
Property, plant and equipment			
Cost	1,110,617	1,041,633	1,046,799
Less - accumulated depreciation	549,607	506,422	514,308
	561,010	535,211	532,491
Deferred tax assets	86,625	67,297	62,412
Intangible assets			
Cost	1,085,884	991,860	1,007,487
Less - accumulated amortization	479,622	430,233	434,925
	606,262	561,627	572,562
	1,359,975	1,270,956	1,233,923
	3,622,664	3,322,581	3,373,411

In US dollars

	September 30 2009 (Unaudited) \$ thousands	September 30 2008 (Unaudited) \$ thousands	December 31 2008 (Audited) \$ thousands
Current liabilities			
Credit from banks and others	206,078	185,895	413,857
Trade payables	423,214	451,645	482,618
Other payables and credit balances	354,976	382,410	320,318
Declared dividend	69,289	-	-
Provision for income tax less advances	46,896	36,311	16,958
Put options held by the minority interest	24,007	17,265	17,389
	1,124,460	1,073,526	1,251,140
Long-term liabilities			
Loans from banks	94,560	16,477	60,121
Debentures	983,004	733,381	634,801
Other long-term liabilities	19,523	14,047	12,343
Deferred taxes payable	48,733	40,941	63,375
Employee benefits	54,392	66,448	57,898
Put options held by the minority interest	-	20,556	7,056
	1,200,212	891,850	835,594
Equity capital			
Share capital	125,563	125,542	125,542
Share premium	623,861	623,882	623,882
Reserves	14,266	13,090	7,906
Retained earnings	760,718	797,200	759,544
Treasury shares	(245,548)	(219,005)	(245,548)
Total equity capital attributed to the Company's equity holders	1,278,860	1,340,709	1,271,326
Minority interest	19,132	16,496	15,351
Total equity	1,297,992	1,357,205	1,286,677
	3,622,664	3,322,581	3,373,411

Avraham Bigger

Chief Executive Officer and
Chairman of the Board of Directors

Ra'anan Cohen

Director

Ran Maidan

Chief Financial Officer

Date the financial statements were approved: November 11, 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

	Nine month period ended September 30		Three month period ended September 30		Year ended December 31
	2009 (Unaudited) \$ thousands	2008 (Unaudited) \$ thousands	2009 (Unaudited) \$ thousands	2008 (Unaudited) \$ thousands	2008 (Audited) \$ thousands
Statement of income					
Revenues	1,718,449	2,044,476	435,930	640,052	2,535,504
Cost of sales	1,237,489	1,335,130	327,130	430,175	1,687,759
Gross profit	480,960	709,346	108,800	209,877	847,745
Other income	(2,543)	(3,365)	(1,211)	(1,732)	(3,684)
Selling and marketing	265,573	291,911	87,947	96,089	375,200
General and administrative	60,188	67,123	19,589	22,552	83,972
Research and development	16,649	17,900	6,229	5,280	22,374
Other expenses	3,943	2,663	2,332	1,834	2,633
	343,810	376,232	114,886	124,023	480,495
Operating income (loss)	137,150	333,114	(6,086)	85,854	367,250
Financing expenses	104,363	179,986	47,870	36,985	180,645
Financing income	(33,752)	(93,764)	(19,026)	(16,064)	(84,038)
Financing expenses, net	70,611	86,222	28,844	20,921	96,607
Income (loss) before tax	66,539	246,892	(34,930)	64,933	270,643
Income tax expense	1,985	34,934	(17,357)	14,432	49,684
Income (loss) for the period	64,554	211,958	(17,573)	50,501	220,959
Attributable to:					
The Company's equity holders	62,428	210,324	(17,518)	50,603	219,041
Minority interest	2,126	1,634	(55)	(102)	1,918
Income for the period	64,554	211,958	(17,573)	50,501	220,959
Earnings per share					
Basic earnings per share	0.145	0.475	(0.041)	0.115	0.498
Diluted earnings per share	0.144	0.473	(0.041)	0.115	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

