

Makhteshim-Agan Industries Ltd.

**Interim Consolidated
Financial Statements**

(Unaudited)

As at March 31, 2006

(In U.S. Dollars)

Financial Statements as at March 31, 2006 (Unaudited)

Contents

	Page
Auditors' Review Report	1
Consolidated Balance Sheets	3
Consolidated Statements of Income	4
Statements of Changes in Shareholders' Equity	5
Consolidated Statements of Cash Flows	7
Notes to the Financial Statements	9



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The Board of Directors
Makhteshim – Agan Industries Ltd.

Dear Sirs,

Review of the unaudited interim consolidated financial statements as at March 31, 2006

At your request, we have reviewed the interim consolidated balance sheet of Makhteshim – Agan Industries Ltd. and its subsidiaries as at March 31, 2006, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the three-month period then ended.

Our review was conducted in accordance with procedures prescribed by the Institute of Certified Public Accountants in Israel and included, inter alia, reading the said financial statements, reading the minutes of shareholders' meetings and of meetings of the Board of Directors and its committees, as well as making inquiries of persons responsible for financial and accounting matters.

We received review reports of other auditors, regarding the interim financial statements of certain subsidiaries, whose assets constitute 6.9% of the total consolidated assets as at March 31, 2006 and whose revenues constitute 8.7% of the total consolidated revenues for the three-month period then ended.

Since the review performed is limited in scope and does not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on the said interim consolidated financial statements.

In the course of our review, which included reading the review reports of other auditors as stated above, nothing came to our attention that would indicate the necessity of making material modifications to the interim consolidated financial statements referred to above, in order for them to be in conformity with generally accepted accounting principles and in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Somekh Chaikin
Certified Public Accountants (Isr.)

May 10, 2006

Consolidated Balance Sheets

	As at March 31 2006 <u>(Unaudited)</u> <u>US \$ thousands</u>	As at March 31 2005 <u>(Unaudited)</u> <u>US \$ thousands</u>	As at December 31 2005 <u>(Audited)</u> <u>US \$ thousands</u>
Current assets			
Cash and cash equivalents	72,827	56,450	71,293
Short-term investments	1,170	1,213	1,269
Trade receivables	518,324	487,770	383,246
Other receivables	101,238	74,193	86,414
Inventories	572,082	480,586	566,416
	<u>1,265,641</u>	<u>1,100,212</u>	<u>1,108,638</u>
Long-term investments, loans and receivables	<u>28,135</u>	<u>19,933</u>	<u>22,684</u>
Fixed assets			
Cost	898,435	840,096	884,480
Less – accumulated depreciation	429,498	397,033	421,114
	<u>468,937</u>	<u>443,063</u>	<u>463,366</u>
Other assets and deferred expenses			
Cost	824,763	771,460	* 814,043
Less – accumulated amortization	289,488	236,671	277,462
	<u>535,275</u>	<u>534,789</u>	<u>536,581</u>
	<u>2,297,988</u>	<u>2,097,997</u>	<u>2,131,269</u>

	As at March 31 2006 <u>(Unaudited)</u> <u>US \$ thousands</u>	As at March 31 2005 <u>(Unaudited)</u> <u>US \$ thousands</u>	As at December 31 2005 <u>(Audited)</u> <u>US \$ thousands</u>
Current liabilities			
Credit from banks	342,881	186,570	248,038
Trade payables	383,033	348,038	338,598
Other payables	225,533	*223,487	*201,647
Proposed dividend	23,265	12,700	14,058
	<u>974,712</u>	<u>770,795</u>	<u>802,341</u>
Long-term liabilities			
Loans from banks	37,831	83,104	35,584
Convertible debentures	27,105	173,991	40,479
Other long-term liabilities	-	7,495	4,314
Deferred taxes, net	63,511	67,600	59,801
Employee severance benefits, net	27,787	27,169	28,014
	<u>156,234</u>	<u>359,359</u>	<u>168,192</u>
Minority interest	<u>26,545</u>	<u>*23,955</u>	<u>*26,549</u>
Shareholders' equity	<u>1,140,497</u>	<u>*943,888</u>	<u>*1,134,187</u>
	<u><u>2,297,988</u></u>	<u><u>2,097,997</u></u>	<u><u>2,131,269</u></u>

Danny Biran
Chairman of the Board of Directors

Shlomo Yanai
Chief Executive Officer

Eli Assraf
Chief Financial Officer

Date of approval of the financial statements: May 10, 2006

*Restated – see Note 1B(4).

