



Makhteshim Agan Industries Ltd.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED MARCH 31, 2010

The Board of Directors of the Company is pleased to submit the Board of Directors' Report on the state of the Company's affairs as of March 31, 2010, and for the three month period ending on that date (the "Report Period"). The Board of Directors' Report for the Report Period is limited in scope and should be read together with the Periodic Report for the year 2009.

A. BOARD OF DIRECTORS' EXPLANATIONS ON THE STATE OF THE COMPANY'S AFFAIRS

1. Brief Description of the Company and Its Business Environment

Makhteshim Agan Industries Ltd. and its subsidiaries (the "Company") specialize in the chemical industry and as at the date of the report focus primarily on chemistry related to agriculture (agrochemistry). In this framework the Company develops, manufactures and markets crop protection products. Furthermore, the Company has other activities based on its core competencies (in the agricultural and chemical industries) which, as at the date of the report, are immaterial in scale. As at the date of the report, the Company is the world's leading manufacturer of branded off-patent 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 capabilities, expertise in product licensing, observance of strict standards of environmental protection, stringent quality control, an international marketing and distribution system and financial robustness. Investments in consistent and ongoing development facilitate the launching of new off-patent products at opportune times.

The Company's business strategy and goals in the crop protection products market focus mainly on: (1) strengthening and establishing its presence in the markets in which it operates and expanding its market share in markets with high growth potential; (2) continued growth, based on the composition of the Company's existing product portfolio 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 product rights, affording the Company access to new customers and markets. Simultaneously, as an agrochemicals firm, the Company continuously examines options for growth and the expansion of its business in its areas of expertise – agriculture and chemistry – and in this context from time to time reviews involvement in activities and investments in its business areas and in interfacing spheres, all of this being subject to the policy and decisions of the Board of Directors and Management and the economic feasibility of these investments and businesses.

Brief Overview of Changes in the Business Environment

The crop protection market and the Company's operations were impacted, during the first quarter of 2010, by the following trends:

1. A cold winter in the northern hemisphere (mainly in Europe and North America), which caused a delay in the opening of the agricultural season. Notably, toward the end of the quarter there was a significant improvement in weather conditions, so that although the late start of the season had postponed the timing of sales throughout the quarter, it did not impair sales of crop protection products in the quarter.
2. The trend of decreasing inventory levels in distribution channels continued among all companies in the industry (mainly in Brazil), as opposed to the high inventory levels that were typical of the market in 2009.
3. In line with the trends reported by the Company in the past, raw material prices dropped, leading to savings in the cost of sales compared to the corresponding quarter last year. This trend, which was in the main entered during 2009, subsided, so that compared to the first quarter of 2009 raw material prices stabilized.
4. The average sales prices of the Company's products (particularly Glyphosate) decreased in relation to the corresponding quarter last year. It is noted that the trend of decreasing prices was present mainly during the course of 2009 (especially in the second and third quarters). Commencing in the fourth quarter of 2009 and during the first quarter of 2010, the prices of most of the Company's products stabilized.
5. Stability in the fundamental trends influencing the crop protection product category in general, stability in the scale of planted areas and high prices (in a multi-year comparison) of agricultural commodities are expected to continue and to support demand for crop protection products.

2. Results of Operations – Condensed Statements of Income

Statements of Income for the First Quarter:

	%	1-3/2010	%	1-3/2009	Change	%
Revenues		723.1		722.3	0.9	0.1%
Gross profit	32.2%	232.9	30.1%	217.4	15.5	7.1%
R&D and SG&A expenses	17.5%	126.3	15.5%	111.7	14.6	13.1%
Operating profit (EBIT)	14.7%	106.5	14.6%	105.6	0.9	0.8%
Financing expenses	4.2%	30.5	1.4%	10.3	20.2	195.3%
Pre-tax profit	10.5%	76.0	13.2%	95.3	(19.3)	-20.3%
Net profit after minority share	9.8%	70.9	10.8%	78.2	(7.3)	-9.4%
EBITDA	18.4%	132.8	17.8%	128.4	4.5	3.5%

3. Analysis of the Results of Business Operations

A. Segmentation of Revenues by Geographical Region

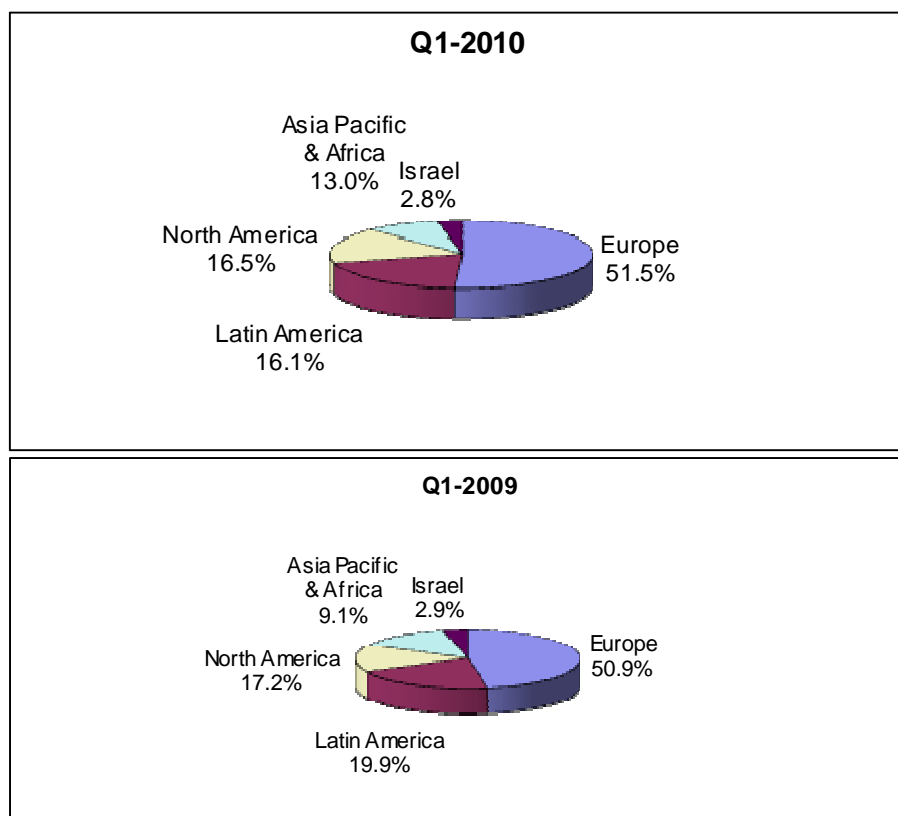
The Company's sales in the first quarter of 2010 amounted to the sum of \$723.1 million compared with \$722.3 million in the corresponding quarter last year. The Company maintained a steady sales trend notwithstanding the tough weather conditions in the northern hemisphere at the start of the agricultural season (particularly Europe and North America), which led to a delay in the opening of the season but did not adversely affect the Company's sales in the quarter. The stability in the Company's sales is mainly the result of a growth in sales volumes and also of the expansion of the Company's business in Eastern Europe and India, the impact of which was offset by a decrease in the Company's sales prices (particularly of Glyphosate) in relation to their level in the corresponding quarter last year.

For a specific description of trends that are unique to the principal areas of operations see below.

Breakdown of Quarterly Sales (\$ millions)

	%	2010	%	2009	Change	%
Europe	51.5%	372.5	50.9%	367.6	4.9	1.3%
South America	16.1%	116.6	19.9%	143.8	(27.3)	-18.9%
North America	16.5%	119.6	17.2%	124.4	(4.7)	-3.8%
Asia Pacific and Africa	13.0%	93.8	9.1%	65.6	28.2	43.0%
Israel	2.8%	20.6	2.9%	20.9	(0.3)	-1.2%
Total	100.0%	723.1	100.0%	722.3	0.8	0.1%

Breakdown of Quarterly Sales:



In Europe, sales in the first quarter of 2010 amounted to the sum of \$372.5 million compared with \$367.6 million in the corresponding quarter of the previous year, an increase of \$4.9 million. Apart from the effect of the general trends that characterized the quarter as described above, the aforesaid increase stemmed mainly from: (1) an increase in sales volumes; (2) the strengthening of the Company's operating currencies versus the Dollar; (3) expansion of the Company's activity in Eastern Europe. By contrast, a decrease in the average sales prices of the Company's products (particularly Glyphosate) in local currency compared with the corresponding quarter last year offset in part the impact of the points described above.

In Latin America, sales in the first quarter of 2010 amounted to \$116.6 million compared with \$143.8 million in the corresponding quarter of the previous year, a decrease of \$27.3 million. Despite, this the decrease in recorded sales (which was mainly in Brazil), the Company is pleased with the business results of the region for the quarter. This decrease stemmed mainly from a drop in the average sales prices of the Company's products in local currency compared with the corresponding quarter last year, especially the prices of Glyphosate; and was also impacted by the Company's actions during the first quarter of 2009 which took advantage of relatively high selling prices and existing inventories to generate further sales.

In North America, sales in the first quarter of 2010 amounted to the sum of \$119.6 million compared with \$124.4 million in the corresponding quarter of the previous year, a decrease of \$4.7 million.