	Nine month period ended September 30		Three month period ended September 30		Year ended December 31
	2009	2008	2009	2008	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Income (loss) for the period	64,554	211,958	(17,573)	50,501	220,959
Other elements of comprehensive income					
Foreign currency translation differences in respect of foreign activities	16,395	(5,281)	9,131	(12,572)	(12,275)
Effective part of change in fair value of cash flow hedges	23,982	54,381	10,759	(3,817)	22,279
Net change in fair value of hedged cash flow transferred to statement of income	(30,132)	(47,686)	(10,010)	(635)	(16,279)
Actuarial gain (losses) from defined benefit plan	1,078	(1,519)	777	13	(312)
Income tax relating to other comprehensive income	(1,809)	(669)	(394)	2,344	1,073
Total other comprehensive income for the period, net of tax	9,514	(774)	10,263	(14,667)	(5,514)
Comprehensive income (loss) for the period	74,068	211,184	(7,310)	35,834	215,445
Total comprehensive income (loss) attributable to:					
Company's equity holders	69,710	210,525	(9,005)	37,467	214,940
Minority interest	4,358	659	1,695	(1,633)	505
Total comprehensive income (loss) for the period	74,068	211,184	(7,310)	35,834	215,445

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

Condensed Consolidated Interim Statement of Changes in Equity

	Share capital	Premium on shares	Capital reserves	Retained earnings	Company shares held by Company and subsidiary	Total equity attributed to Company's equity holders	Minority interest	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
For the nine-month period ended September 30, 2009								
Balance at January 1, 2009 (Audited)	125,542	623,882	7,906	759,544	(245,548)	1,271,326	15,351	1,286,677
Comprehensive income for period	-	-	6,335	63,375	-	69,710	4,358	74,068
Exercise of employee options	21	(21)	-	-	-	-	-	-
Employee option expenses	-	-	-	7,088	-	7,088	-	7,088
Tax benefits from employee options	-	-	25	-	-	25	-	25
Dividend to equity holders	-	-	-	(69,289)	-	(69,289)	-	(69,289)
First-time consolidation	-	-	-	-	-	-	3,399	3,399
Dividend to minority shareholders	-	-	-	-	-	-	(1,665)	(1,665)
Acquisition of minority interest in subsidiary	-	-	-	-	-	-	(2,311)	(2,311)
Balance at September 30, 2009	<u>125,563</u>	<u>623,861</u>	<u>14,266</u>	<u>760,718</u>	<u>(245,548)</u>	<u>1,278,860</u>	<u>19,132</u>	<u>1,297,992</u>
For the nine-month period ended September 30, 2008								
Balance at January 1, 2008 (Audited)	125,274	624,150	11,575	699,019	(144,196)	1,315,822	21,245	1,337,067
Comprehensive income for period	-	-	1,305	209,220	-	210,525	659	211,184
Exercise of employee options	268	(268)	-	-	-	-	-	-
Buy-back of company's shares	-	-	-	-	(74,809)	(74,809)	-	(74,809)
Employee option expenses	-	-	-	8,012	-	8,012	-	8,012
Dividend to equity holders	-	-	-	(119,051)	-	(119,051)	-	(119,051)
Tax benefits from employee options	-	-	210	-	-	210	-	210
Acquisition of minority interest in subsidiary	-	-	-	-	-	-	(476)	(476)
Issuance of equity to minority shareholders	-	-	-	-	-	-	37	37
Dividend to minority shareholders	-	-	-	-	-	-	(1,405)	(1,405)
Put options to minority shareholders	-	-	-	-	-	-	(3,564)	(3,564)
Balance at September 30, 2008	<u>125,542</u>	<u>623,882</u>	<u>13,090</u>	<u>797,200</u>	<u>(219,005)</u>	<u>1,340,709</u>	<u>16,496</u>	<u>1,357,205</u>