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Income

	For the three months ended		For the
	March 31	March 31	year ended
	2006	2005	December 31
	(Unaudited)	(Unaudited)	(Audited)
	US \$ thousands	US \$ thousands	US \$ thousands
Revenues	493,866	516,974	1,740,717
Cost of sales	315,710	311,893	1,059,715
Gross profit	178,156	205,081	681,002
Expenses			
Research and development, net	4,656	4,775	20,628
Selling and marketing	74,983	70,797	267,918
General and administrative	14,947	*19,709	* 62,051
	94,586	95,281	350,597
Operating income	83,570	109,800	330,405
Financing expenses, net	11,730	5,400	34,573
Income before other expenses, net	71,840	104,400	295,832
Other expenses, net	7,104	13,416	44,211
Income before taxes on income	64,736	*90,984	*251,621
Taxes on income	6,640	26,060	39,952
Income after taxes on income	58,096	64,924	211,669
Minority interest in income of subsidiaries, net	(385)	(1,999)	(4,816)
Net income from continuing operations	57,711	*62,925	*206,853
Cumulative effect as at the beginning of the year of change in accounting method	-	(2,025)	(2,025)
Net income	57,711	*60,900	*204,828
Earnings per share			
	US \$	US \$	US \$
Basic earnings per share of NIS 1 par value	0.13	**0.15	**0.49
Fully diluted earnings per share of NIS 1 par value	0.13	0.13	0.44

* Restated – see Note 1B(4).

**Restated – see Note 1B(2).

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Shareholders' Equity

	Share capital	Premium on shares	Receipts from issuance of options	Capital reserves	Dividend proposed subsequent to balance sheet date	Retained earnings	Shares of company held by subsidiary	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$ thousands	US\$ thousands	US\$ thousands	US\$ thousands	US\$ thousands	US\$ thousands	US\$ thousands	US\$ thousands
Three-month period ended March 31, 2006								
Balance as of December 31, 2005	120,391	589,261	-	(3,715)	23,500	* 480,119	(75,369)	1,134,187
Adjustments deriving from translation of financial statements of investee companies	-	-	-	(436)	-	-	-	(436)
Acquisition of treasury stock	-	-	-	-	-	-	(41,516)	(41,516)
Proposed dividend	-	-	-	-	(23,500)	125	-	(23,375)
Dividend proposed subsequent to balance sheet date	-	-	-	-	28,508	(28,508)	-	-
Employee options exercised	266	(266)	-	-	-	-	-	-
Conversion of convertible debentures into shares	658	12,706	-	-	-	-	-	13,364
Net income	-	-	-	-	-	57,711	-	57,711
Options that were issued to employees	-	-	-	141	-	-	-	141
Tax benefit from options to employees	-	-	-	421	-	-	-	421
Balance as of March 31, 2006	121,315	601,701	-	(3,589)	28,508	509,447	(116,885)	1,140,497
Three-month period ended March 31, 2005								
Balance as of December 31, 2004	109,258	417,487	3,009	(2,568)	12,700	*345,596	(11,232)	874,250
Adjustments deriving from translation of financial statements of investee companies	-	-	-	(1,125)	-	-	-	(1,125)
Realization of Company shares by a subsidiary	-	2,324	-	-	-	-	1,524	3,848
Proposed dividend	-	-	-	-	(12,700)	-	-	(12,700)
Dividend proposed subsequent to balance sheet date	-	-	-	-	18,300	(18,300)	-	-
Employee options exercised	86	(86)	-	-	-	-	-	-
Conversion of convertible debentures into shares	929	13,373	-	-	-	-	-	14,302
Options exercised	430	4,403	(420)	-	-	-	-	4,413
Net income	-	-	-	-	-	*60,900	-	60,900
Balance as of March 31, 2005	110,703	437,501	2,589	(3,693)	18,300	388,196	(9,708)	943,888

* Restated – see Note 1B(4).