In Asia Pacific and Africa, sales in the first quarter of 2010 amounted to \$93.8 million compared with \$65.6 million in the corresponding quarter of the previous year, an increase of \$28.2 million. The significant sales growth is due to growth in sales volumes (particularly in Australia and Thailand), to new business through a company in India, and to the strengthening of the Company's operating currencies (notably the Australian Dollar) in relation to the US Dollar.

In Israel sales in the first quarter of 2010 amounted to \$20.6 million, similar to \$20.9 million in the corresponding quarter last year.

B. Additional Areas of Activity:

During the first quarter of 2010 the Company's sales from other business amounted to \$44.3 million compared with sales of \$41.5 million in the corresponding quarter last year, an increase of \$2.9 million. The increase stemmed mainly from the growth in sales volumes.

C. Gross Profit:

Gross profit in the first quarter of 2010 amounted to \$232.9 million (32.2% of sales) compared with \$217.4 million (30.1%) in the corresponding quarter last year, an increase of \$15.5 million.

The increase in gross profit and gross margin in the first quarter of 2010 compared with the corresponding quarter last year stemmed from the following factors:

- (1) An improvement in the Company's product portfolio and an improvement in the sales mix on a geographical basis;
- (2) A growth in sales volumes;
- (3) A decrease in raw material prices, which led to a decrease in the cost of sales;
- (4) Conversely, a decrease in the average selling prices of the Company's products (particularly Glyphosate) compared to their prices in the corresponding quarter last year (notwithstanding the stabilization of selling prices in most regions during the current quarter) offset in part the impact of the points described above.

D. Operating Profit:

The operating profit during the first quarter of 2010 amounted to the sum of \$106.5 million (approximately 14.7% of sales) compared with the sum of \$105.6 million (approximately 14.6% of sales) in the corresponding quarter last year.

Operating expenses in the quarter amounted to \$126.3 million (17.5% of sales), compared with \$111.7 million (15.5% of sales) in the corresponding quarter last year. The growth in operating expenses and in their percentage of sales is due mainly to the following: (1) the

strengthening of the Company's operating currencies in relation to the US Dollar; (2) the growth in business through new companies (mainly in India); and (3) an increase in development expenses.

R&D expenses in the first quarter of 2010 amounted to \$7.3 million compared with \$4.7 million last year. The increase in expenses arose mainly from investments in the Cibus project.

Selling expenses in the first quarter of 2010 amounted to the sum of \$102.2 million (14.1% of sales) compared with \$88.2 million (12.2% of sales) in the corresponding quarter last year. The growth in selling expenses is due mainly to the strengthening of the Company's operating currencies and to business through new companies.

General and administrative expenses in the first quarter of 2010 amounted to \$18.4 million compared with \$19.1 million in the corresponding quarter last year.

E. Financing Expenses:

Financing expenses in the first quarter of 2010 amounted to \$30.5 million compared with \$10.3 million in the corresponding quarter last year. The growth in financing expenses stemmed mainly from: (1) revaluation of employee reserves (mainly in respect of severance pay and leave). Since liabilities to employees are calculated in Shekels, financing income was entered in the corresponding quarter last year in respect of the revaluation of employee reserves due to the strengthening of the US Dollar in relation to the Shekel; whereas in the first quarter of 2010, following the strengthening of the Shekel versus the US Dollar, financing expenses were entered in respect of the revaluation of these reserves; and (2) increase in the Company's debt level.

F. Taxes on Income:

Tax expenses for the first quarter of 2010 amounted to the sum of \$4.9 million (constituting 6.4% of profits before tax) compared with the sum of \$16.5 million (constituting 17.3% of profits before tax) in the corresponding quarter last year. The decrease in taxes during the Report Period stemmed mainly from: (1) the strengthening of the US Dollar in relation to the Shekel, which lowered the US Dollar value of the Company's liabilities for deferred taxes; (2) according to IFRS rules, tax expenses in inter-company sales are computed at the tax rate applying to the buyer company (and not to the seller company). As a result of the transfer of inventory to the seller companies, income from taxes was generated in the quarter; and (3) the creation of profits in companies in which the tax rate is significantly lower than the effective tax rate applying to the Company.

The Company estimates, that the decrease in tax expenses in the quarter as a result of the one-time events described above is not expected to lead to a change in the Company's effective tax rate.

G. Net profit Attributed to the Shareholders of the Company:

Net profit in the first quarter of 2010 amounted to the sum of \$70.9 million (9.8% of sales) compared with \$78.2 million (10.8% of sales) in the corresponding quarter last year, a decrease of \$7.3 million.

H. EBITDA:

EBITDA in the first quarter of 2010 amounted to the sum of \$132.8 million (18.4% of sales) compared with \$128.4 million (17.8% of sales) in the corresponding quarter last year, an increase of \$4.3 million.

4. Financial Standing and Liquidity

A. Operating Cash Flow:

The operating cash flow during the first quarter of 2010 was positive and amounted to \$17.9 million, compared with a negative cash flow of \$62.7 million in the corresponding quarter last year. The increase in current cash flow in this quarter is the result of an improvement in working capital.

B. Cash Flows Used in Investment Activities:

The Company's investments (less short-term investments) in the first quarter of 2010 amounted to the sum of \$49.8 million compared with \$25.1 million in the corresponding quarter last year. These investments mostly include investments in product licensing, intangible assets and investments in fixed assets. Investments in fixed assets, which included investments in equipment and facilities, including facilities for environmental preservation and protection, amounted to the sum of \$21.3 million, compared with \$12.7 million in the corresponding quarter last year.

C. Free Cash Flow:

Free cash flow (less short-term investments) in the first quarter of 2010 amounted to a negative cash flow of \$31.9 million compared with a negative cash flow of \$87.8 million last year. The improvement in free cash flow stemmed from an improvement in operating cash flows.

D. Current Assets:

Total current assets as at March 31, 2010 amounted to \$2,520.8 million, compared with \$2,334.1 million as at March 31, 2009 and \$2,305.0 million as at December 31, 2009.

The increase in current assets stemmed mainly from an increase of approximately \$220 million in cash balances, less a decrease in inventory amounting to \$100 million, compared to the corresponding quarter last year.

E. Investments in Fixed Assets:

See Cash Flow chapter above.

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

The Company's debt (bank credit and debentures) amounted, on March 31, 2010, to the sum of \$1,584.0 million (of which 23.9% was short-term debt) compared with \$1,273.9 million (of which 28.9% was short-term) on March 31, 2009.

The balance of cash and short-term investments as at March 31, 2010 amounted to \$581.0 million compared with \$361.4 million as at March 31, 2009, and \$562.9 million as at December 31, 2009.

The Company's net debt (loans from banks and debentures less cash and short-term investments) amounted, as at March 31, 2010, to the sum of \$1,003.0 million compared with \$931.1 million as at March 31, 2009 and \$957.2 million as at December 31, 2009.

The net debt (less profit arising from hedging transactions attributed to the debt) amounted, on March 31, 2010, to \$901.4 million compared with \$902.5 million on March 31, 2009 and \$858.5 million on December 31, 2009.

The Company has undertaken to certain banks to meet certain covenants. As at date of the Financial Condition Report the Company is in compliance with these covenants.

G. Shareholders' Equity:

The shareholders' equity of the Company as at March 31, 2010 amounted to \$1,353.2 million compared with \$1,365.6 million as at March 31, 2009 and \$1,276.8 million as at December 31, 2009. The ratio of equity to total consolidated assets as at March 31, 2010 amounted to 33.9%, as at March 31, 2009 to 37.8%, and as at December 31, 2009 to 34.0%.

The Company's issued and paid-up share capital as at March 31, 2010 is 474,722,057 Ordinary Shares of NIS 1 par value each.

H. Financial Ratios:

	<u>As at March 31,</u>		<u>As at</u> <u>December</u> <u>31,</u>
	<u>2010</u>	<u>2009</u>	<u>2009</u>
Ratio of current assets to current liabilities (current ratio)	1.92	1.96	1.97
Ratio of current assets excluding inventory, to current liabilities (acid-test ratio)	1.24	1.12	1.15
Financial liabilities to total assets, gross	39.7%	35.3%	40.4%
Financial liabilities to total equity	117.0%	93.3%	119.1%

I. Sources of financing:

The Company finances its operations using independent means as well as through off-bank credit (mainly debentures), bank credit (short and long-term), customer securitization and supplier credit.

B. SUMMARY OF MAIN DEVELOPMENTS

See the chapter on Material Changes and Innovations in the Report of the Company's Business.

C. EXPOSURE TO MARKET RISKS AND THE MEANS FOR THEIR MANAGEMENT

1. General

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 Consumer Price Index (CPI) and changes in the LIBOR interest rate. The Board of Directors of the Company approved a policy to use accepted financial instruments (such as options, forward contracts and swap contracts) for the purpose of hedging against exposure to exchange rate fluctuations and increases in the CPI arising from the Company's operations. 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.