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

Condensed Consolidated Interim Statement of Changes in Equity

	Share capital	Premium on shares	Capital reserves	Retained earnings	Company shares held by Company and subsidiary	Total equity attributed to Company's equity holders	Minority interest	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
For the three-month period ended September 30, 2009								
Balance at July 1, 2009	125,563	623,861	6,410	843,065	(245,548)	1,353,351	20,345	1,373,696
Comprehensive Loss for period	-	-	7,856	(16,861)	-	(9,005)	1,695	(7,310)
Employee options expenses	-	-	-	3,803	-	3,803	-	3,803
Dividend to equity holders	-	-	-	(69,289)	-	(69,289)	-	(69,289)
Dividend to minority holders	-	-	-	-	-	-	(597)	(597)
Acquisition of minority interest in subsidiary	-	-	-	-	-	-	(2,311)	(2,311)
Balance at September 30, 2009	<u>125,563</u>	<u>623,861</u>	<u>14,266</u>	<u>760,718</u>	<u>(245,548)</u>	<u>1,278,860</u>	<u>19,132</u>	<u>1,297,992</u>
For the three-month period ended September 30, 2008								
Balance at July 1, 2008	125,542	623,882	26,226	744,137	(145,952)	1,373,835	18,118	1,391,953
Comprehensive income for period	-	-	(13,145)	50,612	-	37,467	(1,633)	35,834
Buy-back of Company's shares	-	-	-	-	(73,053)	(73,053)	-	(73,053)
Employee option expenses	-	-	-	2,451	-	2,451	-	2,451
Tax benefits from employee options	-	-	9	-	-	9	-	9
Issuance of equity to minority shareholders	-	-	-	-	-	-	11	11
Balance at September 30, 2008	<u>125,542</u>	<u>623,882</u>	<u>13,090</u>	<u>797,200</u>	<u>(219,005)</u>	<u>1,340,709</u>	<u>16,496</u>	<u>1,357,205</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>
For the year ended December 31, 2008								
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)
Employee option expenses	-	-	-	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 the 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**

	Nine month period ended September 30		Three month period ended September 30		Year ended December 31
	2009	2008	2009	2008	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Cash flows from operating activities					
Income (loss) for the period	64,554	211,958	(17,573)	50,501	220,959
Adjustments:					
Interest paid in cash	(42,359)	(38,334)	(5,477)	(6,288)	(68,354)
Interest received in cash	9,530	3,732	3,091	854	5,593
Taxes paid in cash, net	(19,232)	(46,088)	(4,280)	(15,674)	(32,078)
Depreciation and amortization	73,965	67,325	26,168	23,157	91,191
Gain from buy-back of Company's debentures	-	-	-	-	(5,692)
Depreciation (appreciation) of long-term investments	268	255	(44)	347	103
Capital loss (gain) from sale of property, plant and equipment and other assets, net	601	(154)	(856)	333	153
Amortization of discount/premium and issue costs	(36)	69	(30)	23	92
Employee option expenses	7,088	8,012	3,803	2,451	10,350
Revaluation of put options	264	1,053	91	352	1,702
Adjustment of long-term liabilities	62,490	109,547	58,729	(1,237)	32,649
SWAP transaction	(15,613)	(47,686)	(16,932)	(625)	(16,279)
Change in provision for tax and income tax prepayments, net	22,047	7,709	(1,335)	(13,859)	(2,501)
Interest paid in cash	42,359	38,334	5,477	6,288	68,354
Interest received in cash	(9,530)	(3,732)	(3,091)	(854)	(5,593)
Taxes paid in cash, net	19,232	46,088	4,280	15,674	32,078
Change in deferred taxes, net	(40,009)	5,995	(23,349)	39,360	26,911
Changes in items of assets and liabilities					
Decrease (increase) in trade receivables and debit balances	(52,236)	(191,106)	31,036	(23,951)	(66,237)
Decrease (increase) in inventories	151,859	(195,164)	(24,006)	(92,449)	(355,094)
Increase (decrease) in trade payables and other payables and credit balances	(52,973)	119,611	24,103	(89,872)	76,276
Change in provisions and benefits for employees	(2,682)	4,560	360	(6,478)	232
Net cash provided by (used in) operating activities	219,587	101,984	60,165	(111,947)	14,815

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

In US dollars

	Nine month period ended September 30		Three month period ended September 30		Year ended December 31
	2009	2008	2009	2008	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Cash flows for investing activities					
Acquisition of property, plant and equipment	(45,133)	(58,415)	(17,583)	(18,512)	(70,430)
Additions to intangible assets	(52,014)	(39,705)	(17,169)	(12,039)	(60,686)
Short-term investments, net	81	93,729	(28)	2,556	95,345
Repayment of long-term investment	-	-	-	-	541
Proceeds from realization of property, plant and equipment and intangible assets	2,446	4,741	2,069	3,311	6,882
Acquisition of subsidiaries net of cash acquired (Appendix A)	(12,940)	(2,520)	-	-	(2,520)
Acquisition of minority interest	(2,901)	(511)	(2,013)	-	(16,419)
Net cash used in investment activities	(110,461)	(2,681)	(34,724)	(24,684)	(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**