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Shareholders' Equity (cont'd)

	Share capital	Premium on shares	Receipts from issuance of options	Capital reserves	Dividend proposed subsequent to balance sheet date	Retained earnings	Company shares held by the Company and by a subsidiary	Total
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	US\$ thousands	US\$ thousands	US\$ thousands	US\$ thousands	US\$ thousands	US\$ thousands	US\$ thousands	US\$ thousands
Balance as at December 31, 2004	109,258	417,487	3,009	(2,568)	12,700	* 345,596	(11,232)	874,250
Employee options exercised	416	(416)	-	-	-	-	-	-
Conversion of convertible debentures into shares	7,807	138,852	-	-	-	-	-	146,659
Options exercised	2,910	31,014	(3,009)	-	-	-	-	30,915
Adjustments deriving from translation of financial statements of investee companies	-	-	-	(2,701)	-	-	-	(2,701)
Realization of Company shares held by a subsidiary	-	2,324	-	-	-	-	1,524	3,848
Acquisition of Company shares	-	-	-	-	-	-	(65,661)	(65,661)
Tax benefit from options to employees	-	-	-	1,554	-	-	-	1,554
Dividend	-	-	-	-	(12,700)	(46,805)	-	(59,505)
Dividend proposed subsequent to the balance sheet date	-	-	-	-	23,500	(23,500)	-	-
Net income	-	-	-	-	-	*204,828	-	204,828
Balance as at December 31, 2005	120,391	589,261	-	(3,715)	23,500	480,119	(75,369)	1,134,187

* Restated – see Note 1B(4).

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Cash Flows

	For the three months ended		For the
	March 31	March 31	year ended
	2006	2005	December 31
	(Unaudited)	(Unaudited)	(Audited)
US\$ thousands	US\$ thousands	US\$ thousands	
Cash flows generated by operating activities			
Net income	57,711	* 60,900	*204,828
Adjustments to reconcile net income to net cash flows generated by operating activities (see A. below)	(59,523)	*(48,520)	*(21,670)
Net cash inflow (outflow) from operating activities	(1,812)	12,380	183,158
Cash flows generated by investing activities			
Acquisition of fixed assets	(16,352)	(14,286)	(50,415)
Investment in affiliated company	(2,100)	-	-
Investment grant received	-	-	1,226
Additions to other assets	(10,100)	(4,541)	(38,270)
Short-term investments, net	-	350	194
Investments in newly consolidated companies (see B. below)	-	-	(8,882)
Proceeds from disposal of fixed and other assets	89	69	334
Other long-term investments	(2,908)	-	-
Acquisition of minority interest in subsidiaries	-	(970)	(970)
Net cash outflow from investing activities	(31,371)	(19,378)	(96,783)
Cash flows generated by financing activities			
Receipt of long-term loans from banks	-	-	3,846
Repayment of long-term loans and liabilities from banks and others	(4,518)	(9,737)	(85,075)
Proceeds from exercise of options	-	4,413	30,915
Dividend to shareholders	(14,173)	(11,200)	(56,647)
Acquisition of treasury stock	(41,516)	-	(65,661)
Short-term credit from banks and others, net	95,276	39,495	119,457
Dividend to minority shareholders in subsidiaries	(352)	-	(2,394)
Net cash inflow from financing activities	34,717	22,971	(55,559)
Increase in cash and cash equivalents	1,534	15,973	30,816
Cash and cash equivalents at beginning of the period	71,293	40,477	40,477
Cash and cash equivalents at end of the period	72,827	56,450	71,293

*Restated – see Note 1B(4).

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Cash Flows (cont'd)

	For the three months ended		For the
	March 31	March 31	year ended
	2006	2005	December 31
	(Unaudited)	(Unaudited)	(Audited)
	US \$ thousands	US \$ thousands	US \$ thousands
A. Adjustments to reconcile net income to net cash flows generated by operating activities			
Revenues and expenses not affecting cash flows			
Depreciation and amortization	20,180	25,908	95,964
Adjustment of long-term liabilities to banks and others	609	(1,303)	(1,127)
Minority interest in income of subsidiaries, net	385	1,999	4,816
Increase (decrease) in employee severance benefits, net	(227)	147	1,533
Deferred taxes, net	(1,924)	10,930	7,830
Capital loss on disposal of fixed and other assets, net	410	364	1,665
Amortization of discount on convertible debentures	85	161	497
Provision for loss with respect to options granted to employees of subsidiaries	-	139	55
Changes in operating assets and liabilities			
Increase in trade and other receivables	(144,055)	(111,829)	(17,076)
Increase in inventories	(5,666)	(14,902)	(84,322)
Increase (decrease) in trade and other payables	70,680	*39,866	*(31,505)
	(59,523)	(48,520)	(21,670)
B. Investment in newly consolidated companies			
Working capital (excluding cash and cash equivalents)	-	42	(7,158)
Fixed assets, net	-	(42)	(2,040)
Other assets, net	-	(8,027)	(8,027)
Goodwill created on acquisition	-	-	(5,264)
Long-term liabilities	-	9	1,240
Exercise of Company shares held by a subsidiary	-	3,848	3,848
Minority interest	-	4,170	8,519
	-	-	(8,882)
C. Non-cash activities			
Acquisition of other assets on supplier credit	332	11,535	22,448
Acquisition of fixed assets on supplier credit	2,128	2,047	13,029
Acquisition of consolidated subsidiary in exchange for Company shares	-	-	3,848