The following are exchange rate data for the principal currencies used by the Company in relation to the Dollar, as well as LIBOR interest data:

	March 31, 2010			Quarterly average		
	2010	2009	Change	2010	2009	Change
EUR/USD	1.344	1.331	-1.0%	1.384	1.306	-6.0%
USD/BRL	1.781	2.315	23.1%	1.802	2.311	22.0%
USD/PLN	2.881	3.546	18.8%	2.892	3.453	16.3%
USD/ZAR	7.34	9,490	22.7%	7.541	9.96	24.3%
AUD/USD	0.916	0.693	32.2%	0.902	0.664	35.9%
GBP/USD	1.511	1.431	5.6%	1.56	1.437	8.5%
USD/ILS	3.713	4.188	-11.3%	3.741	4.055	-7.7%
USD L 3M	0.29%	1.19%	-75.6%	0.26%	1.24%	79.0%

The exchange rate fluctuations of these currencies during the Report Period are attributed to the various items in the Financial Statements of the Company. The net effect of changes in the exchange rates of the currencies during the period following the balance sheet date on balance sheet exposures is immaterial due to the high levels of balance sheet hedging performed by the Company, as described above.

2. Risk Management Officer

The Company's Market Risk Manager is the CFO, Mr. Ran Maidan. For information on his education, qualifications and business experience, see section 26A of Chapter D of the Periodic Report published by the Company on March 10, 2010.

3. Description of Market Risks

The Company's Policy Regarding Market Risk Management

The Company's policy is to maintain as high as possible a correlation between the currency in which it sells its products and the currency in which it purchases its raw materials. The

Company continually examines its balance sheet and economic exposures 12 months in advance, in accordance with its revenue and expenditure forecasts. As at the date of approval of the Financial Statements, the Company hedges most of its balance sheet exposure and some of its economic exposure in respect of its principal operating currencies.

Following are details of the policies implemented for each risk. It is noted that as at the date of approval of the Financial Statements, there have been no material changes in the Company's risk management policy.

Currency Risks

The Company's Consolidated Financial Statements are presented in US Dollars (the Company's functional currency) whilst its operations, sales and purchases of raw materials are effected in a variety of currencies. Therefore, exchange rate fluctuations of the purchasing currency as against the sale currency, either positively or negatively as the case may be, will affect the Company's results. In the Company's assessment, 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 British Pound, Polish Zloty, Australian Dollar and South African Rand. The strengthening of the Dollar relative to other currencies in which the Company operates reduces the scope of the Company's US Dollar sales, and vice versa.

From an annual perspective, approximately 40% of the Company's sales are to the European continent, and consequently the impact of long-term trends on the Euro may influence the Company's results and profitability.

Currency exposure arising from foreign currency exchange rate fluctuations is constantly monitored against the assets (including inventory of finished products in countries of sale), liabilities and cash flows denominated in non-US Dollar currencies. High volatility of these currencies might increase the costs of transactions to hedge against currency exposures, thereby increasing the Company's financing costs. It is the Company's practice to use accepted financial instruments (such as options, forward contracts and swap contracts) to hedge most of its substantial net balance sheet exposure to any particular currency. However, since the Company hedges against most of its balance sheet exposure in the context of these operations, and only against part of its economic exposure, extreme volatility in the exchange rates of these currencies might affect the Company's results and profits positively or negatively, as the case may be. As at the date of approval of the Financial Statements, the Company hedged most of its balance sheet exposure to the Euro, Real and Shekel.

In addition, crop protection product sales depend directly on agricultural seasons and on the cyclical nature of the agricultural season, 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 Zloty and the 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. During these months, most of the exposure is in relation to the Brazilian Real. The Company has more sales in 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.

During the month of November 2006, the Company completed a raising of debentures in the sum of NIS 2,350,000,000 par value and on March 25, 2009, the Company completed an issue of debentures by way of extension of series C and D in the sum of NIS 1,133,000,000 par value (hereinafter jointly: the "**Debentures**"). The main portion of the Debentures is linked to the CPI, and therefore, an increase in the CPI as well as fluctuations in Shekel exchange rates may lead to significant exposure to the Company's operating currency, which is the US Dollar. As at the date of approval of the Financial Statements, the Company hedged most of its exposure resulting from the issues of the Debentures, as aforesaid, in 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 CPI is liable to lead to a significant increase in the Company's financing expenses. As at the date of approval of the Financial Statements, the Company hedged most of its exposure to this risk on an ongoing basis in CPI hedging transactions.

Risks in Raw Material Prices (in Source Currency)

Approximately 75% of the cost of the Company's sales stem from raw material costs. Most of the Company's raw materials are distant derivatives of oil prices. Therefore, any increase or decrease in oil prices affects raw material prices.

In order to reduce exposure to fluctuations in the prices of raw materials, the Company customarily enters into long-term purchase contracts for 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.

As at the date of approval of the Financial Statements, 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 varying LIBOR rate. The Company prepares a quarterly summary of its exposure to changes in the LIBOR rate. As at the date of approval of the Financial Statements, the Company has not hedged against this exposure.

4. Means of Supervision of Market Risk Management Policy and the Method of Its Implementation

The Company maintains 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 actions taken by Management in their respect at least once every quarter. Company Management examines the control procedures on an ongoing basis, and updates them in accordance with the scope of operations and the risk arising from these operations.

D. CORPORATE GOVERNANCE

1. Definition of Negligible Transactions in the Financial Statements of the Company

On May 3, 2010 the Board of Directors of the Company carried a resolution to revise the guidelines and rules for the classification of a transaction of the Company or a consolidated company with an interested party therein as a "negligible transaction", as set forth in Regulation 41(A)(6) of the Securities Regulations (Annual Financial Statements), 5770-2010 ("Financial Statement Regulations"). These revised rules and guidelines will also serve in reviewing the scope of disclosure in the Periodic Report and a Prospectus (including shelf offer reports) with respect to a transaction of the Company, a corporation under its control and a related company with a controlling shareholder, or in which approval the controlling shareholder has a personal interest as set forth in Regulation 22 of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 ("Periodic Report Regulations") and in Regulation 54 of the Securities Regulations (Details, Structure and Form of Prospectus and Draft Prospectus), 5729-1969 ("Prospectus Details Regulations"), as well as in reviewing the need for submitting an immediate report in regard to such a transaction of the Company, as set forth in Regulation 37A(6) of the Periodic Report Regulations (the types of transactions set forth in the abovementioned Financial Statement Regulations, in the Periodic Report Regulations and in the Prospectus Details Regulations, hereinafter – "Interested Party Transactions"). In the ordinary course of their business, the Company and its consolidated companies – particularly in view of the ramified holding structure of the Group and its diverse activities – execute or are likely to execute Interested Party Transactions, especially of the type involving the purchase of services (such as logistic services, transportation services, operational leasing of vehicles, communications services, tourism, investment portfolio management, management and coordination of issuances), the purchase or leasing of goods, movables or real estate, insurance products, office equipment, offices, marketing transactions, etc. As a rule these transactions are immaterial to the Company, both in terms of quantity and quality, and they are usually executed under similar terms and conditions to those of transactions executed with third parties.

According to the Consolidated Financial Statements of the Company for the year 2009, the income and expenses involved in these Interested Party Transactions, which were classified as

negligible transactions pursuant to the provisions of this procedure, amounted to approximately \$448 thousand and \$10,661 thousand, respectively¹.

Accordingly, the Board of Directors determined that an Interested Party Transaction which is not an irregular transaction (as the term is defined in the Companies Law)² will be deemed to be a negligible transaction if it passes a two-phase test: (1) qualitative test – if in terms of its nature, essence and influence on the Company it is immaterial to the Company and there are no special considerations arising from the body of circumstances at hand that attest to the materiality of the transaction; (2) quantitative test – (a) for the purpose of immediate reporting – if the ratio between the scale of an Interested Party Transaction (one or more of a particular kind, as described below) and the relevant criterion is lower than 0.5% and its scope does not exceed an amount of \$1.25 million, as set forth below; (b) for the purpose of periodic reporting – if the ratio between the scale of transactions of the same type (in yearly terms) ("aggregate transactions") and the relevant criterion in the annual report is lower than 0.5% and their scope does not exceed an amount of \$1.25 million, as set forth below:

In each type of Interested Party Transaction (including aggregate transactions of a certain kind) which classification as a negligible transaction is examined, the aforesaid ratio will be computed in comparison to one or more of the relevant criteria to the particular transaction on the basis of the latest reviewed or audited Consolidated Financial Statements of the Company: (a) on the acquisition of a fixed asset ("non-current asset") – the scope of the transaction versus total assets (i.e. total balance sheet); (b) on the sale of a fixed asset ("non-current asset") – the profit/loss arising from the transaction versus the average annual profit (i.e. for four quarters) according to the last 12 quarters in which respect reviewed or audited financial statements were published. In this context, the profit/loss arising from the transaction and the profit/loss in each quarter will be computed at their absolute value; (c) on accepting a financial liability – the scope of the transaction versus the total liabilities in the balance sheet; (d) on the purchase/sale of products (other than a fixed asset) or services – the scope of the transaction versus all the total income from sales and services in the last 4 quarters in which respect reviewed or audited financial statements were published.

In cases where at the Company's discretion all the abovementioned quantitative criteria are irrelevant to testing the negligibility of an Interested Party Transaction, the transaction shall be deemed to be negligible according to a different relevant criterion to be determined by the Company (provided, however, that the relevant criterion calculated for the transaction shall be of a rate that is lower than 0.5% and of an amount that does not exceed the sum of \$1.25 million).