	Nine month period ended September 30		Three month period ended September 30		Year ended December 31
	2009 (Unaudited) \$ thousands	2008 (Unaudited) \$ thousands	2009 (Unaudited) \$ thousands	2008 (Unaudited) \$ thousands	2008 (Audited) \$ thousands
Cash flows from financing activities					
Receipt of long-term loans from banks	56,633	1,623	56,338	1,623	55,101
Repayment of long-term loans and liabilities from banks and others	(13,638)	(2,712)	(4,723)	(1,064)	(5,085)
Increase (decrease) in short-term liabilities to banks	(225,458)	65,341	20,756	72,656	285,934
Settlement of SWAP transaction	18,000	-	-	-	-
Dividend to minority shareholders in subsidiaries	(1,418)	(275)	(836)	-	(326)
Buy-back of Company's shares	-	(74,809)	-	(73,053)	(101,352)
Dividend to shareholders	-	(119,051)	-	-	(168,609)
Issuance of debentures net of issue costs	285,749	-	-	-	-
Buy-back of Company's debentures	-	-	-	-	(16,425)
Net cash provided by (used in) financing activities	119,868	(129,883)	71,535	162	49,238
Increase (decrease) in cash and cash equivalents	228,994	(30,580)	96,976	(136,469)	16,766
Cash and cash equivalents at the beginning of the period	214,920	198,154	346,938	304,043	198,154
Cash and cash equivalents at the end of the period	443,914	167,574	443,914	167,574	214,920
A. Investments in newly consolidated companies					
Working capital (excluding cash and cash equivalents)	(6,103)	208	-	-	208
Property, plant and equipment, net	(9,980)	(22)	-	-	(22)
Other assets, net	(1,629)	(8,836)	-	-	(8,836)
Goodwill created on acquisition	(5,802)	-	-	-	-
Excess cost attributable to intangible assets	(3,828)	-	-	-	-
Short-time liabilities in respect of acquisition of a Company	3,376	-	-	-	-
Long-term liabilities	7,627	-	-	-	-
Minority interest	3,399	-	-	-	-
Put options granted to the minority interest	-	6,130	-	-	6,130
	(12,940)	(2,520)	-	-	(2,520)

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

Notes to the Financial Statements as at September 30, 2009 (Unaudited)

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

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 September 30, 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.

Seasonality of operations

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 largest markets are 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 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 November 11, 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 September 30, 2009 (Unaudited)

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, "*Presentation of Financial Statement*", Revised ("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 September 30, 2009 (Unaudited)

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, classified as a liability, 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 September 30, 2009 (Unaudited)

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 - Segmental Information

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 oxidation 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>
Nine-month period ended				
September 30, 2009				
Segment sales – third party	1,592,342	126,107	-	1,718,449
Segment sales – other segments	-	4,170	(4,170)	-
Income from operating segments	124,825	12,959	(634)	137,150
Financing expenses, net	-	-	-	70,611
Income before tax	-	-	-	66,539
Nine-month period ended				
September 30, 2008				
Segment sales – third party	1,890,467	154,009	-	2,044,476
Segment sales – other segments	-	5,933	(5,933)	-
Income from operating segments	310,214	23,226	(326)	333,114
Financing expenses, net	-	-	-	86,222
Income before tax	-	-	-	246,892
Three-month period ended				
September 30, 2009				
Segment sales – third party	391,147	44,783	-	435,930
Segment sales – other segments	-	886	(886)	-
Income (loss) from operating segments	(6,854)	791	(23)	(6,086)
Financing expenses, net	-	-	-	28,844
Loss before tax	-	-	-	(34,930)
Three-month period ended				
September 30, 2008				
Segment sales – third party	587,413	52,639	-	640,052
Segment sales – other segments	-	2,317	(2,317)	-
Income from operating segments	76,488	9,547	(181)	85,854
Financing expenses, net	-	-	-	20,921
Income before tax	-	-	-	64,933
Year ended December 31, 2008				
(Audited)				
Segment sales – third party	2,334,517	200,987	-	2,535,504
Segment sales – other segments	-	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