*Restated – see Note 1B(4).

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements as at March 31, 2006 (Unaudited)

Note 1 - Financial Reporting Principles and Accounting Policies

A. General

1. These interim financial statements have been prepared in accordance with generally accepted accounting principles applicable to the preparation of interim-period financial statements in accordance with Standard No. 14 of the Israel Accounting Standards Board and with Article 4 of the Securities Regulations (Immediate and Periodic Reports), 1970.
2. The accounting policies applied in the preparation of these financial statements are consistent with those applied in the audited financial statements as at December 31, 2005, except for that stated in Section B., below.
3. These financial statements have been prepared in an abridged form as at March 31, 2006 and for the three-month period then ended. They should be read in conjunction with the annual financial statements as at December 31, 2005 and for the year then ended, and the accompanying notes thereto.

B. First-time application of new accounting standards

- (1) Accounting Standard No. 20 (Amended) “The Accounting Treatment of Goodwill and Intangible Assets when Purchasing an Investee Company”

Commencing January 1, 2006, the Company applies Accounting Standard No. 20 (amended) regarding “The Accounting Treatment of Goodwill and Intangible Assets when Purchasing an Investee Company” (hereinafter – “the Standard”) of the Israeli Accounting Standards Board. The Standard provides the accounting treatment with respect to goodwill and intangible assets when purchasing a subsidiary and an investee company that is not a subsidiary, including a jointly controlled company.

The main changes provided in the Standard compared with the rules that were applied in the past are: allocation of the excess purchase cost of an investment in an investee company to identifiable intangible assets of the acquired company as well; distinguishing between intangible assets having a defined useful life and intangible assets having an undefined useful life; immediate recognition of income in the statement of income on the purchase date of negative goodwill created on the purchase after offset against intangible assets and non-monetary assets of the investee company; discontinuance of the systematic amortization of positive goodwill and intangible assets having an undefined useful life; to examine impairment in value of goodwill at least once a year.

The amount of the systematic amortization of positive goodwill in the three-month period ended March 31, 2005 and in the year ended December 31, 2005 is \$ 1.8 million and \$ 9.9 million, respectively.

Notes to the Financial Statements as at March 31, 2006 (Unaudited)

Note 1 - Financial Reporting Principles and Accounting Policies (cont'd)(2) Accounting Standard No. 21, "Earnings Per Share"

Commencing January 1, 2006, the Company applies Accounting Standard No. 21, "Earnings Per Share" (hereinafter – "the Standard") of the Israeli Accounting Standards Board. Pursuant to the Standard, the Company calculates the amounts of the basic earnings per share with respect to income or loss, as well as the amounts of the basic earnings per share relating to earnings or loss from continuing operations, which relate to the reporting entity's ordinary shareholders. The basic earnings per share are calculated by dividing net income or loss allocable to the reporting entity's ordinary shareholders, by the weighted-average number of ordinary shares outstanding during the period. For purposes of calculating the diluted earnings per share, the Company adjusted the income or loss allocable to the reporting entity's ordinary shareholders and the weighted-average number of ordinary shares outstanding, for the impact of all potentially dilutive ordinary shares. The Company's share in the earnings of investee companies was calculated based on its share in the earnings per share of those companies multiplied by the number of shares held by the Company.

According to the Standard's transitional rules, the comparative data for prior periods relating to earnings per share was restated. The impact of the first-time application of the Standard amounted to an increase in basic earnings per share of \$ 0.02 and \$ 0.05 for the three-month period ended March 31, 2005 and for the year ended December 31, 2005, respectively.