¹ Information relating to the total income and expenses will be provided subject to the ability to locate such transactions.

² It is understood that a transaction that is not in the ordinary course of the Company's business or which is not executed under market conditions, or which is likely to have a material impact on the profitability of the Company, its assets or liabilities, shall not be classified as a negligible transaction. It is noted that the Company is currently formulating criteria for the classification of transaction types as irregular transactions or as transactions that are not irregular. When these criteria have been adopted, the Company shall publicize them in its reports.

In regard to multi-year transactions, the scope of the transaction for the purpose of testing negligibility will be computed on a yearly basis. Thus, for example, in an insurance transaction made for several years, the yearly insurance premium paid or collected shall be deemed to be the scope of the transaction.

It is noted that where an Interested Party Transaction has passed the abovementioned quantitative test, it shall not be deemed to be negligible if qualitative considerations attest to its materiality in terms of its impact on the Company or due to the importance of its disclosure to the investor public.

For the purposes of immediate reporting, the negligibility of a transaction shall be tested on the basis of the particular individual transaction. For the purposes of reporting in the framework of a periodic report, financial statements and a prospectus (including shelf offer reports), the negligibility of the aggregate transactions on a yearly basis shall be examined (i.e. by combining all Interested Party Transactions of the same type). If the Company has no available information allowing for the examination of the classification of Interested Party Transactions as negligible transactions, the combination of all transactions of the same kind shall be deemed to be a negligible transaction, unless one of the two following conditions shall be fulfilled: (a) the transaction itself, as an individual transaction, is not negligible; or (b) the aggregate transactions are material to the Company.

Separate transactions which are interdependent, so that in fact they are part of the same engagement (e.g. negotiating the entire body of transactions collectively), shall be examined as a single transaction.

The total transactions classified as negligible by subsidiaries of the Company shall also be considered negligible on the level of the Company. Transactions of subsidiaries of the Company classified by them as non-negligible shall be tested versus the relevant criteria on the level of the Company.

Each year the Audit Committee will review the manner of implementation of the provisions of this procedure by the Company and will also conduct a sample test of transactions classified as negligible pursuant to the provisions of the procedure. In the framework of the sample test of such transactions, the Audit Committee will examine, inter alia, the methods of determining prices and the other terms and conditions of the transaction, as the case may be, and will examine the impact of the transaction on the Company's business position and the results of its operations. The actions of the Audit Committee under this paragraph, including the abovementioned sample test, the manner of its performance and the summary of its results and conclusions, shall be disclosed in the Periodic Report of the Company.

The Board of Directors of the Company will review the need for revising this procedure from time to time, noting Interested Party Transactions engaged in by the Company and changes in the relevant provisions of the law.

2. Process of Approval of the 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 they are presented to the Board of Directors and recommends that it approve the Financial Statements. The Financial Statements are approved by the Board of Directors, which is the organ responsible for master control in 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 comprises 6 directors, one of whom is an external director. All 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 the meetings are convened.

Representatives of the Company's auditors are invited to meetings of the Finance Committee, as well as to meetings of the Board of Directors at which the Financial Statements are discussed and approved, and they comment on and respond to questions directed to them by members of the Finance Committee and/or the Board of Directors, relating to material issues arising from the data presented in the Financial Statements under discussion. When presenting the Financial Statements to the Board of Directors, the CEO of the Company Mr. Erez Vigodman presents the main results of the Company's operations during the period under review and refers to material events that occurred during the period. Thereafter, Mr. Ran Maidan, CFO, gives a detailed presentation of the Company's financial results during the period under review while comparing them with previous periods, with emphasis on substantial issues arising from them. 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, in which the Financial Statements are approved.

E. DISCLOSURE RELATING TO FINANCIAL REPORTING BY THE COMPANY

1. Critical Accounting Estimates

As at the date of the report there were no substantive changes during the first quarter of 2010 with respect to the critical accounting estimates used by the Company for the purpose of the Financial Statements.

2. Post Statement of Financial Condition Date Events

- ◆ On April 8, 2010 the subsidiary Makhteshim Chemical Works Ltd. received a notice under the Settlement of Labor Disputes Law, 5717-1957 regarding a strike declared with respect to Makhteshim's plant in BeerSheba.
- ◆ On May 10, 2010 the company filed a shelf filling under which it could issue common stock, debentures, convertible debentures, stock options and registered debentures.

- ◆ On May 11, 2010 the company's Board of Directors decided on the allotment, through a trustee, of 6,500,000 options to executive and non executive officers in the company. Each such option represents 1 ordinary share of NIS 1 of the Company. The total value of this executive benefit, based on fair value at the time of grant, totals \$7.7 million.
- ◆ For further information regarding pending legal procedures please refer to footnote 6 of the Financial Statements for March 31, 2010.

F. INFORMATION ON THE COMPANY'S DEBENTURES

See table attached as an appendix.

Avraham Bigger
Chairman of the Board

Erez Vigodman
President & CEO

Ran Maidan
CFOR

May 11, 2010, Tel Aviv

Appendix of details of the Company's debentures

Series	Date of Issue	Rating	Total par value on date of issue (NIS millions)	Type of interest	Interest rate determined	Effective interest as at date of report	Listed for trading on Stock Exchange (Yes / No)	Dates of payment of interest	Dates of repayment of principal	Linkage basis	Nominal par value as at March 31, 2010 (NIS millions)	CPI-linked nominal par value as at March 31, 2010 (NIS millions)	Book value of debenture balances as at March 31, 2010 (USD Millions)	Book value of interest payable as at March 31, 2010 (USD Millions)	Fair value as at March 31, 2010 (USD Millions)
Series B	12/2006	ilAA (5)	1,650	Annual interest Linked to CPI	5.15%	___%	Yes	Twice a year on May 31, and November 30 in the years: 2006-2036	On November 30 of each of the years 2020-2036	CPI for October 2006	1,637.5	_____(6)	_____	_____	_____
Series C(4)	12/2006	ilAA (5)	465	Annual interest Linked to CPI	4.45%	____%	Yes	Twice a year on May 31, and November 30 in the years: 2006-2013	On November 30 of each of the years: 2010-2013	CPI for October 2006	1,126.0	_____	_____	_____	_____
	3/2009		661												
Series D(4)	12/2006	ilAA (5)	235	Annual interest	6.5%	____%	Yes	Twice a year on May 31, and November 30 in the years: 2006-2016	On November 30 of each of the years: 2011-2016	Unlinked	707.0	707.0	_____	_____	_____
	3/2009		472												

- (1) The trustee for the Debentures (Series B) is Aurora Fidelity Trust Company Ltd.: 12 Menachem Begin Road, Ramat Gan (Tel.: 03-6005946, Fax: 03-6120675). Contact person: Adv. Iris Shlevin; CEO; email: ishlevin@aurorafidelity.com.
- (2) The trustee for the Debentures (Series C and D) is: Hermetic Trust (1975) Ltd.: 113 Hayarkon St., Tel Aviv (Tel.: 03-5274867; Fax: 03-5271736); contact person: Dan Avnon or Meirav Ofer. Email: hermetic@hermetic.co.il.
- (3) As at the date of the report, the Company was in compliance with all of the conditions and undertakings under the trust deed and no conditions existed giving rise to a cause of action for immediate repayment of the bonds.
- (4) On March 25, 2009, the Company issued NIS 661,000,000 par value debentures (series C) and NIS 472,000,000 par value debentures (series D) by way of extension of the series under the shelf prospectus published by the Company in May 2008. For further details, see the Company's Immediate Report of March 26, 2009 (Ref. No. 2009-01-067944).
- (5) In the Report Period there was no change in the rating of the Company's Debentures.
- (6) The book value of the balance of the Debentures (Series B) as at March 31, 2010 is presented less Debentures acquired by a wholly owned subsidiary.

MATERIAL CHANGES OR INNOVATIONS IN THE MATTERS DESCRIBED IN THE
CHAPTER ON THE DESCRIPTION OF THE COMPANY'S BUSINESS
IN THE PERIODIC REPORT AS AT DECEMBER 31, 2009

1. Section 2 – Investments in the Company's Share Capital and Transactions in its Shares

Update to section 2.3 in the chapter on the Description of the Company's Business in the Periodic Report:

On March 23, 2010 the Company sold to a wholly-owned subsidiary 24,375,703 dormant shares of NIS 1 par value each. After the closing of the sale the Company holds 15,506,783 shares, constituting approximately 3.27% of the Company's issued share capital. Additionally, subsidiaries of the Company hold 28,791,272 shares, constituting approximately 6.06% of the Company's issued and paid-up share capital.

Update to section 2.4 in the chapter on the Description of the Company's Business in the Periodic Report:

On March 24, 2010 the General Meeting of the Company approved that in every issue of securities in the form of rights, as a result of which the law of a foreign country shall also apply to the Company, the Company shall be entitled not to offer the rights to holders of securities of the Company due to whom the law of a foreign country applies to the offer. For further information, see the Company's reports of March 10, 2010 (Ref. no. 2010-01-409374) and of March 24, 2010 (Ref. no. 2010-01-428952).

