



August 7, 2008

## **Makhteshim Agan reports record Q2 2008 sales and profits and an increase in profitability**

- **Sales up 26% reaching a record \$682 million**
- **Crop protection sales up more than 28%**
- **Gross profit up 27% reaching a record \$239 million**
- **Operating profit up 36% reaching a record \$113 million**
- **Operating profit margin increased to 16.6% from 15.4%**
- **Net profit up 28% reaching a record \$69 million**

Sales in the second quarter were 25.8% higher reaching a record of \$682.3 million, compared with \$542.5 million in 2007. Crop protection sales were 28.3% higher compared to 2007. The growth in sales stemmed primarily from sales in Europe, which amounted to \$279.9 million compared to \$219.1 million in 2007, an increase of 27.8%, growth in South America which amounted to \$143.6 million, an increase of 49.6%, and growth in rest of the world which amounted \$85.9 million, an increase of 31.1%.

Sales in the first half of the year were 28.2% higher reaching a record of \$1,404.4 million, compared with \$1,095.7 million in 2007. The growth in sales stemmed primarily from sales in Europe, which amounted to \$619.9 million compared to \$486.5 million in 2007, an increase of 27.4%, growth in South America which amounted to \$291.0 million,

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an increase of 48.4%, and growth in rest of the world which amounted \$184.6 million, an increase of 49.4%

**Gross profit** this quarter totaled \$239.3 million compared to \$188.8 million in 2007. Gross margin increased to 35.1% compared with 34.8% in 2007. The increase in gross profit and gross margin stems mainly from volume growth, an increase in average selling prices and appreciation of the Euro. The increase in gross profit was partially offset by an increase in costs stemming primarily from the increase in oil prices, resulting in an increase of raw material prices and energy costs, and appreciation of currencies which increased production costs.

In the first half of the year gross profit was \$499.5 million, compared with \$381.1 million in 2007. Gross margin increased to 35.6% compared with 34.8% in 2007.

**Operating profit** for the second quarter was 36.0% higher reaching a record of \$113.4 million (16.6% of sales) compared to \$83.4 million (15.4% of sales) in 2007. In the first half of the year operating profit was \$247.3 million (17.6% of sales) compared with \$167.9 million in 2007 (15.3% of sales), an increase of 47.2%. The increase in operating profit and operating margin stemmed from an increase in gross profit and continued containment of operating expenses.

Operating expenses as percentage of sales dropped and amounted to 18.4% compared to 19.4% in 2007. In the first half of the year, operating expenses were \$252.2m (18.4% of sales) compared with \$213.2 million (19.4% of sales). This trend of continued decrease of operating expenses as percentage of sales stems mainly from sales' growth.

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## **EBITDA**

EBITDA during the second quarter was 29.7% higher at a record of \$134.3 million (19.7% of sales) compared to \$103.5 million (19.1% of sales) in 2007. In the first half of the year, EBITDA was \$289.7 million (20.6% of sales) compared with \$212.2 million (19.4% of sales) in 2007. The improvement in EBITDA margin stems from the increase in Company's operating profit.

**Net profit** during the second quarter was 28.3% higher at a record of \$68.8 million (10.1% of sales) compared to \$53.6 million (9.9% of sales) in 2007. In the first half of the year, net profit was \$159.7 million (11.4% of sales) compared with \$124.8 million (11.4%) in 2007.

Avraham Bigger, Chairman of the Board and CEO of Makhteshim Agan, said that "the Company reported Q2 record sales and profits. The crop protection market demonstrated significant growth during the first half of the year resulting from continuation of the positive trends that affect it. The increase in world population and a rise in standard of living, particularly in growth markets, result in continued good price levels of agricultural outputs and increased planted acreage, which in turn lead to strong demand of crop protection products. The solid farm economics and the strong demand for our products enable us to uphold our average selling prices which, together with continued cost containment, led to an improvement of the Company's gross profitability and continued increase of its operating profitability."

Ran Maidan, the Company's CFO, said that "the Company reported strong financial performance in terms of sales, gross profit and operating profit. Our gross profit margin increased to 35.1% compared to 34.8% in 2007. The improvement in gross profit

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stemmed mainly from an increase in our sales' volume and average selling prices, as well as significant appreciation of the Euro compared to 2007. Operating profit increased by 36.0% and reached \$113.4 million, and operating profit margins increased to 16.6% compared with 15.4% in 2007. The expansion of operating margin stems from the improved gross profitability and continued reduction of operating expenses as a percentage of sales. The quarterly increase in financing expenses did not stem from an increase in the Company's ordinary financing expenses but rather, from the appreciation of the NIS and increase in CPI which was mostly offset by hedging transactions affected by the Company."

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