(3) Accounting Standard No. 22, "Financial Instruments: Disclosure and Presentation"

Commencing January 1, 2006, the Company applies Accounting Standard No. 22, "Financial Instruments: Disclosure and Presentation" (hereinafter – "the Standard") of the Israeli Accounting Standards Board. The Standard provides the rules for presentation of financial instruments in the financial statements and details the proper disclosure required in respect thereof. In addition, the Standard provides the method for classifying financial instruments as financial liabilities and as shareholders' equity and for classifying the interest, dividends, losses and gains related thereto and the circumstances in which financial assets and financial liabilities are to be offset, and supersedes Opinion No. 53, "The Accounting Treatment of Convertible Liabilities", and Opinion No. 48, "The Accounting Treatment of Options".

Pursuant to the Standard, the comparative data will not be restated.

The first-time application of the Standard had no material impact on the Company's financial position and its results of operations.

(4) Accounting Standard No. 24, "Share Based Payments"

Commencing January 1, 2006, the Company applies Accounting Standard No. 24, "Share Based Payments" (hereinafter – "the Standard") of the Israeli Accounting Standards Board. Pursuant to the Standard the Company recognizes share-based payment transactions in the financial statements, including transactions with employees or other parties that are settled with capital instruments, cash or other assets. Share-based payment transactions wherein goods or services are received, are recognized based on their fair value.

Notes to the Financial Statements as at March 31, 2006 (Unaudited)**Note 1 - Financial Reporting Principles and Accounting Policies (cont'd)**(4) Accounting Standard No. 24, "Share Based Payments" (cont'd)

Regarding transactions settled with capital instruments, the Standard applies to grants made after March 15, 2005 that did not fully vest by January 1, 2006. In the same manner, the Standard applies to changes in the terms of transactions settled with capital instruments executed after March 15, 2005, even when the grants regarding which the changes were made were prior to this date. In the financial statements for 2006, the comparative data for 2005 are restated, in order to reflect therein the recording of the expense relating to the said grants.

As a result of the first-time implementation of the provisions of the Standard, the Company adjusted by means of a restatement of the financial statements for the three-month period ended March 31, 2005 and for the year ended December 31, 2005, in order to retroactively reflect therein the effect of the change in the accounting treatment of share-based payment transactions with employees and directors that are to be settled with capital instruments of the Company and that were granted after March 15, 2005, and which had not yet vested by December 31, 2005, or which were granted prior to that date by regarding which there was a change in the terms of their grant, as well as in respect of options granted to employees and directors settled in cash.

Set forth below is the effect of the changes on the financial statements:

	As at March 31, 2005		
	As previously reported	The change	As presented in the financial statements
	US \$ thousands	US \$ thousands	US \$ thousands
		Unaudited	
Other payables	223,004	483	223,487
Minority interest	23,970	(15)	23,955
Shareholders' equity	944,356	(468)	943,888

	As at December 31, 2005		
	As previously reported	The change	As presented in the financial statements
	US \$ thousands	US \$ thousands	US \$ thousands
		Audited	
Other assets	535,054	1,527	536,581
Other payables	197,173	4,474	201,647
Minority interest	28,586	(2,037)	26,549
Shareholders' equity	1,135,097	(910)	1,134,187

Notes to the Financial Statements as at March 31, 2006 (Unaudited)**Note 1 - Financial Reporting Principles and Accounting Policies (cont'd)**(4) Accounting Standard No. 24, "Share Based Payments" (cont'd)

	As at January 1, 2005		
	As previously reported	The change	As presented in the financial statements
	Audited		
	US \$ thousands	US \$ thousands	US \$ thousands
Shareholders' equity	874,495	(245)	874,250

	For the three months ended March 31, 2005		
	As previously reported	The change	As presented in the financial statements
	Unaudited		
	US \$ thousands	US \$ thousands	US \$ thousands
Administrative and general expenses	19,486	223	19,709
Pre-tax income	91,207	(223)	90,984
Net income	61,123	(223)	60,900

	For the year ended December 31, 2005		
	As previously reported	The change	As presented in the financial statements
	Audited		
	US \$ thousands	US \$ thousands	US \$ thousands
Administrative and general expenses	61,386	665	62,051
Pre-tax income	252,286	(665)	251,621
Net income	205,493	(665)	204,828

(5) Accounting Standard No. 25, "Revenues"

Commencing from January 1, 2006, the Company applies Accounting Standard No. 25, "Revenues" (hereinafter – "the Standard") of the Israeli Accounting Standards Board. The Standard deals with recognition of revenues from the following three types of transactions: sale of goods, provision of services and use by others of the Company's assets, which generate interest, royalties and dividends, and provides the required accounting treatment (rules for recognition, measurement, presentation and disclosure) regarding these three transaction types.