On May 11, 2010, the Board of Directors of the Company carried a resolution not to execute an issue of shares in the form of rights to shareholders of the Company, in which respect a fundamental resolution had been adopted prior thereto by the Board of Directors of the Company on March 9, 2010.

2. Section 21 – Human Capital

On January 24, 2010 the General Meeting of the Company approved the extension of the term in office of the external director, Professor Ilan Khat, for an additional three-year term.

On March 10, 2010 Mr. Amos Rabin was appointed as a senior officer of the Company.

On March 31, 2010 Mr. John Rabby ceased to serve as a senior officer of the Company.

On March 31, 2010 Mr. Luiz Barone ceased to serve as a senior officer of the Company, despite there being no change in his role as CEO of the subsidiary in Brazil, Milenia.

On May 1, 2010 Mr. Shaul Friedlander, who had previously served as VP Marketing and Sales, took up office as Regional Manager of the Americas, in accordance with changes in the position or powers of an officer of the Company, which the Company had reported on January 25, 2010 (Ref. no. 2010-01-364086).

3. Section 30 – Legal Proceedings

For information on an update regarding material legal proceedings to which the Company is a party, see Note 3 to the Condensed Consolidated Interim Financial Statements as at March 31, 2010.

Makhteshim-Agan Industries Ltd.

Condensed Consolidated Interim

Financial Statements

(Unaudited)

As at March 31, 2010

Financial Statements as at March 31, 2010 (Unaudited)

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Somekh Chaikin Telephone
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006 Israel

972 3 684 8000
Fax 972 3 684 8444
Internet www.kpmg.co.il

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, 2010 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 5.4% of the total consolidated assets as at March 31, 2010, and whose revenues constitute 8% 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 11, 2010

Condensed Consolidated Interim Statement of Financial Position as at

In US dollars

	March 31 2010	March 31 2009	December 31 2009
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Current assets			
Cash and cash equivalents	580,542	361,031	562,430
Short-term investments	444	369	448
Trade receivables	696,582	697,792	*567,858
Subordinated capital note in respect of the sale	149,871	143,514	42,092
Prepaid expenses	17,135	15,276	13,320
Financial assets, including derivatives	166,891	105,087	151,192
Advances less provision for income tax	11,465	11,620	8,084
Inventories	897,847	*999,366	*959,591
	2,520,777	2,334,055	2,305,015
Long-term investments, loans and receivables			
Financial investments and other receivables	128,079	47,492	*123,548
Non-financial investments and other receivables	43,687	*45,084	*49,794
	171,766	92,576	173,342
Property, plant and equipment			
Cost	1,155,616	1,059,527	1,138,343
Less - accumulated depreciation	567,940	523,034	558,416
	587,676	*536,493	*579,927
Deferred tax assets			
	97,183	70,598	86,542
Intangible assets			
Cost	1,128,885	1,022,174	1,104,748
Less - accumulated amortization	513,145	446,104	489,727
	615,740	576,070	615,021
	1,472,365	1,275,737	1,454,832
	3,993,142	3,609,792	3,759,847

* Reclassified, see also Note 2(c) and Note 3(1)(b).

In US dollars

	March 31 2010	March 31 2009	December 31 2009
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Current liabilities			
Credit from banks and others	294,055	368,706	236,975
Current maturities of debentures	84,015	-	83,480
Trade payables	565,511	431,349	501,692
Other payables and credit balances	312,589	342,374	278,980
Provision for income tax less advances	33,153	21,666	43,347
Put options held by the non controlling interest	22,821	24,531	24,098
	1,312,144	1,188,626	1,168,572
Long-term liabilities			
Loans from banks	301,259	53,417	303,199
Debentures	904,788	851,789	896,556
Other long-term liabilities	18,325	16,779	18,711
Deferred taxes payable	47,204	76,244	39,591
Employee benefits	56,245	57,352	56,455
	1,327,821	1,055,581	1,314,512
Equity capital			
Share capital	125,565	125,550	125,563
Share premium	623,859	623,874	623,861
Reserves	28,632	12,595	23,732
Retained earnings	803,423	835,448	731,401
Treasury shares	(245,548)	(245,548)	(245,548)
	1,335,931	1,351,919	1,259,009
Total equity capital attributed to the Company's equity holders	1,335,931	1,351,919	1,259,009
Non controlling interest	17,246	13,666	17,754
Total equity	1,353,177	1,365,585	1,276,763
	3,993,142	3,609,792	3,759,847

Avraham Bigger
Chairman of the Board of Directors

Erez Vigodman
Chief Executive Officer

Ran Maidan
Chief Financial Officer

Date the financial statements were approved: May 11, 2010

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
	2010	2009	2009
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Statement of income			
Revenues	723,118	722,268	2,214,616
Cost of sales	490,258	504,907	1,632,752
Gross profit	232,860	217,361	581,864
Expenses			
Other income	(2,605)	(771)	(3,001)
Selling and marketing	102,235	88,152	358,400
General and administrative	18,392	19,131	79,402
Research and development	7,315	4,667	21,816
Other expenses	1,002	556	5,517
	126,339	111,735	462,134
Operating income	106,521	105,626	119,730
Financing expenses	57,221	67,793	127,665
Financing income	(26,680)	(57,450)	(33,955)
Financing expenses, net	30,541	10,343	93,710
Income before tax	75,980	95,283	26,020
Tax expenses	4,895	16,524	(8,681)
Income for the period	71,085	78,759	34,701
Attributable to:			
The Company's equity holders	70,886	78,230	32,678
Non controlling interest	199	529	2,023
Income for the period	71,085	78,759	34,701
Earnings per share			
Basic earnings per share in dollars	0.165	0.182	0.076
Diluted earnings per share in dollars	0.164	0.182	0.075

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		Year ended
	March 31		December 31
	2010	2009	2009
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Income for the period	71,085	78,759	34,701
Elements of other comprehensive income			
Foreign currency translation differences in respect of foreign activities	2,264	(5,978)	14,229
Effective part of change in fair value of cash flow hedges	9,750	13,652	33,029
Net change in fair value of hedged cash flow transferred to statement of income	(6,352)	(10)	(26,420)
Actuarial losses from defined benefit plan	(134)	(5,546)	(366)
Taxes on elements of other comprehensive income	(244)	(3,160)	(3,391)
Total other comprehensive income for the period, net of tax	5,284	(1,042)	17,081
Comprehensive income for the period	76,369	77,717	51,782
Total comprehensive income attributable to:			
Company's equity holders	75,678	78,685	48,287
Non controlling interest	691	(968)	3,495
Total comprehensive income for the period	76,369	77,717	51,782

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 shares</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Capital reserves</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Retained earnings</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Company shares held by Company and subsidiary</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Total equity attributed to Company's equity holders</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Non controlling interest</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Total equity</u> <u>(Unaudited)</u> <u>\$ thousands</u>
For the three-month period ended March 31, 2010								
Balance at January 1, 2010	125,563	623,861	23,732	731,401	(245,548)	1,259,009	17,754	1,276,763
Other comprehensive income for the period								
Income for the period	-	-	-	70,886	-	70,886	199	71,085
Elements of other comprehensive income								
Foreign currency translation differences in respect of foreign activities			1,772	-	-	1,772	492	2,264
Effective part of change in fair value of cash flow hedges	-	-	9,750	-	-	9,750	-	9,750
Net change in fair value of hedged cash flow transferred to statement of income	-	-	(6,352)	-	-	(6,352)	-	(6,352)
Actuarial losses from defined benefit plan	-	-	-	(134)	-	(134)	-	(134)
Taxes on elements of other comprehensive income	-	-	(270)	26	-	(244)	-	(244)
Total other comprehensive income for the period, net of tax	-	-	4,900	(108)	-	4,792	492	5,284
Comprehensive income for the period	-	-	4,900	70,778	-	75,678	691	76,369
Exercise of employee options	2	(2)	-	-	-	-	-	-
Expenses for employee options	-	-	-	1,244	-	1,244	-	1,244
Dividend to non controlling shareholders	-	-	-	-	-	-	(425)	(425)
Acquisition of non controlling interest	-	-	-	-	-	-	(774)	(774)
Balance at March 31, 2010	<u>125,565</u>	<u>623,859</u>	<u>28,632</u>	<u>803,423</u>	<u>(245,548)</u>	<u>1,335,931</u>	<u>17,246</u>	<u>1,353,177</u>

Condensed Consolidated Interim Statement of Changes in Equity

	<u>Share capital</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Premium on shares</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Capital reserves</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Retained earnings</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Company shares held by Company and subsidiary</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Total equity attributed to Company's equity holders</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Non controlling interest</u> <u>(Unaudited)</u> <u>\$ thousands</u>	<u>Total equity</u> <u>(Unaudited)</u> <u>\$ thousands</u>
For the three-month period ended March 31, 2009								
Balance at January 1, 2009	125,542	623,882	7,906	759,544	(245,548)	1,271,326	15,351	1,286,677
Other comprehensive income for the period								
Income for the period	-	-	-	78,230	-	78,230	529	78,759
Elements of other comprehensive income								
Foreign currency translation differences in respect of foreign activities	-	-	(4,469)	-	-	(4,469)	(1,509)	(5,978)
Effective part of change in fair value of cash flow hedges	-	-	13,640	-	-	13,640	12	13,652
Net change in fair value of hedged cash flow transferred to statement of income	-	-	(10)	-	-	(10)	-	(10)
Actuarial losses from defined benefit plan	-	-	-	(5,546)	-	(5,546)	-	(5,546)
Taxes on elements of other comprehensive income	-	-	(4,496)	1,336	-	(3,160)	-	(3,160)
Total other comprehensive income for the period, net of tax	<u>-</u>	<u>-</u>	<u>4,665</u>	<u>(4,210)</u>	<u>-</u>	<u>455</u>	<u>(1,497)</u>	<u>(1,042)</u>
Comprehensive income for the period	<u>-</u>	<u>-</u>	<u>4,665</u>	<u>74,020</u>	<u>-</u>	<u>78,685</u>	<u>(968)</u>	<u>77,717</u>
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 non controlling 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>