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

B. Sales distribution by geographic regions

	Nine month period ended September 30		Three month period ended September 30		Year ended December 31
	2009	2008	2009	2008	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Israel	66,061	89,458	21,902	31,866	113,214
Latin America	344,441	497,094	101,757	206,099	675,006
Europe	810,423	868,710	177,116	248,841	1,010,894
North America	321,329	344,679	76,969	93,274	443,969
Others	176,195	244,535	58,186	59,972	292,421
	1,718,449	2,044,476	435,930	640,052	2,535,504

Note 5 - Supplementary Information

- A. In the ordinary course of business, lawsuits have been filed against the Company, including motions for class action recognition. In the estimation of the Company's management, based, inter alia, on the opinions of its legal counsel regarding the prospects of the lawsuits, including motions for class action recognition, the financial statements include appropriate provisions, where necessary, to cover the exposure resulting from these lawsuits.

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

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

- On January 18, 2009, a financial claim was lodged against Agan Chemical Manufacturer Ltd., a wholly-owned subsidiary ("Agan") in Beer Sheba 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 on January 14, 2009. 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 its recognition as a class action. On November 11, 2009, Agan and the plaintiff filed a motion in Beer Sheba District Court for approval of a compromise agreement, under the terms of which Agan has undertaken: (a) without admitting to any right and/or claim against it, and in consideration for final settlement of the claims of the plaintiff and members of the class in the motion, that Agan will set up a closed-circuit television system that will allow it to view what is occurring in the production facilities and warehouses of Agan at any given moment, and facilitate the prevention of unexpected events; likewise, Agan will finance/build within the bounds of the city of Ashdod, a public garden also suited for people with special needs. In the estimation of Agan, the cost of the activity totaling NIS 1.2 million (b) to pay the total sum of NIS 20,000 to the respondent in the motion; (c) to pay the sum of NIS 180,000 to the representative of the represented plaintiffs as fees. The motion is still pending before the court.

Note 5 - Supplementary Information (cont'd)

A. (cont'd)

2. On July 1, 2009, a criminal complaint was filed in Beer Sheba Magistrate's Court against Agan, directors, officers and an executive in Agan, by group of residents of the moshav Nir Galim ("the Complainants"). In the complaint, the Complainants assert that there were several instances during the years 2007-2009, in which the Ashdod plant of Agan produced strong and unreasonable odor nuisances in violation of the provisions of the Abatement of Nuisances Law, 1961. Likewise, the Complainants assert that during the fire that occurred in the Agan plant on January 1, 2009, strong and unreasonable air pollution was caused and hazardous materials were emitted into the air, contrary to the terms of Agan's business license and in violation the Poisons Permit, and contrary to the Businesses Licensing Law, 1968 and the Hazardous Materials Law, 1993. In the complaint, the Complainants are petitioning to convict the defendants and to impose penalties and/or imprisonment, based on the provisions of the relevant laws ("the Complaint").

Taking into consideration the preliminary stage of the claim, the Company is unable to estimate the prospects of the complaint.

On July 14, 2009, a Civil lawsuit was filed in Beer Sheba District Court against Agan, directors, officers and an executive in Agan, by group of residents of Nir Galim ("the Plaintiffs"), asserting damages they allegedly sustained due to the nuisances of bad odor, noise and air pollution originating supposedly in the Agan plant. In the statement of claim, the plaintiffs are petitioning the court to issue a restraining order and a mandatory injunction against Agan and to require Agan to pay damages totaling NIS 59 million. Taking into consideration the preliminary stage of the suit, the Company's management is unable to assess the prospects of these proceedings.