The first-time application of the Standard had no material impact on the Company's financial position and its results of operations.

Notes to the Financial Statements as at March 31, 2006 (Unaudited)**Note 1 - Financial Reporting Principles and Accounting Policies (cont'd)****C. Financial statements in US dollars**

The Company and its Israeli subsidiaries maintain their current accounting records in nominal shekels and dollars using a multi-currency system. Since most of the Group's revenues are received in dollar and the principal raw materials and fixed assets are purchased in dollar. The dollar is the principal currency of the economic environment in which the Group operates ("the functional currency"). Accordingly, the dollar is the measurement and reporting currency in these financial statements. It should not be construed that the translated amounts actually represent or can be converted into dollars, unless otherwise indicated in these statements.

Note 1 - Financial Reporting Principles and Accounting Policies (cont'd)

Changes in the representative exchange rates of the U.S. dollar and the Consumer Price Index (CPI) are as follows:

	CPI	Representative exchange rate of the U.S.\$ to the NIS	Representative exchange rate of the U.S.\$ to the Euro	Representative exchange rate of the U.S.\$ to the Brazilian Real
During the three-month period ended March 31, 2006	0.58%	1.35%	(2.51%)	(5.8%)
During the three-month period ended March 31, 2005	(0.60%)	1.23%	5.32%	0.53%
During the year ended December 31, 2005	2.39%	6.85%	15.29%	(11.8%)

Note 2 - Segment Information**A. Geographical segments according to location of assets**

	Israel (Unaudited) US\$ thousands	Latin America (Unaudited) US\$ thousands	Europe (Unaudited) US\$ thousands	Adjustments (Unaudited) US\$ thousands	Consolidated (Unaudited) US\$ thousands
For the three months ended March 31, 2006					
Segment revenues	341,397	67,551	117,111	(32,193)	493,866
Segment results**	59,415	200	22,853	(1,794)	80,674
For the three months ended March 31, 2005					
Segment revenues	344,033	80,644	130,779	(38,482)	516,974
Segment results***	*54,129	12,665	36,961	(1,140)	*102,615

Notes to the Financial Statements as at March 31, 2006 (Unaudited)**Note 2 - Segment Information (cont'd)****A. Geographical segments according to location of assets (cont'd)**

	<u>Israel</u> <u>(Audited)</u> <u>US\$ thousands</u>	<u>Latin America</u> <u>(Audited)</u> <u>US\$ thousands</u>	<u>Europe</u> <u>(Audited)</u> <u>US\$ thousands</u>	<u>Adjustments</u> <u>(Audited)</u> <u>US\$ thousands</u>	<u>Consolidated</u> <u>(Audited)</u> <u>US\$ thousands</u>
For the year ended					
December 31, 2005					
Segment revenues	1,130,495	386,472	333,502	(109,752)	1,740,717
Segment results***	* 195,173	49,600	67,403	(3,183)	* 308,993

* Restated - see Note 1B(4).

** Includes amortization of goodwill on the acquisition of products and amortization of other assets arising on the acquisition of subsidiaries.

*** Includes amortization of goodwill on acquisition of products and amortization of goodwill and other assets arising on acquisition of subsidiaries.

B. Sales by geographic area

	<u>For the three months ended</u>		<u>For the</u> <u>year ended</u>
	<u>March 31</u> <u>2006</u> <u>(Unaudited)</u> <u>US\$ thousands</u>	<u>March 31</u> <u>2005</u> <u>(Unaudited)</u> <u>US\$ thousands</u>	<u>December 31</u> <u>2005</u> <u>(Audited)</u> <u>US\$ thousands</u>
Israel	29,131	28,777	110,163
Latin America	83,141	77,623	422,777
Europe	229,878	269,124	700,912
North America	100,146	95,314	308,798
Other	51,570	46,136	198,067
	493,866	516,974	1,740,717

Notes to the Financial Statements as at March 31, 2006 (Unaudited)

Note 3 - Additional Information

- (1) As part of the commitments of the Company and of its subsidiaries under agreements signed in September 2004, regarding a securitization transaction whereby trade receivables were sold to companies in the RaboBank International Group, the balance of the trade receivables sold for cash amounted, as at the balance sheet date, to \$ 202.1 million (March 31, 2005 – \$ 199.3 million, December 31, 2005 – \$ 146.5 million).