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>(Audited)</u> <u>\$ thousands</u>	<u>Premium on shares</u> <u>(Audited)</u> <u>\$ thousands</u>	<u>Capital reserves</u> <u>(Audited)</u> <u>\$ thousands</u>	<u>Retained earnings</u> <u>(Audited)</u> <u>\$ thousands</u>	<u>Company shares held by Company and subsidiary</u> <u>(Audited)</u> <u>\$ thousands</u>	<u>Total equity attributed to Company's equity holders</u> <u>(Audited)</u> <u>\$ thousands</u>	<u>Non controlling interest</u> <u>(Audited)</u> <u>\$ thousands</u>	<u>Total equity</u> <u>(Audited)</u> <u>\$ thousands</u>
Balance at January 1, 2009	125,542	623,882	7,906	759,544	(245,548)	1,271,326	15,351	1,286,677
Other comprehensive income for the period								
Income for the period	-	-		32,678	-	32,678	2,023	34,701
Elements of other comprehensive income								
Foreign currency translation differences in respect of foreign activities	-	-	12,757	-	-	12,757	1,472	14,229
Effective part of change in fair value of cash flow hedges	-	-	33,029	-	-	33,029	-	33,029
Net change in fair value of hedged cash flow transferred to statement of income	-	-	(26,420)	-	-	(26,420)	-	(26,420)
Actuarial losses from defined benefit plan	-	-	-	(366)	-	(366)	-	(366)
Taxes on elements of other comprehensive income	-	-	(3,567)	176	-	(3,391)	-	(3,391)
Total other comprehensive income for the period, net of tax	-	-	15,799	(190)	-	15,609	1,472	17,081
Comprehensive income for the period	-	-	15,799	32,488	-	48,287	3,495	51,782
Exercise of employee options	21	(21)	-	-	-	-	-	-
Options granted to employees	-	-	-	8,658	-	8,658	-	8,658
Tax benefit in respect of employee options	-	-	27	-	-	27	-	27
Dividend to equity holders	-	-	-	(69,289)	-	(69,289)	-	(69,289)
First time consolidation	-	-	-	-	-	-	3,399	3,399
Dividend to non controlling interest	-	-	-	-	-	-	(1,665)	(1,665)
Acquisition of non controlling interest	-	-	-	-	-	-	(2,826)	(2,826)
Balance at December 31, 2009	<u>125,563</u>	<u>623,861</u>	<u>23,732</u>	<u>731,401</u>	<u>(245,548)</u>	<u>1,259,009</u>	<u>17,754</u>	<u>1,276,763</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		Year ended
	March 31		December 31
	2010	2009	2009
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Cash flows from operating activities			
Income for the period	71,085	78,759	34,701
Adjustments:			
Depreciation and amortization	26,431	23,289	100,000
Depreciation of long-term investments	-	382	-
Capital loss (gain) from sale of property, plant and equipment and other assets, net	(731)	(31)	426
Amortization of discount/premium and issue costs	52	21	(73)
Expenses for employee options	1,244	1,884	8,658
Revaluation of put options	-	86	355
Adjustment of long-term liabilities	8,715	(68,782)	59,559
SWAP transaction	(1,343)	27,540	(15,886)
Change in provision for tax and income tax prepayments, net	(13,575)	6,620	31,837
Change in deferred taxes, net	(3,272)	206	(50,648)
Changes in items of assets and liabilities			
Increase in trade receivables and debit balances	(254,819)	(193,916)	(50,491)
Decrease in inventories	68,511	100,001	152,138
Increase (decrease) in trade payables and other payables and credit balances	114,114	(34,843)	(58,579)
Change in provisions and benefits for employees	1,440	(3,921)	(2,382)
Net cash provided by (used in) operating activities	17,852	(62,705)	209,615
Cash flows for investing activities			
Acquisition of property, plant and equipment	(21,284)	(12,678)	(69,417)
Additions to intangible assets	(27,751)	(12,866)	(74,687)
Short-term investments, net	4	145	66
Repayment of long-term investment	(77)	-	203
Proceeds from realization of property, plant and equipment and intangible assets	128	340	2,982
Cash added as a result of first-time consolidation (Appendix A)	-	74	(12,940)
Acquisition of non controlling interest	(774)	-	(3,450)
Net cash used in investment activities	(49,754)	(24,985)	(157,243)

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		Year ended
	March 31		December 31
	2010	2009	2009
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Cash flows from financing activities			
Receipt of long-term loans from banks	11,266	171	272,592
Repayment of long-term loans and liabilities from banks and others, net	(5,312)	(6,047)	(20,626)
Increase (decrease) in short-term liabilities to banks	49,126	(46,072)	(194,936)
Settlement of SWAP transaction	-	-	18,000
Dividend to non controlling shareholders in subsidiaries	-	-	(1,418)
Dividend to shareholders	(5,066)	-	(64,223)
Issuance of debentures net of issue costs	-	285,749	285,749
Net cash provided by financing activities	50,014	233,801	295,138
Increase in cash and cash equivalents	18,112	146,111	347,510
Cash and cash equivalents at the beginning of the period	562,430	214,920	214,920
Cash and cash equivalents at the end of the period	580,542	361,031	562,430
Additional information			
Interest paid in cash	(5,389)	(6,326)	(79,074)
Interest received in cash	481	1,595	14,987
Tax paid in cash, net	(22,762)	(7,287)	(9,626)
A. Investments in newly consolidated companies			
Working capital (excluding cash and cash equivalents)	-	115	(6,103)
Property, plant and equipment, net	-	(90)	(9,980)
Other assets, net	-	(75)	(1,629)
Excess cost attributable to intangible assets	-	(7,125)	(9,630)
Short-time liabilities	-	3,376	8,054
Long-term liabilities	-	3,873	2,949
Non controlling interest	-	-	3,399
	-	74	(12,940)

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

Notes to the Financial Statements as at March 31, 2010 (Unaudited)

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, 2010 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, 2009 ("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 11, 2010.

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.

C. Reclassification

1. On December 31, 2009, \$19,000 thousand was reclassified from current trade receivables to non-current trade receivables.
2. On December 31, 2009, \$41,000 thousand was reclassified from current inventory to non-current inventory (on March 31, 2009 - \$37,099 thousand). As of March 31, 2010, the non-current inventory is \$35,128 thousand.

Notes to the Financial Statements as at March 31, 2010 (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. Business combinations and transactions with non-controlling interests

As from January 1, 2010 the Group implements IFRS 3 *Business Combinations* (2008) and IAS 27 *Consolidated and Separate Financial Statements* (2008) (hereinafter – IFRS 3 and IAS 27, respectively).

The principal revisions are as follows:

- The definition of a business has been broadened, so that more acquisitions will be treated as business combinations.
- Transactions resulting in the parent company losing control over a subsidiary are to be accounted for so that the residual holding after discontinuance of the consolidation is remeasured on the date of discontinuing the consolidation, at fair value, through profit or loss.
- In business combinations achieved in stages, the difference between the fair value at the first date of consolidation and the carrying amount of the original investment at that date, is recognized in profit or loss.
- Non-controlling interests will be measured at the date of the business combination at either fair value, or at their proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.
- Transactions with non-controlling interests while retaining control are accounted for as equity transactions, so that any difference between the consideration paid or received and the change in non-controlling interests is included in the share of the Company's owners in equity.
- Costs associated with the acquisition that were incurred by the acquirer in respect of the business combination are accounted for as an expense in the period they are incurred and the services are received.
- Contingent consideration is measured at fair value at the date of the business combination. Subsequent to the date of acquisition, changes in the fair value of a contingent consideration classified as a financial liability are recognized in profit or loss.
- Goodwill is not to be adjusted in respect of the utilization of carry-forward tax losses that existed on the date of the business combination.
- Profit or loss and any part of other comprehensive income are allocated to the equity holders of the Company and the non-controlling interests, even when the result is a negative balance of the non-controlling interests.
- The discounted exercise price of a put option granted by the Group to non-controlling interests is recognized as a financial liability. In subsequent periods, changes in value of the liability are recognized in profit or loss.
- On the acquisition date the acquirer recognizes a contingent liability assumed in a business combination, even if it is not included in the financial statements of the acquiree, if there is a present obligation resulting from past events and its fair value can be reliably measured.