3. On November 8, 2009, an appeal was lodged for issuance of an order nisi against the Ministry of Environmental Protection and the Company in the High Court of Justice, by a company whose petition for exceptional use of a property it owned, located near the Company's plant in Beer Sheba, was dismissed by the planning and construction authorities and an administrative appeal of the case is pending in Beer Sheba District Court. In its appeal to the High Court of Justice, the court is asked to instruct the Ministry of Environmental Protection ("the Ministry") to fix a timetable for vacating and removing those facilities in the subsidiary's plant that the Ministry claims constitute a source of exceptional danger form the boundaries of the subsidiary's plants and that the ministry will refrain from renewing the poisons permit that had been issued to the subsidiary, unless and subject to the timetables for vacating the facilities, as aforesaid. In view of the early stage of the appeal, the Company is unable to estimate the prospects of the claim.

Note 5 - Supplementary Information (cont'd)

- B.** On March 10, 2009, the Company's board of directors approved the Company's undertaking in a property and loss of profits insurance policy with Clal Insurance Ltd. ("Clal"), a company controlled by I.D.B. Development Ltd., as an unexceptional transaction. Under the terms of this undertaking, the Company will bear an annual premium for purchasing the said policy totaling \$6.6 million. I.D.B. Development Ltd., which could be deemed a controlling shareholder (indirect) in the Company, could be deemed a personal interested party in the transaction, due to the fact that it is the controlling shareholder in Clal. Furthermore, the individuals who could be deemed the controlling shareholders (indirect) in the Company could be deemed personal interested parties due to their tenure and/or 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.
- D.** Following tests performed by the Brazilian health authorities in the company Mileania Agrociaenias S.A., a subsidiary in Brazil ("the subsidiary"), relating to registration issues of several formulations that the subsidiary produces and/or markets in Brazil, it was ruled that the subsidiary must refrain, temporarily, from the production and sale of these formulations, and the ruling also applies to existing inventory held by some of the subsidiary's customers.

The position of the subsidiary, as presented to the authorities is that the formulations it sells are similar to those being sold in the Brazilian market by other companies, and that the changes made in the formulations are minor, intended to improve their quality; if there is any difference, it is merely an administrative and procedural matter. This position was accepted for the most part by the authorities, and recently, most of the inventory of products, which had been seized by the authorities in two states in Brazil, was released for sale, distribution and production, without the need to make any changes or adjustments.

Since a small part of the products have not yet been released for production by the authorities, the subsidiary assesses that most of the consequences of these events will end during the forth quarter of 2009.

In the financial statements as of September 30, 2009, a provision for inventories and good sold in the past, as well as expenses related to dealing with the aforementioned events, was recognized in the amount of \$10 million.

Note 5 - Supplementary Information (cont'd)

- E.** On July 25, 2005, the Knesset passed the Law to Amend the Income Tax Ordinance (No. 147), 2005, which prescribed, inter alia, a gradual reduction in the corporate tax rate, reaching 25% in the 2010 tax year and henceforth.

On July 14, 2009, the Knesset passed the Economic Efficiency Law (Legislative Amendments for Implementation of the Economic Plan for the Years 2009 and 2010), 2009, which prescribed, inter alia, a further gradual reduction in the corporate tax rate, to 18% in 2016 and henceforth. According to the said amendments, the corporate tax rates in effect in the tax year 2009 and henceforth are as follows: in 2009 tax year – 26%; in 2010 tax year – 25%; in 2011 tax year – 24%; in 2012 tax year – 23%; in 2013 tax year – 22%; in 2014 tax year – 21%, in 2015 tax year – 20% and in the tax year 2016 and henceforth, a corporate tax rate of 18% will be in effect. The implication of the change in tax rates is expressed in the financial statements for the third quarter of 2009, by a reduction in the deferred tax liability and recognition of tax savings in the amount of \$7 million.

- F.** In August 2009, the Company's board of directors resolved to distribute a dividend totaling \$70,000 thousand, the amount net of dividend in respect of treasury stock held by a subsidiary totaled USD 69,289.

On October 14, 2009, the Company distributes the aforementioned dividend. The dividend per share was USD 0.161.

- G.** Further to the aforesaid in the Periodic Report published by the Company on March 11, 2009, with respect to the Temporary Order under the Amendment of Section 169 of the Income Tax Ordinance ("the Ordinance"), which enables the Company, in the 2009 tax year alone, to pay tax at the reduced rate of 5%, instead of 25%, on dividends withdrawn from related companies overseas, and after the Company evaluated how to implement the said Amendment to the Ordinance, the Company's board of directors ratified a proposal for a one-off drawing of earnings from the Group's overseas companies in the amount of up to \$300 million. The transferred earnings will be used by the Company for its current needs and as a reserve for the distribution of a dividend.