The maximum expected volume of the financial means available to the acquiring companies for the purpose of purchasing the trade receivables of the consolidated subsidiaries, is about US\$ 250 million, on a current basis, such that the amounts to be collected from customers whose debts were sold, will serve to purchase new trade receivables.

- (2) The Company and Milenia committed to indemnify financial institutions, upon the existence of certain conditions, in respect of credit received by Milenia's customers from those financial institutions and which was used for repayment of the debts of those customers to Milenia for sales made to them.

As at the balance sheet date, the amount of the liability to indemnify is \$ 91 million (December 31, 2005 – \$ 76 million).

- (3) On March 8, 2005, the Company's Board of Directors decided to adopt a new options' plan for officers and employees of the Company and its subsidiaries. Pursuant to the plan, 14,900,000 option warrants exercisable into up to 14,900,000 ordinary shares of the Company of a par value of NIS 1 each were issued on March 14, 2005. Of these, 2,500,000 options were deposited with a trustee for future distributions.

On March 8, 2006, the Company's Board of Directors decided to issue the balance of the above-mentioned options to employees. The fair value of the capital instruments granted is about \$ 3.7 million.

Under the plan, the options were issued to the offerees in accordance with the provisions of Section 102 of the Income Tax Ordinance under the Capital Track.

- (4) During the period of the report, NIS 1,823 thousand par value debentures (Series A) were converted into 190 thousand of the Company's ordinary shares of NIS 1 par value. Furthermore, in the current period \$ 13,000 thousand par value of the debentures that were allotted in March 2004 in a private placement to institutional investors (hereinafter – "the Debentures") were converted into 2,863 thousand shares of the Company of a par value of NIS 1. As a result of the conversion, as stated, the Company's shareholders' equity increased by about \$ 13.4 million.

- (5) On March 8, 2006, the Company's Board of Directors decided to make a change regarding the dividend distribution policy, such that commencing with the fourth quarter of 2005, a dividend will be distributed at the rate of 50% of the net earnings for the period.

In March 2006, the Company's Board of Directors resolved to distribute a dividend, in the amount of \$ 23.5 million, to be paid on May 31, 2006.

Subsequent to the balance sheet date, in May 2006, the Company's Board of Directors resolved to distribute an interim dividend, in the amount of \$ 28.8 million, to be paid on August 31, 2006. The amount of the dividend after deducting a dividend in respect of shares held by subsidiary is \$ 28,508 thousand.

Notes to the Financial Statements as at March 31, 2006 (Unaudited)

Note 3 - Additional Information (cont'd)

- (6) On November 14, 2005, the Company's Board of Directors decided to adopt a policy according to which the Company will act to buy back its own shares in the amount of \$150 million.

The decision of the Board of Directors provides different parameters for acquisition of the shares as stated above including, among others, acquisition in response to supply without creation of demand, limitations on the scope of daily acquisitions, price criteria and execution of off-market transactions.

The shares acquired will become dormant shares as long as they are held by the Company.

As at the balance sheet date, the Company holds 20,025,557 of its own shares, constituting approximately 4.4% of its total issued and paid-up share capital in the amount of \$107 million. As at May 8, 2006, the Company holds 22,073,886 shares.

Note 4 - Seasonality

Sales of herbicide products are directly related to the agricultural seasons and the cyclical pattern of the growing seasons and, therefore, the Company's revenues are not spread evenly throughout the year. Countries located in the northern part of the globe are all characterized by the same timing of the agricultural seasons and, as a result, sales made by these countries are usually highest in February through April. On the other hand, in the southern part of the globe the seasonal trends are exactly the opposite and most of the local sales are concentrated in the months August through November, except for Australia where most of the sales are made in the months April through July. The Company's worldwide operations act to balance out the above-mentioned seasonal impacts, notwithstanding the fact that most of the Company's sales are made in the earth's northern section.