Notes to the Financial Statements as at March 31, 2010 (Unaudited)

Note 3 - Significant Accounting Policies (cont'd)**(1) First-time application of new standards (cont'd)****A. Business combinations and transactions with non-controlling interests (cont'd)**

- The definition of non-controlling interests has been broadened and includes in it additional components such as: the equity component of convertible debentures of subsidiaries, share-based payments that will be settled with equity instruments of subsidiaries and share options of subsidiaries.

The revisions to the accounting policies that are described above are applied on a prospective basis.

B. Leases

Commencing January 2010, the group applies the 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 Company leases land from the Israel Land Administration for a period of 49 years that was treated as operational leasing. As a result of applying the amendment, the group reclassified the land as financial leasing and presented the asset as fixed asset, since the Company's production factory is located on that land.

Because of retroactive application the group reclassified an amount of 3.5 MUS\$ from non financial investments and other receivables to fixed assets as of December 31, 2009 and March 31, 2009.

The Group leases land in a non-capitalized lease from the Israel Lands Administration, for a 49-year period. If certain conditions are fulfilled, the Group is entitled to extend the lease period for an additional 49 years. Prior to the adoption of the Amendment, these leases were classified as operating lease. As a result of the adoption of the Amendment, the Group classified the land as leased under financing leases. Since this involves land on which the Group's production facilities are located, they will be stated as fixed assets. Correspondingly, the Group recognizes a liability for the future minimum lease payments, which were discounted at a real interest rate of 5% as of the date of the execution date of the lease agreement with the Administration, based on the discount rate used by the Administration at such time.

According to the provisions of IAS 17, the Group did not recognize an asset or liability for future payments to exercise the option to extend the lease period, since these payments constitute contingent lease fees, deriving from the fair value of the land on the future renewal date of the lease agreements.

Accordingly, the effect of the retroactive application of the Standard's provisions regarding the recording of fixed assets and the liability is not material.

Notes to the Financial Statements as at March 31, 2010 (Unaudited)

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

IFRS 9, Financial Instruments (hereinafter – the Standard). This standard is the first part of a comprehensive project to replace IAS 39 Financial Instruments: Recognition and Measurement (hereinafter – IAS 39) and it replaces the requirements included in IAS 39 regarding the classification and measurement of financial assets. In accordance with the Standard, there are two principal categories for measuring financial assets: amortized cost and fair value, with the basis of classification for debt instruments being the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. In accordance with the Standard, an investment in a debt instrument will be measured at amortized cost if the objective of the entity's business model is to hold assets in order to collect contractual cash flows and the contractual terms give rise, on specific dates, to cash flows that are solely payments of principal and interest. All other financial assets are measured at fair value through profit or loss. Furthermore, embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. Instead, the entire hybrid contract is assessed for classification using the principles above. In addition, investments in equity instruments are measured at fair value with changes in fair value being recognized in profit or loss.

Nevertheless, the Standard allows an entity on the initial recognition of an equity instrument not held for trading to elect irrevocably to present fair value changes in the equity instrument in other comprehensive income where no amount so recognized is ever classified to profit or loss at a later date. Dividends on equity instruments measured through other comprehensive income are recognized in profit or loss unless they clearly constitute a return on an initial investment. The Standard removes financial liabilities from its scope.

The Standard is effective for annual periods beginning on or after January 1, 2013 but may be applied earlier, subject to providing disclosure and at the same time adopting other IFRS amendments as specified in the Standard. The Standard is to be applied retrospectively other than in a number of exceptions as indicated in the transitional provisions included in the Standard. In particular, if an entity adopts the Standard for reporting periods beginning before January 1, 2012 it is not required to restate prior periods.

The group has not examined yet the impact of the standard on the financial statements.

Note 4 - Information on Business Segments**A. Products and services:**

The Company presents its segment reporting according to a primary format, which is based on a breakdown by business segments:

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

The basis of segmentation and the measurement basis for the segment profit or loss are the same as that presented in Note 32 regarding operating segments in the annual financial statement of 2009.

Segment results reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly financing expenses, net.

Notes to the Financial Statements as at March 31, 2010 (Unaudited)

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

A. Products and services: (cont'd)

	For the three-month period ended March 31, 2010 (Unaudited)			
	Agro activity	Non-Agro activity	Adjustments	Consolidated
	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Statement of Income information:				
Revenues				
Sales outside the Group	678,838	44,280	-	723,118
Inter-segment sales	-	1,234	(1,234)	-
Total revenues	<u>678,838</u>	<u>45,514</u>	<u>(1,234)</u>	<u>723,118</u>
Results				
Segment's results	<u>99,738</u>	<u>5,687</u>	<u>1,096</u>	<u>106,521</u>
Income before tax				<u>75,980</u>
	For the three-month period ended March 31, 2009 (Unaudited)			
	Agro activity	Non-Agro activity	Adjustments	Consolidated
	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Statement of Income information:				
Revenues				
Sales outside the Group	680,815	41,453	-	722,268
Inter-segment sales	-	2,158	(2,158)	-
Total revenues	<u>680,815</u>	<u>43,611</u>	<u>(2,158)</u>	<u>722,268</u>
Results				
Segment's results	<u>100,473</u>	<u>5,477</u>	<u>(324)</u>	<u>105,626</u>
Income before tax				<u>95,283</u>
	For the year ended December 31, 2009 (Audited)			
	Agro activity	Non-Agro activity	Adjustments	Consolidated
	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Statement of Income information:				
Revenues				
Sales outside the Group	2,042,170	172,446	-	2,214,616
Inter-segment sales	-	5,317	(5,317)	-
Total revenues	<u>2,042,170</u>	<u>177,763</u>	<u>(5,317)</u>	<u>2,214,616</u>
Results				
Segment's results	<u>96,590</u>	<u>22,419</u>	<u>721</u>	<u>119,730</u>
Income before tax				<u>26,020</u>

Notes to the Financial Statements as at March 31, 2010 (Unaudited)**Note 4 - Information on Business Segments (cont'd)****B. Sales distribution by geographic regions**

	Three month period ended		Year ended
	March 31		December 31
	2010	2009	2009
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Europe	372,498	367,615	939,472
North America	119,639	124,353	402,244
Latin America	116,589	143,841	540,897
Asia Pacific and Africa	93,784	65,599	245,034
Israel	20,608	20,860	86,969
	723,118	722,268	2,214,616

Note 5 - Additional Information

1. On May 11, 2010, the Company's board of directors resolved to not issue shares by means of rights to the Company's shareholders, which resolution in principle in its matter was adopted earlier by the board of directors on March 9, 2010.
2. In the ordinary course of business, legal claims were filed against subsidiaries, including two motions for class action recognition, as well as claims for patent infringement. In the estimation of Company management, based, inter alia, on the opinions of its legal counsel regarding the prospects of the proceedings, the financial statements included appropriate provisions, where necessary, to cover the exposure resulting from these claims.

A detailed description of the contingent liabilities pending against the company appear in Note 20 to the annual financial statements for 2009.

Provided below are details of the significant changes that occurred in the legal proceedings to which the subsidiaries are a party.

On March 24, 2010, a subsidiary in Brazil, Milenia, received a decision by the Ministry of Health in Brazil, whereby in administrative proceedings opened against it, administrative penalties were imposed on Milenia totaling immaterial amount. The Company's financial statements include an appropriate provision for these penalties.

Notes to the Financial Statements as at March 31, 2010 (Unaudited)

Note 6 - Subsequent Events

1. On April 8, 2010 BASF filed a lawsuit and motion for prohibitory injunction against the American subsidiary MANA, claiming that actions that MANA takes for future marketing of a product based on the Active Ingredient Fipronil, are allegedly patent infringement of a registered BASF patent. Within negotiated agreements that were achieved between BASF and MANA concerning the motion for prohibitory injunction, it was decided to postpone the motion to the end of 2010. Based on its legal opinion and taking under consideration that MANA has not yet begun to market products based on the active ingredient Fipronil, MANA estimates that there will be no significant exposure due to the above mentioned allegations.
2. On May 10, 2010 the company issued a self prospectus which in its frame the company can offer to the public shares, non convertible debentures, convertible debentures, stock purchase warrants, debentures purchase warrants, and commercial papers.
3. On May 11, 2010 the Company's Board of Directors resolved to allot through a trustee 6,500,000 options to company officers and to a manager in the Company. The options are exercisable for ordinary shares of the Company, NIS 1 par value each. The exercise price of the options is NIS 20.22 per option.
The cost of the benefit inherent in the options when issued, based on the fair value as at their allotment date, amounted \$7.7 million.
The options will vest in three equal increments, where one-third of the options may be exercised one year after the record date, the second third of the options may be exercised two years after the record date, and the final third, three years after the record date. The options from each of these increments are exercisable commencing from the vesting date of each instalment and during a period of two years from such date.
This amount is amortized to the statement of income over the vesting period of each increment.

Makhteshim-Agan Industries Ltd.

Condensed Separate Interim

Financial Information

(Unaudited)

As of March 31, 2010



Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006 Israel

Telephone 972 3 684 8000
Fax 972 3 684 8444
Internet www.kpmg.co.il

**In honor of
The equity holders of Makhteshim-Agan Industries Ltd.**

Special Auditors' Report on Separate Interim Financial Information under Regulation 38.D of the Securities Regulations (Periodic and Immediate Reports), 1970

Introduction

We have reviewed the separate interim financial information under Regulation 38.D of the Securities Regulations (Periodic and Immediate Reports), 1970 of Makhteshim-Agan Industries Ltd. ("the Company") as of March 31, 2010 and for the three-month period then ended. The separate interim financial information is the responsibility of the Board of Directors and Management of the Company. Our responsibility is to express a conclusion on the separate interim financial information for these interim periods, based on our review.