The financial statements include a deferred taxes payable for the payment of \$15 million in tax (5% of the dividend amount).

It should be clarified that the withdrawal of earnings, as noted, does not change the Company's dividend distribution policy and/or its timing.

- H.** The group wrote-down inventory to net realizable value by the amount of \$16.2 million for the nine-month period ended September 30, 2009.

- I.** On September 8, 2009, the Company and some of its subsidiaries have extended the securitization agreement with Rabobank International dated September 28, 2004 by 3 more years. There are no significant changes in the extended securitization agreement.

Note 5 - Supplementary Information (cont'd)

J. On August 11, 1009, the Company's Board of Directors resolved to allot 3,600,000 options to the Company's new C.E.O. as follows:

1. The exercise premium of 900,000 options is NIS 33.04 per option (first allotment).
2. The exercise premium of 2,700,000 options is NIS 20.22 per option (second allotment).

The record date of the allotment is September 15, 2009.

The options granted to the new C.E.O. will vest in three equal increments, where one-third may be exercised one year after the record date, the second third of the quantity may be exercised two year after the record date the last third of the quantity may be exercised three years after the record date. The options from each increment referred to above are exercisable commencing from the vesting date of such increment and during a period of two years from such date.

The cost of the benefit embedded in the options issued as stated, based on the fair value on their issuance date amounted to \$4.8 million. This amount is recognized as an expense on the statement of income over the vesting period of each increment.

The fair value of the options granted as described above was estimated using the Black and Scholes model for pricing options. The parameters that were used for applying the model are as follows:

	<u>First allotment</u>	<u>Second allotment</u>
Share price (NIS)	17.34	17.34
Exercise premium (NIS)	33.04	20.22
Expected fluctuation	42.63%	42.63%
Option warrants life cycle (in years)	4.0	4.0
Riskless interest rates	3.75%	3.75%
Economic value as of allotment date (NIS thousands)	2,799	15,201
Economic value as of allotment date (\$ thousands)	744	4,042

Note 5 - Supplementary Information (cont'd)

- K.** On September 22, after receiving approval from the audit committee and board of directors of the Company, a general meeting ratified an amendment to the terms of the options that had been allotted to the Company's CEO and Chairman Mr. Avraham Bigger, whereby the expiration date of some of the options would be extended, as follows:

The first installment of options granted under the option agreement dated January 10, 2007, which had vested, will be exercisable commencing on the vesting date of that installment and for a four-year period from such date. The options that are part of the second allotment that have vested will be exercisable commencing on the vesting date of that installment and for a three-year period from such date. The options that are part of the third installment that have vested will be exercisable commencing on the vesting date of that installment and for a two-year period from such date.

The first installment of options granted under the option agreement dated March 25, 2008, which have vested, will be exercisable commencing on the vesting date of that installment and for a three-year period from such date. The options that are part of the second and third installment will be exercisable commencing on the vesting date of that installment and for a two-year period from such date.

The cost of the benefit resulting from the amendment of the terms of the options is \$1.2 million, this expense was recorded in the third quarter of 2009.

On August 11, 2009, the Company's board of directors approved an updated of the terms of the options that had been allotted between the years 2006-2008 to nine officers in the Company and subsidiaries totaling 3,913,333 options, which will constitute (based on a theoretical assumption of full exercise) 0.89% of the issued and paid-up share capital of the Company, whereby the exercise period of the above options will be extended by two additional years. The cost of the benefit embodied in the amendment of the terms of the options is \$1.6 million, off which the Company recognized an expense of \$1.1 million in the third quarter of 2009.

- L.** The Company's audit committee, at its meeting in August 9, 2009, and the Company's board of directors, at its meeting on August 11, 2009, approved the employment terms of the new CEO and the compensation to which he is entitled. Commencing on September 15, 2009, the incoming CEO is employed together with the current CEO, overlapping, and as from January 1, 2010, will serve as the CEO of the Company.