We did not review the condensed financial information for interim periods of investees, in which the investment is \$ million 85.7 as of March 31, 2010, and the Company's share in their earnings is \$ million 4.4 for three month periods then ended, respectively. The condensed interim financial information for those companies was reviewed by other auditors, whose review reports were furnished to us and our conclusion, insofar as it relates to amounts included for those companies, is based on the review reports of the other auditors.

Scope of review

We prepared our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel "Review of Financial Information for Interim Periods Prepared by the Auditor of the Entity". A review of separate interim financial information is comprised of clarifications, mainly with those responsible for financial and accounting matters, and of the application of analytical review and other procedures. A review is considerably more limited in scope than an audit conducted in accordance with generally accepted auditing standards in Israel, and therefore, does not enable us to achieve the assurance for all significant matters that could be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and on the review reports of the other auditors, nothing came to our attention that would cause us to believe that the aforementioned separate interim financial information is not prepared, in all material respects, in accordance with the provisions of Regulation 38.D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Somekh Chaikin
Certified Public Accountants
March 11, 2010

Condensed Interim Information on Financial Position

	March 31 2010	March 31 2009	December 31 2009
	(Unaudited)	(Unaudited)	(Unaudited)
	\$ thousands	\$ thousands	\$ thousands
Current assets			
Cash and cash equivalents	2,286	172,301	3,901
Short-term investments	44,954	-	18,085
Prepaid expenses	385	519	52
Other receivables and investee companies	93,474	63,316	73,271
Derivatives	62,867	-	67,999
Deferred tax assets	439	409	896
Total current assets	204,405	236,545	164,204
Long-term investments, loans and receivables			
Balance of investee companies	1,241,594	1,301,054	1,272,753
Loans to investees	895,682	728,237	813,543
Derivatives	31,913	9,983	31,097
	2,169,189	2,039,274	2,117,393
Fixed assets, net	1,412	1,539	1,488
Intangible assets, net	1,624	1,543	1,658
Deferred tax assets	1,196	2,655	914
Total non-current assets	2,173,421	2,045,011	2,121,453
Total assets	2,377,826	2,281,556	2,285,657

Condensed Interim Information on Financial Position

	March 31 2010	March 31 2009	December 31 2009
	(Unaudited)	(Unaudited)	(Unaudited)
	\$ thousands	\$ thousands	\$ thousands
Current liabilities			
Current maturities of debentures	84,015	-	83,480
Other payables and investee companies	25,127	28,649	21,958
Derivatives	3,741	28,537	359
Total current liabilities	112,883	57,186	105,797
Long-term liabilities			
Debentures	924,914	869,010	916,541
Employee benefits	4,098	3,441	4,310
Total non-current liabilities	929,012	872,451	920,851
Total liabilities	1,041,895	929,637	1,026,648
Equity			
Share capital	125,565	125,550	125,563
Premium on shares	623,859	623,874	623,861
Reserves	28,632	12,595	23,732
Retained earnings	803,423	835,448	731,401
Treasury shares	(245,548)	(245,548)	(245,548)
Total equity attributable to equity holders of the Company	1,335,931	1,351,919	1,259,009
Total liabilities and equity	2,377,826	2,281,556	2,285,657

Avraham Bigger
Chairman of the Board of Directors

Erez Vigodman
Chief Executive Officer

Ran Maidan
Chief Financial Officer

Date the financial statements were approved: March 11, 2010

The notes are an integral part of the financial statements.

Condensed Interim Information on Income

	Three-month period ended		Year ended
	March 31	March 31	December 31
	2010	2009	2009
	(Unaudited)	(Unaudited)	(Unaudited)
	\$ thousands	\$ thousands	\$ thousands
Revenues			
Management fees from investees	<u>6,062</u>	<u>5,754</u>	<u>16,052</u>
Expenses			
General and administrative	<u>6,826</u>	<u>7,182</u>	<u>25,506</u>
Operating loss	<u>(764)</u>	<u>(1,428)</u>	<u>(9,454)</u>
Financing expenses	<u>22,743</u>	<u>68,364</u>	<u>111,669</u>
Financing income	<u>(23,631)</u>	<u>(65,806)</u>	<u>(111,629)</u>
Financing expenses (income), net	<u>(888)</u>	<u>2,558</u>	<u>40</u>
Income (loss) after financing expenses, net	<u>124</u>	<u>(3,986)</u>	<u>(9,494)</u>
Earnings from investees	<u>70,986</u>	<u>82,624</u>	<u>42,868</u>
Income before taxes	<u>71,110</u>	<u>78,638</u>	<u>33,374</u>
Income taxes	<u>224</u>	<u>408</u>	<u>696</u>
Income for the period attributed to Company's equity holders	<u>70,886</u>	<u>78,230</u>	<u>32,678</u>

Condensed Interim Information on Comprehensive Income

	Three-month period ended		Year ended
	March 31	March 31	December 31
	2010	2009	2009
	(Unaudited)	(Unaudited)	(Unaudited)
	\$ thousands	\$ thousands	\$ thousands
Income for the period attributed to equity holders of the Company	70,886	78,230	32,678
Components of other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	1,088	(11,574)	23,965
Net change in fair value of cash flow hedges transferred to profit or loss	(1,345)	27,539	(1,946)
Actuarial gains (losses) from defined benefit plan	131	(329)	(292)
Other comprehensive income (loss) from investees	4,890	(11,272)	(1,126)
Taxes on other components of comprehensive income	28	(3,909)	(4,992)
Other comprehensive income for the period, net of tax	4,792	455	15,609
Total comprehensive income for the period attributed to equity holders of the Company	75,678	78,685	48,287

Condensed Interim Information on Cash Flows

	Three-month period ended		Year ended
	March 31	March 31	December 31
	2010	2009	2009
	(Unaudited)	(Unaudited)	(Unaudited)
	\$ thousands	\$ thousands	\$ thousands
Cash flows from operating activities			
Income for the period attributed to Company's equity holders	70,886	78,230	32,678
Adjustments			
Earnings from investees	(70,986)	(82,624)	(42,868)
Depreciation and amortization	365	292	1,319
Amortization of premium and issue costs	52	21	(73)
Expenses for employee options	1,244	1,884	8,658
Adjustment of long-term liabilities	8,715	(68,782)	59,559
Swap transactions	(1,345)	27,540	(15,886)
Change in provision for tax and income tax advances, net	457	58	(426)
Change in deferred taxes, net	(254)	292	950
Changes in assets and liabilities			
Increase in accounts receivable and current assets	(5,567)	(484)	(57,650)
Increase (decrease) in accounts payable and other liabilities	11,617	(1,472)	(41,407)
Change in provisions and employee benefits	(81)	(307)	599
Net cash provided by operating activities from transactions with investees	(17,417)	140,607	71,496
Net cash provided by (used in) operating activities	(2,314)	95,255	16,949
Cash flows from investing activities			
Acquisition of fixed assets	(17)	(6)	(232)
Additions to intangible assets	(238)	(275)	(1,140)
Short-term investments, net	(26,869)	-	(18,085)
Net cash provided by (used in) investing activities from transactions with investees	32,889	(208,974)	(232,958)
Net cash provided by (used in) investing activities	5,765	(209,255)	(252,415)
Cash flows from financing activities			
Issuance of debentures net of issue costs	-	285,749	285,749
Settlement of swap transaction	-	-	18,000
Dividend to shareholders	(5,066)	-	(64,934)
Net cash provided by (used in) financing activities	(5,066)	285,749	238,815
Increase (decrease) in cash and cash equivalents	(1,615)	171,749	3,349
Cash and cash equivalents at beginning of the period	3,901	552	552
Cash and cash equivalents at end of the period	2,286	172,301	3,901
Supplementary information:			
Interest paid in cash	-	-	(52,779)
Interest received in cash	7	13	35
Taxes paid in cash, net	(76)	(59)	(113)

Notes to the Condensed Financial Statements as of March 31, 2010

Note 1 - General

The separate interim financial information is presented in accordance with Regulation 38.D of the Securities Regulations (Periodic and Immediate Reports), 1970, and does not include all the information required by Regulation 9.C and the 10th Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970 regarding the separate financial information of a corporation. It should be read in conjunction with the separate financial information as of and for the year ended December 31, 2009 and in conjunction with the consolidated interim financial statements as of March 31, 2010 ("the consolidated financial statements").

In this interim financial information:

- (1) The Company - Makhteshim-Agan Industries Ltd.
- (2) Subsidiaries - Companies, including partnerships, whose financial statements are fully consolidated, directly or indirectly, with the financial statements of the Company.
- (3) Investee companies - Subsidiaries and companies, including partnerships or joint ventures, the Company's investment in which is included in the financial statements, directly or indirectly, on the basis of equity.

kpmg

סומך חייקין

מחלקת עיבוד תמלילים

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